



**“Stay Home, Save SMEs”?: The Impact of a Unique Strict COVID-19 Lockdown on Small Businesses**

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**“Stay Home, Save SMEs”?:**

**The Impact of a Unique Strict COVID-19 Lockdown on Small Businesses**

## Abstract

**Purpose** – In exploring how small and medium-sized enterprises (SMEs) overcame COVID-19 restrictions by deploying their specific dynamic capabilities to pivot their business models, this article explains the novel approaches that SMEs take and how they have responded to the financial challenges that arose from the pandemic.

**Design/methodology/approach** – The article adopts a dynamic capabilities lens to explain: (1) the specific financial effects of the relatively ‘short’ (seven week) COVID-19 lockdown during March and April 2020 on SMEs; (2) the barriers they faced; and (3) how they overcame these barriers. The data were collected via semi-structured interviews with the owner-manager or a senior manager in each surveyed SME. The interview data was analysed using NVivo.

**Findings** – Analysis of the findings revealed five key **factors**: (1) the capability of SMEs to access external resources, especially entrepreneurial finance; (2) their ability to reconfigure resources and plan for the longer term, yet retain flexibility; (3) how entrepreneurial learning provided the capability to deal with the ‘unplanned’ events/uncertainty; (4) the importance of networking and sources of information; and (5) the remarkable optimism for a future recovery, despite the difficulties of the trading period.

**Originality** – This research fills a unique niche, as no previous studies have examined the resilience and dynamic capabilities of SMEs during a complete lockdown and business shutdown of this magnitude. This context, unprecedented in the history of modern economies, offers a new lens through which to understand the mechanisms of business survival and adaptation in times of severe disruptions. No previous studies have been conducted in unique circumstances during a time when SMEs were faced with a such a strict lockdown with travel and business completely shut down.

**Keywords** Financing SMEs, Dynamic capabilities, Strategy.

## Introduction

This study examines how small and medium-sized enterprises (SMEs) responded to a unique context in which a very severe lockdown was imposed by the Government of the study country. For example, it was draconian in comparison to other developed economies. The study explains how SMEs that were affected financially by the first (March-May 2020) draconian national Alert Level 4 lockdown (see Table 1) – which subjected all but the most ‘essential’ workers<sup>1</sup> within the economy to a ‘**stay at home order**’ and, for some, online working and/or study – overcame these specific severe restrictions. Eventually, a degree of normality returned, apart from at its international borders (until February 2022) as part of the Government’s eventually abandoned COVID-19 (SARS-CoV-2) ‘elimination strategy’.<sup>2</sup> Although this period of severe restrictions was shorter than most other developed nations, they were **unique and** unprecedented. The effects on businesses were predicted to be catastrophic. The **study country’s** Government’s wage subsidy scheme aimed to assist businesses with reduced revenue levels during the lockdown to protect employment and to alleviate businesses’ cashflow strain. Although the Government imposed various subsequent lockdowns with variable levels of restrictions in 2021 (for example in response to the Delta variant outbreak in the second half of the year), these are outside the scope of the current study but will be investigated further in the subsequent ongoing research study. The study focused on SMEs in **two regions– which are representative of diverse local economies and business sectors.** Many businesses in these two regions experienced disruption due to the shortages of skilled labour, high personnel (payroll) costs and supply chain disruptions. The authors have adopted Dynamic Capabilities theory to explain how local SMEs coped with and adapted to the 2020 national COVID-19 lockdown. The findings provide evidence about how well SMEs managed financially

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<sup>1</sup> Including supermarket workers but e.g. not butchers or bakers. Comprised: Accommodation and housing; Alcohol; Courier services; Essential non-food consumer products; Maintenance and safety; Pets and animal welfare; Food delivery and food banks; Supermarkets and dairies; Click and collect services for consumers (supermarkets only); Surveying; Transport; and Other services (Unite Against COVID-19, 2020).

<sup>2</sup> National (community) elimination was pursued by New Zealand, Australia, the People’s Republic of China, and some other smaller nations or territories.

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3 throughout the rapidly changing environment by deploying their dynamic capabilities. This study  
4 contributes to the existing literature by analysing and describing the process of how respondents  
5 responded to an unexpected exogenous shock to the economy. Prior studies are of relevance to crises  
6 in general and the pandemic specifically, i.e Business Model Innovation (BMI) in crises-facing  
7 hospitality firms (Breier *et al.*, 2021), Dynamic Capabilities (DCs) in maintaining SME performance  
8 during the pandemic (Dejardin *et al.*, 2022), a post-crisis recovery framework in light of the pandemic's  
9 impact on entrepreneurs (Sharma *et al.*, 2022), key strategies employed by family firms to adapt to the  
10 pandemic (Kraus *et al.*, 2020), and the strategic role of Information and Communication Technology  
11 (ICT) adoption (Wendt *et al.*, 2022). These studies suggest the way in which SMEs have been able to  
12 adapt to the pandemic to become more resilient through a variety of strategies, and yet further in-depth  
13 research is needed.

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15 From an economic perspective, the COVID-19 pandemic has triggered a unique and combined  
16 supply, demand and market shock in the economy of the study country. Globally, large and small  
17 businesses in sectors as diverse – yet fatally intertwined due to their, it transpires, (over)reliance on  
18 inbound international tourists – as tourism, hospitality, events, and air transportation have had their  
19 business models and cash flows mortally undermined in the short- to medium-term (KPMG, 2020).  
20 Consumer goods and retail firms around the globe also experienced higher than normal financial risks,  
21 especially those with a high supply chain exposure to China (Deloitte, 2020). These specific sectors  
22 have no doubt been affected almost universally negatively from a cash flow and revenue perspective.  
23 Yet, where some businesses have inevitably struggled and may not recover from the financial shock,  
24 others will likely adapt and thrive as a result. This study is driven by the central research question:  
25 "What are the factors that contribute to entrepreneurial resilience in SMEs in the context of an  
26 unexpected exogenous shock?"

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**INSERT TABLE 1 ABOUT HERE**

### Literature review and underpinning theoretical framework

To develop the study's theoretical framework, the authors draw in this section upon existing theories that can help to explain SME behaviour when faced with an unexpected exogenous shock to the economy that causes uncertainty and a steep downturn in economic activity. It is arguable that the exogenous shock associated with COVID-19 is different from anything that firms may have experienced previously or elsewhere, meaning that there is little existing knowledge that firms may draw upon, unlike the cases of a natural disaster, such as the Christchurch, New Zealand, 2011 earthquake, which may have the same effects on the local economy, but here there was some experience of previous responses and potential support that was implemented at the time. This consideration is important when considering, for example, SME access to networks which may provide information and support. SMEs are traditionally seen as resource-constrained, particularly in accessing finance (North *et al.*, 2013), compared to larger firms. However, SMEs are also more flexible than larger firms and may be able to respond to new opportunities more quickly by pivoting to different income streams (Ebben and Johnson, 2005). Larger firms may struggle to reverse strategies implemented in the face of a downturn (Shama, 1993), such as cost savings, closure of branches, loss of markets and retrenchment. Bearing these factors in mind, this section first considers potential actions that may be undertaken by resource-constrained SMEs in the face of an unexpected exogenous shock and its associated downturn in economic activity and increased levels of economic uncertainty.

First, SMEs may save costs by laying off staff or undertaking other direct cost-saving activities, such as delaying planned investments or expansion (as suggested by the literature on previous natural disasters, such as Dietch and Corey (2011); and Dolfman *et al.* (2007)). Second, SMEs may utilize indirect cost saving techniques such as bricolage (applying existing resources in different ways) or financial bootstrapping (such as drawing on extended lines of trade credit) (Deakins and Bensemann, 2019). Third, SMEs may reconfigure resources as suggested by dynamic capabilities theory (DCs), as discussed later in this section. This approach can enable SMEs to pivot to set up alternative income

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3 streams such as those associated with an improved online presence and a range of products and services  
4 (Teece, 2007). Fourth, SMEs may raise additional financial resources (borrowing to increase debt  
5 finance) to undertake ‘business as usual’ activities, such as keeping on skilled staff when business  
6 activity has declined, based on an assumption that the downturn in demand would be temporary and  
7 short term. Fifth, SMEs may seek to diversify to raise additional income streams from existing or  
8 alternative markets. Sixth and finally, firms may also undertake ambidextrous strategies that combine  
9 actions that save costs with those that seek additional sources of revenue (Lang *et al.*, 2014; Smallbone  
10 *et al.*, 2012).

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21 As indicated, context is important in influencing the actions of firms. The study took place with  
22 SMEs in a small export-oriented open economy with limited resources, especially skilled labour, and  
23 with limited domestic markets. In addition, it has a long-standing focus on primary sector production.  
24 In the light of this context, firms may seek to avoid laying off staff, knowing that there will be  
25 difficulties in recruitment and re-hiring in the so-called ‘bounce back’ environment when economic  
26 activity recovers. The institutional environment will form part of that context and will determine the  
27 extent of financial assistance, if any, from the national government and more local support from  
28 economic development agencies (EDAs). In the context of the country being studied, EDAs have an  
29 important role in the local economy. In the specific context of the local economy in which the study  
30 was undertaken, Priority One is an EDA that provides support to the businesses in the Study Region  
31 B. It has been suggested that the neglect of specific contextual influences constitutes a major gap in  
32 the literature (Zahra and Wright, 2011), this current study contextualizes its findings accordingly.

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Various studies have provided evidence on the experience of SMEs during the pandemic, for example microbusinesses’ survival strategies (Arslan *et al.*, 2022); ethnic minority businesses (Cowling *et al.*, 2021; Crick *et al.*, 2021; Kabir and Abubakar, 2022) with the first focusing on bank lending, the second on interfirm collaboration, and the third on their entrepreneurial orientation and survival. Fares *et al.* (2022) is the closest to the current study and takes a similar interview-based and

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3 qualitative approach. They make the point that there are two areas of concurrent research—one on  
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5 dynamic capabilities and one on entrepreneurial resilience, which is a useful way to classify the  
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7 additional emergent literature. Several focus on determinants of resilience (Fares *et al.*, 2022;  
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9 Martinelli *et al.*, 2018; Zahoor *et al.*, 2022), while the others consider how SMEs use DCs (i.e. more  
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11 of a strategic approach). Of those focusing on use of DCs, scholars have considered their importance  
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13 for SMEs during the pandemic (in this category are: Clampit *et al.*, 2022; Ozanne *et al.*, 2022; Páez *et*  
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15 *al.*, 2022; Zahoor *et al.*, 2022). The prior literature applying dynamic capabilities as a theoretical  
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17 framework to enhance understanding of the impact of COVID-19 on SMEs (Ashiru *et al.*, 2022;  
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19 Clampit *et al.*, 2022; Dejardin *et al.*, 2022; Dyduch *et al.*, 2021; Malewska *et al.*, 2021; Marco-Lajara  
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21 *et al.*, 2022; Rashid and Ratten, 2020; Zahoor *et al.*, 2022) has resounding complementarities with the  
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23 more established pre- and post-pandemic parallel literature on entrepreneurial resilience (e.g. Fares *et*  
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25 *al.*, 2022; Macpherson *et al.*, 2015; Manfield and Newey, 2018; Martinelli *et al.*, 2018). Ozanne *et al.*  
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27 (2022) notably link social capital (SC), DCs and resilience in revealing that SC can be converted into  
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29 organizational resilience via DCs with a particular emphasis on the distinctiveness of internal and  
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31 external SC in this process; while Martinelli *et al.* (2018) also link resilience, DCs and SC (the latter  
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33 which they class as the ‘formative dimensions of organizational resilience’ (p. 1222). Similarly, Ashiru  
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35 *et al.* (2022) provide empirical evidence on the role of DCs in relationships in SMEs in Nigeria during  
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37 the pandemic. Meanwhile, Clampit *et al.* (2022) found that SME performance could be predicted by  
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39 the extent of utilizing DCs; which is also supported by the evidence of Dejardin *et al.* (2022). More  
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41 generally, (Páez *et al.*, 2022, p. 1355) provide an analysis of different “configurations of DC  
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43 dimensions”) and specifically the way in which these configurations enhance SMEs’ “marketing and  
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45 technological capabilities.” These are important aspects that may help to explain how SMEs become  
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47 more resilient through the development of such capabilities. In researching resilience and DCs,  
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49 (Golgeci *et al.*, 2023) also found that ‘leveraging multiple networks’ enabled SMEs to survive the  
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51 pandemic, and thus has synergy with several other studies cited above.  
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3 Prior research on the impact of the COVID-19 pandemic on SMEs has included various studies  
4 focusing on the following aspects: (i) government support (Belghitar *et al.*, 2022; Kabir and Abubakar,  
5 2022); (ii) economic effects (Belitski *et al.*, 2022; Pedauga *et al.*, 2022) (iii) financing (Calabrese *et*  
6 *al.*, 2022; Cowling *et al.*, 2021; Yang Liu *et al.*, 2022; Yun Liu *et al.*, 2022; Wellalage *et al.*, 2022);  
7 (iv) business models/business model innovation (Clauss *et al.*, 2022; Crick *et al.*, 2021); and (v)  
8 challenges and recovering from the pandemic (Sharma *et al.*, 2022). The current study also contributes  
9 to the literature on DCs and entrepreneurial resilience by linking these two theoretical domains in the  
10 context of the impact of the somewhat stricter lockdown policies in the study economy, which also  
11 had its international borders sealed as part of an eventually abandoned elimination strategy.  
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### 27 *Theoretical explanation of SME action*

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29 A resource-based view (RBV) (Barney, 1991) takes the approach that the abilities of firms to respond  
30 to increased uncertainty, associated with an exogenous shock, will depend on access to human capital,  
31 especially skilled labour, sources of risk capital and intellectual capital through relationships developed  
32 with external networks (Teece, 1996). The RBV regards the firm as a unique bundle of tangible and  
33 intangible resources (Wernerfelt, 1984), and successful firms acquire and maintain assets valuable for  
34 creating sustainable competitive advantage. However, the RBV is a static concept, whereas it is  
35 necessary to consider how a firm can develop the capability to adapt to changing environments over  
36 time through a dynamic capabilities (DCs) approach (Teece, 2007). This aspect is particularly relevant  
37 for SMEs, who will need to respond quickly to adverse conditions, being dependent on limited  
38 resources and cash reserves. Importantly, DCs refer to a firm's capabilities to respond to opportunities  
39 and threats and to reconfigure its resource base (Barreto, 2009).  
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55 A firm may also be able to call on external resources from local or wider networks (Fang *et al.*,  
56 2017; Gulati, 1999), and social network theory, which is a closely aligned approach based on the RBV,  
57 suggests that the nature of a firm's social networks can influence the resourcefulness of firms through  
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3 their ability to add value to their social capital (Fitjar *et al.*, 2013). SME responses will also depend on  
4 their capabilities to learn from their experience during the extent of the downturn, to absorb  
5 information and to learn from others (Anderson *et al.*, 2010). This goal will be achieved by knowledge  
6 acquisition, assimilation and implementation through the process of entrepreneurial learning.  
7 Entrepreneurial learning can be viewed as an important component of absorptive capacity (Politis,  
8 2005) and hence DCs. These factors help to determine the capability of SMEs to survive and (later)  
9 respond to new opportunities. For example, they may gain knowledge and understanding of alternative  
10 sources of finance, markets and reconfigure resources to exploit new opportunities more effectively.  
11

12 This discussion of the underpinning theoretical framework allows a categorization of the earlier  
13 consideration of potential SME actions in the following ways:  
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15 Pragmatic action-based solutions: this category covers actions such as direct cost savings or  
16 cancelling planned investments.  
17

18 Actions that maintain resources: this category covers actions that delay reductions or preserve  
19 resources including actions such as financial bootstrapping and bricolage, utilizing state financial  
20 support to retain skilled labour.  
21

22 Reconfiguring resources, including raising alternative and additional sources of finance in order  
23 either to secure to alternative income streams, or to maintain 'business as usual' activities as  
24 suggested by DC theory.  
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26 Utilizing networks: this category covers actions such as seeking and obtaining information on  
27 markets and resources and may lead to be more long-term patient action.  
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29 Longer term actions that include entrepreneurial learning from 'dealing with the crisis',  
30 implementing contingency plans, absorbing and assimilating additional knowledge.  
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3 While more comprehensive global research on COVID-19 lockdowns will take time to be reviewed  
4 and released, professional reporting on the lockdowns and proposed strategies for recovery have so far  
5 been more commonplace. Many of these reports are released from a practical perspective which,  
6 though they are lacking in peer review or formal referencing, are also more likely to be read and  
7 absorbed by SME owner-managers and other managers. McKinsey and Company, a consultancy,  
8 released a report including five strategies for businesses to recover from a lockdown. Notable strategies  
9 included addressing cash management issues, creating detailed financial plans and gaining a better  
10 understanding of environmental and social factors affecting the firm (Sneider and Sternfels, 2020).  
11 This study explores how SMEs managed throughout the unprecedentedly difficult time during the  
12 lockdown. Thus the central research question is: "What are the factors that contribute to entrepreneurial  
13 resilience in SMEs in the context of an unexpected exogenous shock?"  
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## 30 Methodology

### 31 *Research design, population and sample*

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33 This study aims to explain how local SMEs coped with and adapted to the COVID-19 lockdown in the  
34 study country primarily from a financial perspective as they adapted their business models and became  
35 more resilient by enhancing their dynamic capabilities. Thus the study had two research objectives:  
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42 RO1: to explain how firms were able to respond.

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44 RO2: to explain responses and measures taken to improve resilience.  
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46 The data were collected via semi-structured interviews with the owner-manager or a senior manager  
47 in each surveyed SME. The interview data was qualitative in nature, with some minor quantitative data  
48 collected mainly for classification purposes. Three main factors were explored with the SME owner-  
49 managers concerning their lived experiences during and after the lockdown. First, the measures they  
50 took during the lockdown in the areas of cash flow management, revenue generation, cost management,  
51 employment considerations and risk management. Second, how each SME reimagined the post-  
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lockdown recovery process in four key strategic areas: (1) revenue recovery; (2) restarting operations; (3) rethinking the small firm; and (4) the adoption of digital technologies and solutions (especially in terms of business model adaptations). Third, the budgeting, forecasting and strategic planning functions within each SME and how these functions changed during and after the lockdown. Beyond these key factors, some minor factors were explored, such as the Government's response to the lockdown from each SME's perspective, and their non-financial reflections on – or changes made – within the SME during and after the lockdown. The intended population of the study, which acted as the sampling frame, included SMEs in the two regions (Study Region A and B) that were actively operating during the first March-May 2020 COVID-19 lockdown.<sup>3</sup> Due to the relatively small economy of the study country (compared to other developed economies), most local businesses would be deemed as SMEs based on international definitions. The key metric used to determine size was the SME's annual turnover, which for all but one of them was below US\$14 million. A wide range of all other measures were collected, such as business age, industry, business structure and the number of full-time equivalent employees (FTEs). As one of the researchers was based in Region A and two in Region B,<sup>4</sup> all participants were located within the two study regions. Due to the regional disparities and economic differences within the country being studied, the findings represented business operating in the aforementioned regions rather than of those elsewhere. Although the researchers originally sought to interview up to 25 local businesses, only 17 were interviewed: comprising 10 and seven SMEs in the respective regions. However, these interviews provided adequate data saturation, since no new data codes were created when researchers analysed the final three interviews. Extant research suggests that the absence of new data points in those later processed interviews is indicative of adequate data saturation (Dai *et al.*, 2019). The interviews were carried out by two of the authors, were transcribed, and then analysed using the Nvivo software.

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<sup>3</sup> Since SMEs in the most populous region were not interviewed in this study, the first lockdowns (Table 1) are the focus of this article, and not the subsequent lockdowns.

<sup>4</sup> And one co-author based overseas.

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3 The authors interviewed 12 business owner-managers from **Region A** and 10 from **Region B**. One  
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5 can expect both of these regions to be more resilient in relation to the Government's COVID-19  
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7 restrictions than other regions because they are less reliant on international travellers and have strong  
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9 primary (e.g. dairy and fruit producing) sectors. Sample selection bias in choosing participants was  
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11 avoided by including businesses that failed during and immediately after the lockdown in the sampling  
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13 frame. In practice, however, this approach was difficult to achieve, as no failed businesses were found.  
14  
15 Indeed, it is possible that many businesses made 'vulnerable' due to COVID-19 and the lockdown  
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17 have yet to close as an unexpected side effect of the wage subsidies issued by the government that may  
18  
19 be propping up "zombie firms"<sup>5</sup> (i.e. businesses continuing beyond their natural failure date  
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21 (Urionabarrenetxea *et al.*, 2018)).  
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26 The proximity to the first lockdown and the short time span of the interviews conducted may also  
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28 have a mitigating effect. The prevalence of sample selection bias in SME studies may cause a risk to  
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30 research inadvertently excluding data collected from failed firms. Reaching or contacting potential  
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32 participants was straightforward, which is a potential indication of failed businesses being missed from  
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34 data collection (Schrank *et al.*, 2013). Another factor considered was the potential for response bias, a  
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36 specific risk when collecting qualitative data, but following careful analysis of the interview data, there  
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38 was a similar incidence of positive to negative responses indicating a lack of response bias.  
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42 *Qualitative questionnaire development:* The interviews followed a set list of questions dictated by  
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44 a template questionnaire. The qualitative nature of the data collected necessitated the interviewer, on  
45  
46 occasion, to ask further 'probing' questions to prompt additional information from participants as  
47  
48 required or to explore other data points. The specific wording of questions was flexible and the  
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50 interviewer was allowed to change this wording as required to fit participant knowledge and cultural  
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52 or social norms, which was important to ensure that the information received was similar, as specific  
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58 <sup>5</sup> It is, however, conceivable that some such "zombie firms" may have failed subsequently due to the later nationwide Alert  
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60 Level 4 lockdown due to the Auckland Delta variant outbreak in 2021.

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3 words and terms have different meanings depending on the perspective of each listener. In keeping  
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5 questions fluid and specific and words interchangeable, misinterpretation of the questions was  
6  
7 minimized to ensure more accurate data from participants. This approach to questioning also allowed  
8  
9 better quality responses in relation to the questions on cash flow management and strategic planning,  
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11 as it increased the accuracy of the measurement of qualitative functional elaboration within firms  
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13 (Wilkerson and Bassani, 2020). While participants might not believe they have a structured or official  
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15 process in place for forecasting, for example, allowing qualitative responses and flexibility in the  
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17 posing of questions allowed explanation from the responses of whether more informal iterations of  
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19 such processes were, in fact, present in the firms. The questionnaire was divided into three sections to  
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21 reflect the main **factors** to be explored: (1) business impact; (2) recovery; (3) budgeting; and finally,  
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23 an auxiliary section containing quantitative classification questions such as business turnover, structure  
24  
25 and industry type.  
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31 The analysis of the interview data was guided by the six-phase thematic analysis framework  
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33 proposed by Clarke and Braun (2013). After the interviews were transcribed, the researchers  
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35 familiarized themselves with the data by reading and re-reading the transcripts, noting initial ideas.  
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37 Initial codes were then generated from the data, with the researchers systematically coding interesting  
38  
39 features of the data across the entire data set. These initial codes were collated into potential factors  
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41 (rather than themes), which were then reviewed in relation to the coded extracts and the entire data set.  
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43 These factors were refined, defined, and named during this review process. The final phase involved  
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45 weaving together the analytic narrative and data extracts, and contextualizing the analysis in relation  
46  
47 to the existing literature. The use of the NVivo software package facilitated the coding and  
48  
49 development process of the factors. This rigorous approach to data analysis ensured a thorough and  
50  
51 systematic analysis of the data, enhancing the validity of the findings and thus rigorously revealing the  
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53 five key factors that are at the core of the contribution of this study.  
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## Findings

### *Characteristics of SMEs*

The findings of the initial classification questions for each participant are displayed in Table 2 (i.e. questions in the later sections of the questionnaire that contained quantifiable information; these are all presented separately for the period after the lockdown and the period before the lockdown): (1) Confidence in the future success of the business on a scale of 1 to 10 (lowest to highest); (2) Total FTEs in the SME; (3) Percentage change of FTEs; (4) Change in confidence as an integer difference; and (5) The number of FTE wage subsidies from the Government (the maximum number available was three, conditional on financial qualifying factors).

Table 2 provides an overview of the SMEs' demographic characteristics that can be compared to the overall expected population. Indeed, several changes before and after the lockdown were notable such as a small increase in total FTEs across all seventeen SMEs, slightly declining business confidence but some evidence of confidence. Third, just over half of the participants had received wage subsidies from the Government, with one participant receiving wage subsidy payments twice and another participant receiving the payments three times. Fourth, the sample included ten unique industry sectors, as well as businesses with all major legal status. The analysis of the qualitative responses was completed by converting specific information to data codes to form an overall generalized structure of responses. Files relate to the number of participants that referenced the code in their interview and references relate to the total number of references made to the code across all responses and participants.

**INSERT TABLE 2 ABOUT HERE**

### *Analysis of SMEs' actions*

The dynamic capabilities framework (Teece, 2007) helps enhance understanding of how SMEs respond to exogenous changes by sensing and understanding opportunities and becoming more resilient by adapting their business model including through evidence of their ambidextrous strategies involving cost-saving on the one hand and additional revenue raising on the other (Lang *et al.*, 2014; Smallbone *et al.*, 2012). Now follows a discussion of how the interview participants have each explained their actions. This category covers actions such as direct cost savings or cancelling planned investments. There are 35 references to pragmatic actions by the research participants. The following managers' comments indicated that they found ways to cut costs and to increase operating efficiency.

- The shoestring: *"So how we combatted that was we just run the business on a shoestring basically for that period and trimmed out anything we didn't need."* (A01)
- The admin diet: *"So what we did was we cut out more fat in the system in relation to administration; we knew we could do that better."* (A01)
- The no-fly Zoomer: *"So I used to spend half my life on planes to Wellington. I've been down once since lockdown. Everyone is having to do Zooms. I never would have, and personally, it was probably in my head, I thought I needed to be in the room, when actually I found that, so that's been a massive expense saved as we spent a lot on flights anyway. And it's been great to cut that."* (A11)

Actions that maintained resources covered actions that delay reductions or preserve resources including actions such as financial bootstrapping and bricolage, utilizing state financial support to retain skilled labour. Such actions can be seen as maintaining resources. The authors found 15 references by the research participants to such actions. Most of the managers indicated that they had not considered cutting salaries. Staff retention was the most important consideration while making cost cutting decisions.

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- 3 • The Rent Relief: *“And then there's a few things because we got some rent relief.”* (A02)
- 4
- 5 • The Full Monty: *“And so we stripped everything out. Without touching salaries, we stripped,*
- 6 *stripped everything out.”* (A05)
- 7
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- 10 • The Talent Retention: *“I think the biggest for us is also retention of our good people. You know,*
- 11 *we invest a lot into our people. And it's why it hurts when they when they go and, it's good for*
- 12 *them. You know, don't get me wrong, but it is sad to see them on.”* (A03)
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- 15 • The Pay Thaw: *“The board agreed to continue paying everyone their salary, even though*
- 16 *obviously, the pharmacists were less busy.”* (A11)
- 17
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- 19 • The Subsidized Workforce: *“We were fortunate to be able to access the wage subsidy, which*
- 20 *assisted us greatly during with cash flow during that time, we also effectively increased our*
- 21 *overdraft for a period of time, but we haven't hit two access that additional loan facility.”* (B01)
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30 These actions included raising alternative and additional sources of finance in order either to secure  
31 alternative income streams, or to maintain ‘business as usual’ activities. A total of 20 references  
32 by the managers to such actions were identified. These managers indicated that they actively  
33 searched for alternative financing sources and that governmental funding was a major source of such  
34 finance.  
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- 42 • The Stream Diversifier: *“I think that's probably businesses adapting to different income*
- 43 *streams.”* (A08)
- 44
- 45 • The Cash Flow Modeller: *“So we got some regional growth funding to provide us some cash*
- 46 *flow modelling.”* (A03)
- 47
- 48 • The Disinterested: *“We also took the interest free loan.”* (Small Business Cashflow Scheme).
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- 50 (B09)
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- 52 • Government Support: *“I had to get the government loan”* (B10)
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3 • The Free Vacation: *“then we've got payment holiday for three months for the loan, so that*  
4 *helped quite a bit.”* (A02)  
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- 7 • The Overdrawn: *“We were fortunate to be able to access the wage subsidy, which assisted us*  
8 *greatly during with cash flow during that time, we also effectively increased our overdraft for*  
9 *a period of time, but we haven't hit two access that additional loan facility.”* (B01)  
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16 Longer-term actions include entrepreneurial learning from ‘dealing with the crisis’, implementing  
17 contingency plans, and absorbing and assimilating additional knowledge to increase absorptive  
18 capacity. There were 25 references by managers to such actions, as they indicated that they  
19 explored new technologies during the lockdown and, additionally, they expect to implement those  
20 technologies over the longer term.  
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- 28 • The Indigenous Opportunities: *“We learnt a bit more for sure. Because there's a lot of*  
29 *opportunity from Te Waka [the Māori EDA of the Waikato Region]. Because we've got like*  
30 *some funding and stuff from them as well.”* (A02)  
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- 33 • The Upskiller: *“And I've also gained extra qualifications as well to support my clients in*  
34 *different ways.”* (B10)  
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- 37 • The Innovation Trigger: *“Probably the consumer demand has also forced the team to develop*  
38 *new products and get them out quicker to market. So if anything its probably accelerated,*  
39 *where they're going and what they're wanting to do. And actually, from an innovation*  
40 *perspective, it's made them look at innovation.”* (A05)  
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- 48 • The Crowdfunded Strategy: *“And the crowdfunding campaign really was the first strategy, like*  
49 *crowdfunding is not a strategy. Crowdfunding is a tool, that allows the strategy, but we couldn't*  
50 *have couldn't have done it as if we didn't have the strategy and a plan ready to go. And we had*  
51 *made many of those decisions. And I think the silver lining for us with COVID is that it gave*  
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3 us the time to be able to, to do that strategizing without being bombarded with this 'business  
4 as usual' thing that we were only just keeping up with and we've laughed." (B09)

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8 • The Segway'd Platformer: "we've strategically planned this next move with the technology  
9 platform. And now working towards that, too. I'm not sure that that's a COVID response. I  
10 think we were ready to do that anyway. And the COVID part was that we created space for us  
11 to do the strategizing. Get that project, firstly funded and underway. But I don't know that we  
12 did that because of COVID. We did it because we are ready to take that on." (B09)

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21 'Utilizing networks and sources of information' covers actions (seeking and obtaining information  
22 on their markets and resources) and may lead them to undertake more long-term patient action. A  
23 total of 11 references by managers to such actions were found, as they indicated that they developed  
24 new partnerships and they developed long term opportunities from such networks.

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31 • The Reinvigorated: "I'd say the partnership is engaged in significantly increased activity,  
32 which resulted in a significant increase in turnover or sales. But I don't think we would describe  
33 our partnership in terms of sales in the traditional sense. But certainly within the last year, I  
34 would say that there has been a marked increase in activity compared to the previous year."  
35 (A05)
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42 • The Loadsamoney: "I almost feel like COVID and lockdown has boosted my industry like many  
43 of my friends who are doing the same thing, are making a lot of money. And because of the  
44 lack of connection that we all had through COVID, ... after the lockdown more people were  
45 wanting to come together so I actually feel like I'm more connected with different opportunities  
46 and different people to work with now, more than ever." (B10)
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53 • The Gangbusted: "Honestly, it's just going gangbusters. So they specialize in, obviously,  
54 biking. So people are out and about health wise. Last year turnover was about 1.5m. This year,  
55 it's gonna be about 7 million." (B04)
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3 • The Lockdown Windfall: *“I was definitely earning more this lockdown compared to the*  
4 *previous year because I had already locked in so many clients who are paying off payment*  
5 *plans. So my business was actually doing better.”* (B10)  
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10 The pivoted income streams code was mentioned by 10 of 17 participants, indicating that the  
11 majority of SMEs attempted to pivot income in some form or another. Not all pivots mentioned  
12 were successful, nor were they long-term sources of income. The success of the pivots to income  
13 were largely influenced by the flexibility in business. The importance of flexibility was mentioned  
14 by nine of 17 participants, indicating a belief in the importance of business flexibility.  
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22 Planning has also played an important role in economic recovery. Both higher level and  
23 conservative planning were reported by 10 SMEs. The higher-level planning code incorporated a  
24 wide range of forms, types and levels of formality of planning, but the common factor was that the  
25 SMEs took a step back from the day-to-day operations to look at the wider business view. A further  
26 common factor among these SMEs was that the lockdown afforded them the time to undertake this  
27 planning, whereas before they would not have had the opportunity to do so. Second, the  
28 conservative planning code was largely a result of planning specific to the lockdown, although  
29 some participants here indicated that conservative planning was a part of their business structure  
30 even before the lockdown arose.  
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42 A common emergent factor was the idea of a contingency fund or reserve account that held a  
43 multiple of monthly regular costs in a cash account, which was created by some SMEs as part of  
44 worst-case planning during the lockdown, whereas others already had a fund in place beforehand.  
45 Regardless, the creation of such a fund or at least the processes and exercises leading up to the  
46 creation of such a fund was likely to have had a positive impact on income recovery for these SMEs  
47 after the lockdown.  
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3 Finally, the Government response to the lockdown was overall a popular point of discussion,  
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5 with 15 of 17 participants expressing an opinion or observation relating to the Government  
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7 response. In the Government response category, participants were asked to comment on border  
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9 closure policy, management of lockdowns and overall Government responses. Within the  
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11 Government Response category, sentiment was broadly negative with 96 negative references  
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13 recorded compared to only 40 positive references. Many participants referred to lack of confidence  
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15 in the Government's policy direction.  
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## 21 Discussion

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23 This study addresses the resilience of New Zealand's SMEs during the COVID-19 lockdown,  
24  
25 shedding light on how businesses adjusted their models to ensure survival. Mirroring the findings  
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27 of García-Carbonell *et al.* (2021), this investigation underscores the interplay between rational and  
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29 intuitive decision-making processes during crises. Additionally, paralleling Sharma *et al.* (2022),  
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31 the authors find evidence of enhanced innovation in the face of adversity, contributing to greater  
32  
33 sustainability and resilience. These insights illuminate the vital role of dynamic capabilities in  
34  
35 enabling SMEs to weather unforeseen challenges, providing valuable implications for future  
36  
37 research and policy-making to bolster the SME sector during crises.  
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42 To answer the central research question, the authors have identified five key factors from the  
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44 analysis of the data which are represented on the theoretical framework (Figure 1 below). The first  
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46 is the capability of SMEs to access external resources especially finance. Indeed, a strong  
47  
48 relationship is apparent between planning and recovery. The findings indicate that participants who  
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50 executed conservative or higher-level planning were more likely to recover income levels after the  
51  
52 lockdown. This finding is supported widely by the research mentioned in the literature review,  
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54 where the presence of more formal and sophisticated planning measures increased the likelihood  
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56 of financial success and is an indication of the capability to respond by reconfiguring resources.  
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**INSERT FIGURE 1 ABOUT HERE**

Based on the variability and types of planning mentioned, it can be summarized that a certain level of financial knowledge in planning and forecasting would be required to realize the benefits of dynamic capabilities and implement the planning and recovery strategies used by the interview participants in the lockdown. This point was raised by Lavia López and Hiebl (2014) in their literature review, where a lack of this critical financial knowledge resulted in decreased use of formal management accounting processes in the business.

An important concept raised by several participants was the idea of creating and managing a contingency fund that could cover a multiple of standard business monthly expenses in the event of a theoretical worst-case scenario. Small businesses that created or managed something similar to a contingency fund throughout the lockdown as part of their conservative planning function were also more likely to recover income levels after the lockdown. It could be suggested that presence of this fund allowed these businesses to operate more akin to a larger firm with larger cash flows, affording them the confidence and resources to better plan over the lockdown as mentioned by Baños-Caballero *et al.* (2010) in their research.

A second key factor was the participants' ability to reconfigure resources and plan for the longer term, yet retain flexibility. A strong relationship was observed between the importance that small businesses placed on flexibility and the recovery of income levels after the lockdown. The flexibility mentioned by these participants specifically related to the freedom and ability to make quicker decisions and turn the small business in other directions in an agile and timely manner. In close alignment with the DC literature in SMEs, this factor highlights that formality of processes often comes rigidity that would likely inhibit business flexibility. However, the importance of the ability to switch in adverse financial circumstances was highlighted to an extent in the Becker *et al.* (2016) study, and these small businesses had greater flexibility that would require more active

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3 management and observation of the business environment. This capability could give some further  
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5 explanation to the relationship with income recovery, as active working capital management has  
6  
7 been noted as a determinant of financial success in the study by Padachi and Howorth (2014). As  
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9 for how business flexibility could be achieved with a more formal management accounting process  
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11 in place, the wider availability of various techniques may have been afforded from greater  
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13 knowledge of formal accounting practices as suggested by Peel and Wilson (1996) to give  
14  
15 management more options when making decisions for the small business.  
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20 Overall, these two related factors highlight a greater issue that has been mentioned in the prior  
21  
22 research, which is that there is a tangible barrier to a firm's ability to implement these planning  
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24 and flexibility strategies that is caused by the availability or prevalence of financial knowledge in  
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26 sophisticated cash flow management and planning techniques. This capability is also a common  
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28 factor amongst the majority of research mentioned in the literature review, and especially so in the  
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30 prior research (Lavia López and Hiebl, 2014; Padachi and Howorth, 2014), and highlighted the  
31  
32 important need for small firms to have dynamic capabilities during and after the lockdown that  
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34 enabled them to (1) access external resources especially finance; and (2) reconfigure resources and  
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36 plan for the longer term, yet retain flexibility.  
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41 The third and fourth significant factors noted was the entrepreneurial learning and capability  
42  
43 to deal with the 'unplanned' events/uncertainty, and the importance of networking and sources of  
44  
45 information. These factors perhaps resulted in the business change observed or expected by a  
46  
47 majority of participants interviewed. An unprecedented event such as this is expected to generate  
48  
49 significant disruption, not only in the short term but often into the future. This finding was also  
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51 observed by Danske Bank and Ernst & Young (2009) in their report on the 2008-2009 global  
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53 financial crisis, where some of the changes made by firms in reaction to the crisis were not  
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55 immediately reversed post-crisis. This aspect is an important function of the markets, as the ability  
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57 to adapt to these significant shifts in industries is key to business survival. Businesses that are  
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3 unable to make the transition will eventually fail, creating space for innovation and new  
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5 competition, and hence entrepreneurial learning, responding to uncertainty, and the capability of  
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7 accessing social capital and information are critical to responding to such crises.  
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10 The negative sentiment directed towards the Government response to COVID-19 was in  
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12 contrast to the rhetoric of national media and anecdotal feedback from the general public which  
13  
14 has been mostly positive to date. However, given that SMEs are at the 'coalface', then they were  
15  
16 more likely to be more critical than the wider population who had dissonant views and perceptions  
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18 at that time. Amongst the negative sentiment, the prevailing concerns were the economic  
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20 implications of the lockdown for SMEs and the burden of the Government restrictions on small  
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22 business.  
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26 Finally, the fifth factor was the remarkable optimism for the future recovery despite the  
27  
28 difficulties of the trading period. In other words, the participants largely viewed 'the COVID  
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30 response' as a constraining factor, whereas their own actions – underpinned by key dynamic  
31  
32 capabilities – enabled them to pivot their business models, access and reconfigure resources  
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34 through networking, information access and entrepreneurial learning and, therefore, enable the  
35  
36 future prospects of their own SMEs. Beyond survival and cost reduction changes made by small  
37  
38 businesses, an observed acceleration of fundamental changes already underway in many industries  
39  
40 has been actioned. Some of the key examples of this phenomenon is the integration of digital  
41  
42 operations and a shift to the ability for staff to work remotely. These observed changes have not  
43  
44 been exclusively financial either. Several societal changes have also been accelerated in the  
45  
46 lockdown, such as a reconciliation of work-life balance and an increased flexibility of staff work  
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48 hours and locations. As detailed by Moneva-Abadía *et al.* (2019), these non-financial metrics may  
49  
50 also have positive financial implications for small businesses that are early adopters. The resilience  
51  
52 demonstrated by SMEs through proactive planning and reconfiguring resources has parallels with  
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54 the findings of Emami *et al.* (2022), who also highlighted the instrumental role of dynamic  
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3 capabilities in SMEs' responses to the COVID-19 crisis. Breier *et al.* (2021) similarly emphasized  
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5 the strategic importance of crisis management and financial planning, and this study adds to this  
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7 understanding by demonstrating the role of such strategies in facilitating SMEs' recovery of income  
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9 levels post-lockdown. In line with the findings of Dejardin *et al.* (2022), this research study  
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11 acknowledges the significance of financial knowledge and formal management accounting  
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13 processes in steering small businesses through tumultuous periods. This study also corroborates  
14  
15 the findings of Sharma *et al.* (2022) on the importance of entrepreneurial learning, networking, and  
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17 information sources as mechanisms to navigate and respond to unplanned events and uncertainties.  
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19 Further, the concept of managing a contingency fund, a prominent factor in this research study,  
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21 resonates with the prior findings of Kraus *et al.* (2020) and Wendt *et al.* (2022). These studies  
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23 discussed the role of prudent financial management in safeguarding small businesses during crises,  
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25 thereby substantiating the current article's argument that such a fund could provide businesses with  
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27 greater flexibility and the ability to plan effectively during lockdowns.  
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### 35 **Conclusion and implications**

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37 In conclusion, this study draws upon the comprehensive theoretical framework that has been  
38  
39 extensively discussed in the literature review section. This research is grounded in the theories of  
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41 dynamic capabilities (Teece, 2007), entrepreneurial learning (Politis, 2005; Wang, 2008), and  
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43 optimism (Storey, 2011). The study offers a comprehensive examination of resilience amongst  
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45 SMEs. This fusion of theories has provided a robust framework, enabling the analyses to delve into  
46  
47 the multifaceted nature of resilience, particularly in the face of unforeseen external shocks such as  
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49 the COVID-19 pandemic. Each of these theories plays a key role in shaping contemporary  
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51 understanding of the adaptive and proactive mechanisms that characterize resilient SMEs,  
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53 effectively guiding this analysis and the authors' interpretation of the research findings.  
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3       **Implications for policy and practice are revealed by this study's five key factors.** Overall, whilst  
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5 many of the interviewed businesses have struggled financially, most emerged from the lockdown  
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7 stronger from a business perspective given their ability to pivot their business models via their  
8  
9 dynamic capabilities for five key reasons. First, the SMEs possessed a capability to access external  
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11 resources especially finance. Second, they were able to reconfigure resources and plan for the  
12  
13 longer term yet retain flexibility. Third, they adopted entrepreneurial learning and a capability to  
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15 deal with the 'unplanned' events/uncertainty. Fourth, they recognized and acted on the importance  
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17 of networking and sources of information. **Indeed, these four key factors suggest the need for**  
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19 **support for SME workshops to share lessons and entrepreneurial learning experience and to**  
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21 **disseminate knowledge on entrepreneurial resilience.** Fifth and finally, they had remarkable  
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23 optimism for the future recovery, despite the difficulties of the trading period. Storey (2011) has  
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25 highlighted the critical importance of optimism in the contemporary understanding of the small  
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27 business sector. Whilst some might ascribe the lockdown itself as an explanatory factor in the  
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29 outcomes for these SMEs, it is counter-intuitively clear that they had a combination of their own  
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31 dynamic capabilities and an optimistic disposition that enabled them to deploy these capabilities –  
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33 as enablers – and thus respond to the constraining factors imposed by the lockdown in an effective  
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35 manner. It is the agency of the individual entrepreneurs and owner-managers, which was bolstered  
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37 with optimism, that explains why they undertook the measures needed. Other business owners,  
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39 perhaps with a more pessimistic disposition or faced with unsalvageable financial circumstances,  
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41 instead did not take the necessary actions or – even worse – closed their businesses. In the case of  
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43 the participants of this study, **which we now finally reveal to be set in the South Pacific former**  
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45 **colonia nation of Aotearoa (New Zealand),** it is plausible to speculate that a hitherto unexplored  
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47 and highly unique contextual phenomenon in the literature – “Kiwi optimism”, a disposition  
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49 exhibited by Māori people whose ancestors either arrived against incredible odds by waka (canoe)  
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51 or, later, European boats, and even later as migrants from the South Pacific Islands, China, India,  
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3 South Africa, the Philippines, and elsewhere – explains how they were able to deploy their dynamic  
4 capabilities in an agentic way in the face of incredible adversity. Agency is, therefore, key here –  
5 the authorities locked down; the businesses were able to act and deploy their DCs because of their  
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10 Kiwi optimism.

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12 Several limitations in this research study must be noted. As noted earlier, great care has been  
13 taken to limit response and sampling bias in the collection of data from participants. Although the  
14 current authors are confident that both response bias and sampling bias has been minimized in this  
15 study, the possibility of bias (such as COVID-19) cannot be entirely eliminated. Beyond  
16 considerations of bias, another significant limitation of the research is the limited sample size of  
17 participants. Given the limited time to collect data and the significant data collected from each  
18 participant, the research team has managed to achieve what the authors believe to be an acceptable  
19 saturation of data collection. However, one cannot disregard the real possibility that further insights  
20 could have been obtained with a significantly larger sample size. An added benefit of this aspect  
21 would be an increased applicability of the sample to the business population **in the study country**,  
22 beyond the current regional limitations and other classification constraints observed. Another  
23 limitation is the single time frame that responses were recorded. Although this time frame did limit  
24 the study's exposure to sampling bias, a longer time frame with multiple interviews conducted over  
25 time would give a more comprehensive data to draw from and could better reinforce some of the  
26 conclusions reached if they were to be observed continually over a set period of time. Indeed, of  
27 course, this more longitudinal approach would allow for the more longer term 'learning'  
28 experiences to be analysed. Due primarily to the limitations of this research study, this **study** is not  
29 intended to be a comprehensive study of the financial effects of the first COVID-19 lockdown in  
30 **the study country on** SMEs. The intention is, instead, to initiate discussion regarding some key  
31 findings found in the qualitative data collected and to serve as a gateway for further, more in-depth  
32 research which could include a longitudinal follow-up survey after the second national lockdown.

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3 **Opportunities for future research are manifold.** Any research widening the scope of this study  
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5 would provide useful insights, such as widening the sample size of participants, refining further  
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7 the questionnaire for more concise and comparable response data, pursuing a longer-term  
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9 timeframe for response and analysis to introduce the time factor to the findings, or expansion of  
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11 the research into other regions. Conversely, more in-depth study into specific factors of the data  
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13 would potentially be fruitful, such as a focus on a specific industry or region, directed responses  
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15 towards a specific area such as strategic planning or cash flow management, or case studies on  
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17 navigating the post-lockdown economic environment. Beyond the **country level** context **of the**  
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19 **study**, an important area of future research would be the comparison of different countries'  
20  
21 Government responses to the COVID-19 pandemic, specifically the economic response and  
22  
23 efficacy of lockdowns enacted from country to country from a SME perspective. Any research in  
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25 this field would be greatly valuable for legislation-setting authorities when making future public  
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27 health measure decisions during pandemics or other emergencies.  
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Table 1 Timeline of New Zealand COVID-19 Restrictions

Restrictions	Start date	End date	Explanation (red – community cases detected)
Alert Level 2	21/03/2020	23/03/2020	socially distancing; most employees remaining at work
Alert Level 3	23/03/2020	25/03/2020	introducing 'contactless' takeaway food and drink
Alert Level 4	25/03/2020	27/04/2020	all but the most 'essential' workers within the economy to a 'stay at home order' and, for some, online working and/or study
Alert Level 3	27/04/2020	13/05/2020	introducing 'contactless' takeaway food and drink
Alert Level 2	13/05/2020	08/06/2020	socially distanced dining and most employees returning to work
Alert Level 1	08/06/2020	12/08/2020	
Alert Level 2	12/08/2020	21/09/2020	(Auckland region – Alert Level 3 until 30/08/2020)
Alert Level 1	21/09/2020	14/02/2021	(Auckland from 07/10/2020)
Alert Level 2	14/02/2021	17/02/2021	(Auckland region – Alert Level 3 until 17/02/2021)
Alert Level 1	17/02/2021	28/02/2021	(Auckland from 22/02/2021)
Alert Level 2	28/02/2021	07/03/2021	(Auckland region – Alert Level 3 until 07/03/2021)
Alert Level 1	07/03/2021	17/08/2021	(Auckland from 12/03/2021)
Alert Level 2 (Wellington)	23/06/2021	29/06/2021	
Alert Level 4	17/08/2021	31/08/2021	
Alert Level 3	31/08/2021	07/09/2021	(except Auckland – until 21/09/2021; Northland returned to Alert Level 3 from 02/09/21)
Alert Level 2	07/09/2021	-	(Auckland never returned to Alert Level 2; a small part of Waikato region, Upper Hauraki, returned to Alert Level 3 again from 21 - 25/09/2021)
Alert Level 3 (Waikato)	03/10/2021	16/11/2021	(Raglan, Te Kauwhata, Huntly, Ngāruawāhia and Hamilton City; with, from 07/10/2021, the addition of Waitomo, Waipa and Ōtorahanga Districts; and Te Kuiti )
Alert Level 3, Step 1 (Auckland)	07/10/2021		
Alert Level 3 (Northland)	08/10/2021	19/10/2021	
Alert Level 3, Step 1 (Waikato)	27/10/2021	11/11/2021	
Alert Level 3, Step 2 (Auckland)	09/11/2021	02/12/2021	
Alert Level 3 (Upper Northland)	02/11/2021	11/11/2021	
Alert Level 2 (Waikato)	16/11/2021	02/12/2021	After which New Zealand started the 'traffic lights' system (New Zealand COVID-19 Protection Framework (NZCPF) and no more Alert Levels were imposed
NZCPF Red / Orange: Vaccine passes and size limits	02/12/2021 02/12/2021 02/12/2021	20/01/2022 30/12/2021 23/01/2022	<b>Red</b> – Northland <b>Red</b> – Auckland and some other regions (Taupo, Rotorua Lakes, Kawerau, Whakatane, Ōpōtiki, Gisborne, Wairoa, Rangitikei, Whanganui and Ruapehu) <b>Orange</b> – rest of New Zealand
NZCPF Red (Omicron)	23/01/2022	13/04/2022 12/09/2022	(Vaccine passes abolished – 04.04.2022) (NZCPF abolished)

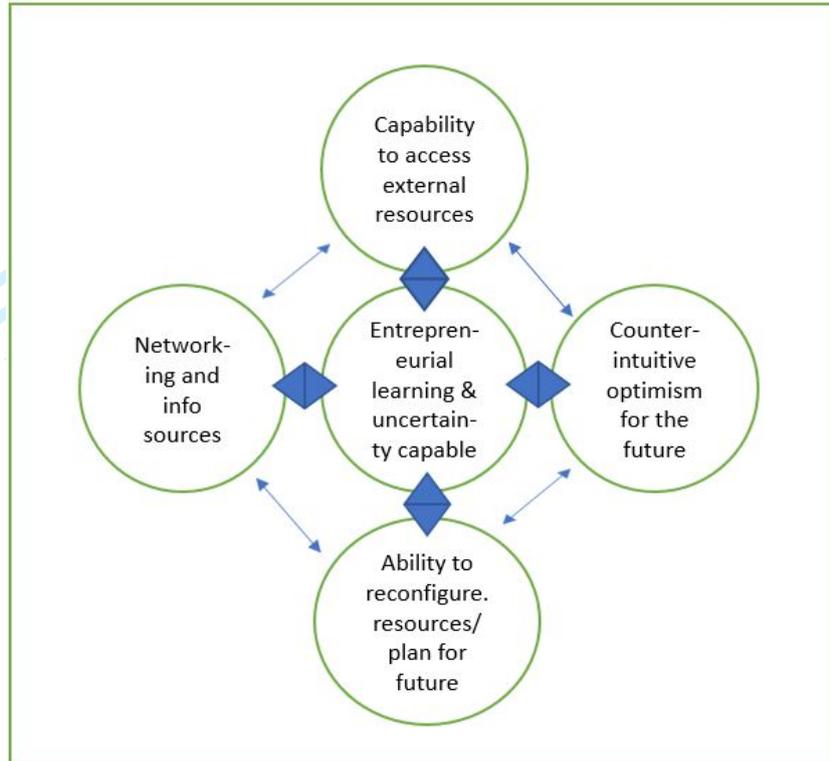
Source: Unite Against COVID-19 (2020-2022)

Table 2: Description of sample

SME	Firm age	Industry sector	Location	Type	Turnover	FTEs (pre-lockdown)	FTEs (post-lockdown)	Change in FTEs (%)	Confidence (pre-lockdown) (Measured using 10 point Likert scale)	Confidence (post-lockdown) (Measured using 10 point Likert scale)	Change in Confidence	Wage Subsidies Taken
A01	20+ Years	Education and Training	Region A	Limited Liability Company	1M - 2M	10	9	-10	10	10	0	1
A02	0 - 2 Years	Arts and Recreation	Region A	Limited Liability Company	250k - 500k	4	4	0	10	10	0	1
A03	10 - 20 Years	Education and Training	Region A	Community Organization (NFP)	5M+	110	105	-5	10	10	0	1
A05	3 - 5 Years	Financial and Insurance	Region A	Partnership	0 - 250k	2	2	0	4	7	3	0
A07	3 - 5 Years	Accommodation and Food	Region A	Limited Liability Company	250k - 500k	3	3	0	10	10	0	1
A08	3 - 5 Years	Professional, Scientific and Technical	Region A	Sole Trader	0 - 250k	1	1	0	10	10	0	1
A09	0 - 2 Years	Construction	Region A	Partnership	0 - 250k	1	1	0	8	5	-5	0
A10	0 - 2 Years	Accommodation and Food	Region A	Limited Liability Company	0 - 250k	2	2	0	7	7	0	1
A11	10 - 20 Years	Healthcare and Social Assistance	Region A	Community Organization (NFP)	1M - 2M	6	8	33	8	8	0	0

A12	0 - 2 Years	Healthcare and Social Assistance	Region A	Limited Liability Company	0 - 250k	1	2	100	10	7	-3	1
B01	5 - 10 Years	Arts and Recreation	Region B	Community Organization (NFP)	5M+	320	340	6	7	9	2	2
B02	20+ Years	Agriculture, Forestry and Fishing	Region B	Limited Liability Company	5M+	220	220	0	8	8	0	0
B03	10-20 Years	Info Tech	Region B	Limited Liability Company	5M+	30	35	17	8	8	0	1
B04	3 - 5 Years	Manufacturing	Region B	Limited Liability Company	1M - 2M	8	8	0	8	8	0	1
B08	3 - 5 Years	Education and Training	Region B	Limited Liability Company	0 - 250k	1	1	0	10	3	-7	0
B09	3 - 5 Years	Accommodation and Food	Region B	Limited Liability Company	250k - 500k	3	2	-33	10	10	0	3
B10	3 - 5 Years	Education and Training	Region B	Sole Trader	0 - 250k	1	2	100	10	10	0	1

Figure 1: Theoretical framework based on themes derived from analysis



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**IJEBR-02-23-0099: “Stay Home, Save SMEs?”:  
The Impact of a COVID-19 Lockdown on Small Businesses in New Zealand”:**

Response to CE and Reviewers

	<b>Comment</b>	<b>Response</b>
	CE:	
1	In my view too I find this an interesting paper, but I feel it would benefit from some restructuring and greater underpinning of the key argumentation. Both reviewers have made some suggested regarding the enhancement of the document.	Thank you for your very helpful and constructive comments. We restructured the manuscript and strengthened its argumentation.
	Reviewer 1:	
2	Generally an interesting study, but with a few buts:	Thank you.
a.	Make the study a bit <b>more generic</b> and appealing to readers from other regions, and delete the "in NZ" from the title.	We have made the title generic; it is now “Stay Home, Save SMEs”?: The Impact of a Unique Strict COVID-19 Lockdown on Small Businesses.” Nonetheless, the Ardernian “Fortress New Zealand” context is vitally important and, while downplaying it, we have indicated in the conclusion where the data was collected. But we emphasize the generalizability of the findings to other SMEs.
b.	"The paper is organized as follows:" Old school. Nobody does/needs that anymore. Delete.	We deleted that section.
c.	Relevant sources for SMEs dealing with Covid-19 in general: <a href="https://doi.org/10.1007/s11846-021-00499-0">https://doi.org/10.1007/s11846-021-00499-0</a> <a href="https://doi.org/10.1016/j.ijhm.2020.102723">https://doi.org/10.1016/j.ijhm.2020.102723</a> <a href="https://doi.org/10.1007/s11846-022-00569-x">https://doi.org/10.1007/s11846-022-00569-x</a> <a href="https://doi.org/10.1080/00472778.2022.2089676">https://doi.org/10.1080/00472778.2022.2089676</a> <a href="https://doi.org/10.1108/IJEBR-04-2020-0214">https://doi.org/10.1108/IJEBR-04-2020-0214</a>	Thank you for these excellent suggestions. They are all now cited: Emami et al. (2022), Breier et al. (2021), Dejardin et al. (2022), Sharma et al. (2022), Kraus et al. (2020), Wendt et al. (2022) are all included in the introduction section, with García-Carbonell et al. (2021), Sharma et al. (2022) included in the discussion section.
d.	SMEs during Covid-19 & the use of technology: <a href="https://doi.org/10.1007/s10796-021-10210-z">https://doi.org/10.1007/s10796-021-10210-z</a>	
e.	Conclusion & Implication: Moving from Covid-19 to crisis management in general (i.e. making Covid-19 only an application example for the future): <a href="https://doi.org/10.1007/s11846-020-00431-y">https://doi.org/10.1007/s11846-020-00431-y</a> <a href="https://doi.org/10.1016/j.jik.2022.100281">https://doi.org/10.1016/j.jik.2022.100281</a> <a href="https://doi.org/10.1007/s11846-022-00580-2">https://doi.org/10.1007/s11846-022-00580-2</a> Good luck with the revision.	Thank you. We have highlighted our changes in yellow.

	Reviewer 2:	
3	This manuscript does have merit. However, it does require further development in terms of structure and underpinning detail. I have outlined these in the document.	Thank you for these very helpful and supportive comments.
4	<u>Originality</u> : The statement on how this study contributes to knowledge could be enhanced in the abstract. The study does offer a novel contribution that could be considered for publication.	Agreed. We articulated the contribution more clearly in the abstract now.
5	<p><u>Relationship to Literature</u>: The study generally provides an effective literature review. The literature considered is contemporary with no significant omissions. There are however several sentences which require further academic underpinning:</p> <p>a. On page 5, the sentence beginning "However, SMEs are also more..." requires a supporting academic reference.</p> <p>b. On page 5, the sentence beginning "Larger firms, for example, often..." requires a supporting academic reference.</p> <p>c. On page 5, the sentence beginning "Second, SMEs may utilize ..." requires a supporting academic reference.</p> <p>d. On page 8, the sentence beginning "SME responses will also..." requires a supporting academic reference.</p> <p>e. The literature review would benefit from proposing research questions and a conceptual framework at the conclusion of the review. These would frame the area of research and focus the later sections.</p>	<p>The literature review has been developed somewhat as requested by R1. But to address your specific points, we:</p> <ul style="list-style-type: none"> <li>- cited Ebben, J.J. and Johnson, A.C. (2005), "Efficiency, flexibility, or both? Evidence linking strategy to performance in small firms", <i>Strategic Management Journal</i>, vol. 26, no. 13, pp. 1249-1259.</li> <li>- cited Shama A (1993) "Marketing strategies during recession: A comparison of small and large firms", <i>Journal of Small Business Management</i>, vol 31, no 3, pp 62-73.</li> <li>- cited Deakins, D. and Bensemann, J. (2019) "Achieving innovation in a lean environment: How innovative small firms overcome resource constraints", <i>International Journal of Innovation Management</i>, vol 23, no 4, 195037 (36 pages)</li> <li>- cited Anderson, A.R., Osseichuk, E. and Illingworth, L. 2010. "Rural small businesses in turbulent times: impacts of the economic downturn", <i>International Journal of Entrepreneurship and Innovation</i>, vol. 11, no 1, pages 45-56</li> </ul> <p>The Research Question has been added at the end of the introduction and has been reiterated elsewhere.</p>

6	<u>Methodology</u> : The methodology section is effectively set up and structured although would benefit from additional referencing from methodology literature. I would however expect there to be some reference to some identification of a thematic analysis method e.g. Braun and Clarke.	Thank you. We have added a paragraph in the methodology section to expand on how we have used the six-phase thematic analysis framework proposed by Clarke and Braun.
7	<u>Results</u> : This section is well executed although I would expect a coding system to identify individual respondents.	Thank you. We have now added a coding system to identify the respondents.
8	<u>Implications for research, practice and/or society</u> : a. The Discussion section would benefit from framing around some research questions in contrast to the existing literature. b. The conclusions section would benefit from further refinement. I would expect confirmation of the theoretical contribution. Frame this against existing literature. How does it extend the existing literature. Thereafter, the implications for policy and practice should be stated. Study limitations and opportunities for further research should be recognised.	We have framed the RQs in relation to the literature and thus the discussion section is more coherently aligned with these RQs.  We have added an introductory paragraph to the conclusion section expanding on how we draw upon a comprehensive theoretical framework that has been discussed in the literature review section. The final three paragraphs emphasize (respectively): (1) implications for policy and practice, (2) limitations and (3) opportunities for future research.
9	<u>Quality of Communication</u> : The study is generally well written in the appropriate language throughout. Instead of describing the study as "a paper" use "the study" or "manuscript" throughout the text.  The final reference list is generally in the correct format.	We have changed all occurrences of "paper" to "study" throughout.  We have highlighted our changes in yellow.