
Socially embedded relationships of firms: An aid to recovery in a vulnerable community?

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In the event of a significant natural disaster, the relocation of businesses would be a major threat to community recovery. Studies of disaster-hit communities in the United States have indicated that firms remaining in business are essential to community recovery, providing employment and income for residents, and in some instances becoming actively involved in the strategic planning of the rebuilt community (Connor 2005; Lubell 2006). The likely location behaviour of privately owned businesses in a post-disaster situation in the Wellington region was explored as part of an investigation into the spatial behaviour of businesses. In recent years there has been a surge of interest in the location of economic development (Krugman 1998), and a variety of literatures claim that business proximity confers important advantages in terms of costs, productivity, flexibility, learning and innovation (Feser and Sweeney 2002). As a result of the perceived benefits, the encouragement of clustering behaviour has become an attractive policy option (Steiner 2002), not least here in New Zealand (MED 2005). The key research question of this paper is whether the socially embedded relationships between businesses, which are amongst the most important drivers of clustering behaviour, are associated with variations in the likely location behaviour of businesses in a post-disaster scenario, and therefore to ascertain if these relationships have the potential to assist community recovery.

Two research methods were used in this Wellington-based study undertaken at the end of 2007. A questionnaire survey was sent to 279 owner-managers of businesses involved in clustering programmes for the ICT, creative manufacturing and earthquake engineering sectors. Only privately owned businesses operating in the Wellington region were included in the study. 61 (21.9%) usable surveys were returned. To enable the collection of more detailed information, semi-structured interviews were subsequently carried out with 12 owner-managers, forming a representative sample of the respondents.

Proximity to clients/customers was the most frequently given reason of survey respondents for their current choice of location, cited by 36% of respondents. In interviews, accessibility, availability of labour, and group-specific accessibility (e.g. to customers or suppliers) were confirmed as being important location criteria for businesses. Factors that relate to personal amenity value (i.e. family and friends, good social scene, and attractive urban and rural environments) were also rated very highly by interviewees.

Yet over and above the afore-mentioned criteria, the overriding concern of all owner-managers interviewed was that their business should be situated in a place that had a good broadband network and other business infrastructure. Emphasising the significance of infrastructure to their businesses, three-quarters of interviewees anticipated that it would be essential that connectivity and power services were resumed quickly after a natural disaster. Even if power/connectivity were resumed, half of the interviewees confessed that they would consider either relocating or setting up satellite offices outside Wellington if major clients/customers left the region as they would want to maintain face-to-face contact.

More than half (53%) of the companies surveyed reported that in excess of three-quarters of the value of their sales originated from within the Wellington region, and it would be expected that these businesses would be susceptible to losses after a significant natural disaster, affecting demand for goods and services. Being in close proximity to clients/customers influences the location decisions of businesses under both normal circumstances and in a post-disaster situation. An owner-manager's decision to stay or leave the region after a major disaster would be dependent on the relocation plans of major clients/customers, such as government departments. In this way the socially embedded relationships between businesses will assist community recovery if organisations remain in a disaster-hit area, inducing suppliers and contractors to stay on. If organisations relocate, then they will probably be followed by many suppliers and contractors, adversely affecting community recovery especially if there is a snowballing effect. The socially embedded relationships between firms therefore have important implications for the resiliency of communities in vulnerable places.

References

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Author's Biography

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Felicity joined Opus International Consultants in May 2007. In her first post-doctoral position, she was recruited by Opus Central Laboratories, Wellington, to enhance the economic geography capabilities of its Environmental Science research group. Since joining the group, Felicity has developed and undertaken three new research studies within a FRST-funded research programme entitled *Natural Physical Hazards*. This paper forms the first output from a study of Wellington-based businesses. She has also assisted in another ongoing FRST-funded research programme, *Learning Sustainability*, being carried out by Opus. Her PhD in Human Geography was awarded by the University of Hull, UK in 2007. Felicity also has an MSc in Environment and Development.