New Zealand Asia Institute

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The New Zealand Asia Institute (NZAI) undertakes research focusing on engagement with Asia, provides a forum for informed debates, and offers a bridge to Asia-related expertise and research within the University of Auckland.

International relationships and resilience of New Zealand's SME exporters during Covid-19

In New Zealand 97% of firms have under 20 employees and 12% of the population earn their living directly or indirectly from exporting, increasingly to Asia. This makes small to medium-sized enterprise (SME) exporters' resilience crucial. Disaster research worldwide shows networks boost resilience and it is also known that resource-strapped SMEs rely on personal cross-border networks. This is also the case in Asia, where market participants famously favour high-trust relationships.

The Covid-19 pandemic and global supply chain shock severely tested both resilience and network relationships. During and immediately after New Zealand's first national lockdown, over May–June 2020, researchers** interviewed managers from 14 New Zealand SME exporters in diverse industries (ranging from thriving agriculture to plummeting tourism), as well as industry experts.

The research findings showed firms fell into four categories which could be visualised as a square divided into quadrants, according to whether exporters had strong or weak pre-pandemic network relationships and whether export country market outlook was (relatively) positive or negative under Covid.

The weak relationships-negative outlook quadrant demonstrated least resilience. Overseas partners no longer returned emails or calls. If relationships broke down, SMEs either pursued less affected markets or existing channels, or tried improvising opportunistic alliances. One food manufacturer left China and refocused domestically. Many cut costs and restructured, propped up by the government Covid wage subsidy.

Exporters in the strong relationships-negative outlook quadrant proved more resilient. More long-term-oriented firms maintained communication, hoping for eventual market revival; and, to foster goodwill and trust, provided at least symbolic support. By leveraging strong pre-pandemic ties some even grew business. One fashion exporter, for example, successfully diversified within Asia after a long-term China partner helped the company secure extended payment terms.

Businesses in the weak relationships-positive outlook quadrant, including recent market arrivals or exporters with newish managers, fared unevenly. Only the best-placed saw resilience maintained. Several businesses were disrupted, likewise finding their emails and calls unanswered.

In contrast, companies in the strong relationships-positive outlook quadrant proved resilient. Most firms credited this to further strengthening their partners' trust, often communicating (by Zoom or WhatsApp) to ask after the health of individuals and their families rather than market developments. Some accommodated partners financially or helped them adapt to social distancing.

Overall, weak ties either broke or stayed weak, forcing firms to seek new, potentially opportunistic relationships until economic recovery. Strong ties grew resilience, and sometimes further ties, even under a negative outlook, and accelerated business model transformation.

At best, the crisis amplified pre-existing trust. While strong pre-crisis relationships did not guarantee resilience in hard-hit markets, they could be put on hold. Conspicuously absent were any differences in markets with greater differences in culture, laws and language, such as high-trust Asia.

Takeaways emerge for managers and policymakers: nurturing cross-border relationships through digital channels boosts resilience; and government should consider strengthening digital infrastructure and training SMEs to use it effectively.

**The full study results are available in an article authored by Benjamin Fath, Antje Fiedler, Noemi Sinkovics, Rudolf R Sinkovics and Bridgette Sullivan-Taylor: "International relationships and resilience of New Zealand SME exporters during COVID-19". critical perspectives on international business. Online 8 March 2021.

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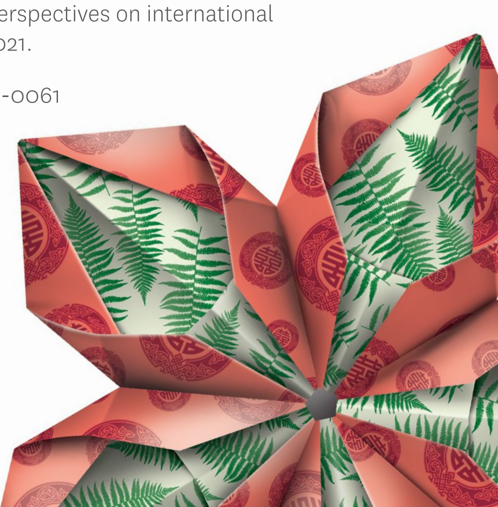

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