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**Innovation process of
rural small businesses in New Zealand.**

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Abstract

The fundamental role of innovation in the economy is widely recognised and there are strong links between innovation and such vital economic indicators as productivity, growth and employment generation (Lambert & Fairweather, 2010, p.1; North & Smallbone, 2000b; Steel, Rinne & Fairweather, 2012, p.5). There is therefore a need to identify the drivers and inhibiting factors affecting it (Steel et al, 2012, p.5). As innovation is a social phenomenon, it must also be studied in its own geographical and sectoral context, for meaningful results to be obtained (Asheim & Gertler, 2005; Fagerberg, 2005, p.20). To investigate factors affecting innovation in a rural context, semi-structured interviews were conducted among rural small businesses in the Marlborough region of New Zealand. Given the dominant position of agriculture in rural areas and its significance to the national economy, case studies were chosen from the primary sector. The goal of this exploratory study was to identify factors that may influence, constrain or promote innovation. Information networks were the primary source of innovation found, with participants possessing unusually rich and often global personal networks, which were used to support innovation. Growth aspirations were also positively associated with innovation; the more ambitious their goals, the more willing the participants may be to innovate radically. Innovation took place against a background of an often challenging rural environment (which created a need for innovation) and cultural factors (which created a willingness for change in the participants). Regulation was the only significant constraint identified and even this could be a positive, under certain circumstances. Issues around supplies, staffing and capital were not major influences on innovation process. The participants employed co-operatives, distributors and their own tailored strategies to mitigate some of the negatives associated with rurality, particularly with regard to the maintenance of relationships with key partners over physical distances. In terms of innovation, however, rurality was no barrier.