

Abstract

Purpose – The aim of this paper is to consider empirical evidence on the strategic behaviour of rural SMEs compared to urban SMEs in times of difficult economic conditions. The authors build the paper from a theoretical discussion that suggests that there will be distinctive differences in SMEs' strategic behaviour across different settlement patterns, utilising resource-based and opportunity-based theoretical perspectives. This leads to three research questions which are concerned with three elements when comparing urban and rural SMEs; their characteristics, their performance and their strategic behaviours. The paper argues that the role and strategic behaviour of SMEs in the literature has been neglected.

Design/methodology/approach

Design/methodology/approach – For this study, the paper is able to draw upon a data set of 1,411 SMEs from an annual survey of New Zealand's SMEs. This is a national survey of SMEs and the paper has analysed the data to draw out distinctive differences with firms located in different urban or rural locations.

Findings

– The paper has shown that SMEs in independent urban areas/small town settlements have distinctive characteristics, performance and strategic behaviour. The important findings are that geographical location matters; that impacts of changing economic conditions cannot be assumed to be homogenous across economies and that SMEs across different settlement patterns will adopt different strategic response and behaviours.

Originality/value

– The paper provides an original contribution to knowledge through the following: a primary focus on the comparison of urban and rural SMEs' strategic behaviour in challenging and turbulent economic conditions, providing for the first time empirical evidence on the sustainability of rural SMEs in recessionary times compared to urban firms across three different locational settlement patterns; urban, independent urban and rural.

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