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Overcoming the unprecedented: Micro, small and medium hospitality enterprises under COVID-19

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Overcoming the unprecedented: Micro, small and medium hospitality enterprises under COVID-19

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Abstract

The sudden irruption of COVID-19 has paralysed, even devastated, numerous industries. Academic and industry publications also convey the destructive impacts of this phenomenon on hospitality and tourism businesses. While business owners and managers are still constrained by unpredictability, restrictions, and ongoing uncertainty, those vying to continue will need to build their adaptive skill repertoire to cope with the crisis-related regime. This study is primarily concerned with businesses' adaptation phase from owners/managers' viewpoints, including how they manage and envision a future coexistence with COVID-19 threats. Drawing on an international sample of owners/managers of hospitality and tourism businesses, and considering the foundations of the dynamic capabilities framework, eight dimensions emerged from the findings. Five of these, persevering, dynamic, austere restrictions, business environment, and stakeholder, strongly suggest the relevance of reconfiguring, a cluster of dynamic capabilities. Together, the dimensions demonstrate participants' strong commitment to navigate through the threat while pursuing socioeconomic sustainability.

Keywords: Socioeconomic sustainability; dynamic capabilities; COVID-19; seizing, transforming, adaptation.

1. Introduction

As a key partner of the tourism industry, the hospitality sector makes a substantial socioeconomic contribution to the global economy, including through mass employment across nations (Dube, Nhamo, and Chikodzi, 2020). However, as with other industries, the

tourism industry is susceptible to the impacts of disasters (Faulkner, 2001). Consequently, when a crisis grips the tourism industry, by extension, such susceptibility is felt among small hospitality firms (Dahles and Susilowati, 2015). Indeed, Burhan et al.'s (2021) research conducted among small and medium enterprises (SMEs) highlights the impacts of COVID-19, in seriously threatening their very livelihood (Burhan et al., 2021). In fact, SMEs were the worst-hit business group, especially given their limited cash flows, resources, and small size (Burhan et al., 2021).

While prior scholarship has explored the limited and problematic development of disaster management plans among tourism destinations (Faulkner, 2001), no degree of planning could have prepared businesses for the COVID-19 crisis. This unprecedented event has affected the world as no other in modern history (Galvani, Lew, and Perez, 2020). With international travel, mobility, or public gatherings curtailed or restricted all together, the global economy was significantly disrupted (Gössling, Scott, and Hall, 2020). Although tourism has become one of the most affected industries, it has simultaneously contributed to propagating the virus, including through travel to major tourist destinations and cruise ship voyages (Iaquinto, 2020).

A recent report (International Civil Aviation Organization, ICAO, 2021) further highlights the direct impacts that the crisis has had on the aviation and air travel industries, with profound implications for domestic-international travel, and with it, the livelihood of millions of hospitality and tourism firms. Moreover, in the age of COVID-19, impactful ramifications include stress due to the fear of losing one's job (Tu, Li, and Wang, 2021) and depression among hospitality workers (Yan et al., 2021).

While hospitality and tourism literature and practice are underpinned by different forms of sustainability, including environmental, socio-cultural, and socioeconomic, in this unprecedented situation, and from a business perspective, industry and government

stakeholders have arguably turned to bare socioeconomic aspects. Socioeconomic sustainability represents “sustained preservation and enhancement of economic and other well-being of all sections of the society” (Rao, 2015, p. 5). In the context of this study, this definition has direct implications for the long-term survival of hospitality and tourism businesses, as well as the surrounding internal (staff) and external (suppliers, customers/clients) stakeholders.

The reopening of businesses is vital for preserving millions of jobs, while a delay in the ‘normalisation’ of the situation would have massive socioeconomic consequences, with further ramifications. This scenario threatened SMEs, including those in the hospitality industry (Burhan et al., 2021). Therefore, examining and revealing how hospitality and tourism businesses manage to sustain themselves through the COVID-19 disaster, and which dimensions contribute to their socioeconomic sustainability could provide conceptual and empirical insights that would be timely and useful to various industry stakeholders. Thus, this study argues for the need to ‘seize’ unexpected opportunities stemming from the extreme crisis and to ‘transform’ to continuously adapt to the current unprecedented course of events. These dimensions, predicated in the dynamic capabilities literature (Teece, Pisano, and Shuen, 1997; Teece, 2007), provide a powerful conceptual discourse in the realms of businesses’ resilience and survival through an extreme crisis, with ramifications for their socioeconomic sustainability. In light of its value, the dynamic capabilities framework will be adopted in this research.

The first objective of this study is to reveal key adaptation-related dimensions that would contribute to a deeper conceptual and empirical understanding of how small and medium hospitality and tourism enterprises coexist with the threat of COVID-19. To achieve this objective, the study chooses an international scope, investigating hospitality and tourism enterprises operating in eight different nations. Furthermore, to assess the extent to which

business owners and managers might adjust or adapt to the current COVID-19 regime, the following research questions will be addressed:

- How has owners/managers' previous experience in the hospitality/tourism industry (i.e. before COVID-19) prepared them for this acute situation?
- How would business operators (owners/managers) manage the business out of this (COVID-19) crisis?
- How would they (owners/managers) envision the return of their business to coexist with the COVID-19 threat?

The dynamic capabilities framework highlights the value of internal-external competences and resources that firms can align or realign "to match the requirements and opportunities of the business environment" (Teece, 2012, p. 1395). While the framework fundamentally relates to the generation of sustained returns and therefore competitiveness (Teece, 2012), it underscores the significance of adaptation (Teece et al., 1997), and has also been considered in crisis and disaster situations, for instance, in the tourism industry (Jiang, Ritchie, and Verreyne, 2019). In line with this research, this study will consider the insights of the dynamic capabilities in the context of adaptation. Second, by adopting an inductive approach, and by considering the dynamic capabilities literature, the study will develop and propose a theoretical framework to convey a more rigorous understanding of adjustment-adaptation in the context of an unprecedented crisis. Thus, the study will address two key objectives and make empirical and theoretical contributions.

2. Literature Review

2.1 Dynamic capabilities approach: Key insights

The dynamic capabilities approach is conceptualised as the ability of a firm in building, integrating, and reconfiguring external and internal competences to deal with their changing

business environment (Teece et al., 1997). This framework has associations with other conceptual lenses that help understand firms' experiences and survival during crises, including enterprise resilience, defined as a business's capacity to grow, survive, and adapt while facing turbulent change (Fiksel, 2006). However, enterprise resilience, while also focusing on adaptation, survival, or adaptive capability, falls short in proposing additional avenues in situations of severe crises. Supporting this point, Jiang, Ritchie, and Verreyne (2019) posit that, while the significance of resilience is undisputable, little is known how tourism organisations become resilient.

The dynamic capabilities framework provides general guidance on managerial principles, where coping with risk and uncertainty requires an effective diagnosis of the marketplace and alignment "with a good strategy" (Teece, Peteraf, and Leih, 2016, p. 30). More specifically, 'dynamic' is related to firms' "capacity to renew competences" (Teece et al., 1997, p. 515) in order to match the demands of a business environment undergoing continuous change. This conceptualisation underlines an imperious need to adapt, and consequently, it is attuned with the discourse of COVID-19. Similarly, the term 'capabilities' refers to the fundamental role of strategic management in matching the demands of the changing environment (Teece et al., 1997). This undertaking entails the appropriate adaptation, integration, and transformation-reconfiguration of external and internal organisational resources, functional competences and skills (Teece et al., 1997). Resources are defined "as firm-specific assets that are difficult if not impossible to imitate" (Teece et al., 1997, p. 516), while core competences represent a firm's key business as central. Further, illustrations of organisational competences include systems integration and quality (Teece et al., 1997), both of which are essential for hospitality and tourism operations to match changing demands of their business setting, including responding to threats.

In this context, an insightful conceptual underpinning of the dynamic capabilities framework entails its disaggregation into the following three capacities, also referred to as clusters of adjustments or activities (Teece, 2012), two of which are associated with threats:

Sensing highlights shaping or recognising opportunities and threats, and comprises an interpretive, learning, creation, and scanning activity (Teece, 2007). In this context, tourism research (Nieves and Haller, 2014) reveals that sensing can take the form of procedural knowledge, or the experience and knowledge that are part of a business's activities, routines, and processes. A further illustration is 'sensing' the presence of customers whose needs have been unmet, and who are prepared to pay for a specific service or product that solves their predicament (Teece, 2018). A firm's successful business model would facilitate solutions to these customers, with sufficient room for profitability (Teece, 2018).

Seizing consists of mobilising resources to capture value, for instance, by addressing a need or opportunity (Teece, 2012). Further, seizing, depicted by resource mobilisation, should be linked to a coherent action and a guiding policy by the firm (Teece, 2014). Following on the sensing cluster, in this study seizing would be manifested by the mobilisation of resources to counter the negative impacts of COVID-19, taking specific actions to minimise losses, or to create new business avenues. Thus, the seizing cluster provides a powerful angle, in that mobilising resources can equip tourism firms with an effective problem-solving tool, facing the event head-on, as opposed to adopting such defensive mechanisms as 'degrowth' during a crisis (Fletcher et al., 2019).

Transforming-reconfiguring is primarily a process of continuous renewal (Teece, 2012), or 'shifting' (Teece et al., 2016), whereby firms conduct a surveillance of markets and are

willing to embrace best practice (Teece et al., 1997). Organisational agility requires constant transformation; however, it is not without costs (Teece et al., 2016). In large businesses, for instance, transforming demands departing from conventional ways of thinking, and often a crisis can facilitate significant change (Teece et al., 2016).

Given the broader awareness of health and overall well-being concerns, conventional ways of thinking, including in the hospitality and tourism sectors, might be replaced by elements altering firms' business model. These elements might lead to a 'shift' in the perceived value of stakeholders (travellers/customers, hospitality/tourism suppliers), from strictly financial to advancing stronger social principles. For instance, in the field of tourism, Gössling et al. (2020) predicate the need to reconsider the growth model of tourism worldwide.

2.2 Dynamic capabilities and hospitality-tourism

Various authors have adopted the dynamic capabilities framework in the fields of hospitality or tourism. For instance, in their study on hospitality businesses (hotels), Nieves and Haller (2014) revealed that knowledge, including prior knowledge, coupled with skills, at collective or individual level constitute valuable antecedents- and the foundation- for the development of dynamic capabilities. Extending these findings into a scenario of crisis, prior knowledge could become useful for business owners/managers to undertake different forms of transformations that enable them to meet the challenging demands of the crisis. Regarding this notion, and in light of the steady evolution of tourism in the form of incremental changes, businesses with more highly qualified human resources will be more apt at recognising the need for change and adequately responding "by renewing their resource base" (Nieves and Haller, 2014, p. 229).

In examining socioeconomic and environmentally sustainable wine tourism, Duarte Alonso, Kok, and O'Brien (2020) note various alignments with dynamic capabilities in wine regions. While sensing entailed interpreting wine tourism activities for subsequent realisation, seizing implicated the investments, new wine tourism product development while paying attention to carrying capacity threats, and transforming emphasised the long-term commitment to develop tourism sustainably (Duarte Alonso et al., 2020).

The dynamic capabilities framework has been found to be a key mediating role “in the relationship between organizational knowledge and product and processes innovation in hotel firms” (Nieves, Quintana, and Osorio, 2016, p. 159). These findings point to the significant role “that knowledge and knowledge-based processes play... to foster innovation” (Nieves et al., 2016, p. 158). Thus, it could be posited that during a severe crisis, these tourism firms would seek to exploit commercial innovations primarily to adjust and weather the crisis, while competitive advantage might emerge as a complementary outcome.

The full potential of the dynamic capabilities framework to illuminate knowledge on how hospitality and tourism business owners/managers respond to crises has not been fully exploited. Indeed, research discussing resilience among tourism businesses facing crises and disasters highlights the merit of the framework in providing an enabling instrument for “tourism organizations to respond to disruptive environmental changes” (Jiang et al., 2019, p. 882). Such response is demonstrated through a process where resource allocation and utilisation are routinely transformed (Jiang et al., 2019). Concerning this process, Hartman (2016) draws explicit links between adaptive capacity, competitiveness, predicated by dynamic capabilities, and tourism's sustainability; in the present context of an unprecedented crisis, these links have important implications, including for a destination's image. Moreover, Hartman (2016) posits that adaptive capacity could contribute through profit

(competitiveness), planet (minimising waste of resources), and people (community-based tourism).

Recent empirical research considering the dynamic capabilities framework is, however, emerging. For instance, Mansour et al. (2019) embraced the framework to study tourism firms operating in the highly volatile conditions of a civil war. Firms surviving in this unpredictable environment developed what the authors refer to as ‘new dynamic capabilities, notably, crisis management capabilities. These revealed capabilities were found to entail responses to risk and crisis management, and were strongly based upon interactions between the tourism operations and management (Mansour et al., 2019).

In the hospitality industry, Alonso-Almeida, Bremser, and Llach (2015) similarly embraced the framework when investigating proactive and reactive strategies among restaurateurs’ responses to the 2008-2009 financial crisis. While expectedly businesses resorted to cost-reducing strategies, only when developing dynamic capabilities by implementing proactive strategies do businesses improve their competitiveness during an economic downturn (Alonso-Almeida et al., 2015). More recently, de Paiva Costa and Pereira (2020) also considered the dynamic capabilities framework to study the challenges of an international hotel chain in Brazil, thereby identifying capabilities associated with firms’ renewal, their ability to mitigate risks, manage threats, and innovate.

Nevertheless, a review of the hospitality and tourism literature reveals a lack of problematising and conceptually advancing the empirical and theoretical insightfulness of the transformation-reconfiguration dimension in an extreme crisis setting. Moreover, while recent conceptual research underscores the value of considering transforming-reconfiguring (Jiang et al., 2019), and empirical discourse uncovers the importance of ‘renewal’ in a tourism setting (de Paiva Costa and Pereira, 2020), theoretical and empirical development is still lacking. This lacuna includes ascertaining the extent to which seizing and transforming-

reconfiguring can provide pathways towards resilience and socioeconomic sustainability to hospitality and tourism firms.

In addition, Duarte Alonso et al. (2021) point to the absence of hospitality/tourism research considering the dynamic capabilities approach, including reconfiguration activities, in the context of the ongoing COVID-19 crisis.

This study therefore fills a gap in the literature, revealing the strategic value of seizing, and more prominently, of transformation-reconfiguration (Teece et al., 1997) in conceptual discourses associated with hospitality and tourism firms facing an unprecedented event.

3. Methodology

This study has two main objectives; the first examines the level of preparedness, different actions undertaken by businesses to weather the impact of the global COVID-19 crisis, and a return to 'business life' coexisting with this threat. Thus, the study predominantly focuses on the socioeconomic dimension of sustainability, and, more prominently, on the significance of seizing the moment while transforming-reconfiguring as a tool to build resilience and adaptation. Utilising a survey methodology, the study collects data on the experiences of owners and managers of hospitality and tourism businesses globally and examines the different approaches undertaken to adapt and how they envision a return to business operations. The second objective of this study is to propose a theoretical framework that can extend current understanding, and provide practical business implications.

The study utilises an inductive approach, identifying patterns from open categories and developing these into a theoretical model (Creswell and Poth, 2016). The systematic approach of reviewing and coding allows the identification of recurrent themes and facilitates the affirmation of propositions and prediction of relationships in the dataset (Creswell and

Poth, 2016). A resulting model or theoretical framework (Thomas, 2006) serves as a helpful visual representation of the key emergent associations (Creswell and Poth, 2016).

A purposive sampling approach was applied, eliciting the opinions of knowledgeable, informed and experienced individuals (Bell, Bryman, and Harley, 2018) potentially affected by the crisis. This sampling approach allowed the research to collect robust data from information-rich individuals best placed to illuminate the issues under enquiry (Patton, 2015).

The inclusion criteria applied during the purposive sampling process were:

- a) A business operating within the hospitality and/or tourism industry. In this context, the study adheres to a broader conceptualisation, where hospitality businesses are referred to as those organisations that “provide guests with food, drink, and leisure facilities” (Horner and Swarbrooke, 2021, p. 4). This study, therefore, comprised businesses whose offerings included food, such as restaurants and cafes, drink and tastings, such as wineries and bars, and leisure facilities, including hotels and agritourism firms.
- b) Be an owner or manager or both,
- c) Participants must have worked in the hospitality and/or tourism industry for at least three years.

During April and early July of 2020, after receiving ethics approval from the main researcher’s university, hospitality and tourism enterprises in eight different countries were contacted to participate in the study with a view that the broad inclusion would provide an international perspective to the global effect of COVID-19. Variations based on location were also considered as potentially illuminating academic and professional practice. Businesses were identified by the research team through Internet searches, examination of company websites, and through company details being listed in chambers of commerce and allied industry association websites. Clearly, selecting firms with an Internet presence also led to

the exclusion of numerous businesses that do not have a website or exposure to Internet technology. However, the extreme situation, which prevented the researchers from travelling to highly entrepreneurial firms, required alternative approaches, and Internet searches provided such a valuable option.

Potential participants were first contacted by electronic correspondence. The message contained an electronic participant information sheet, and online link to participate in the study, completing a semi-structured online survey. The message also informed prospective participants that partaking in the survey would imply their consent to be part of the research. The online survey provided suitable advantages in flexibility and global reach as well as a speedy and timely approach to the data collection process (Evans & Mathur, 2018). Furthermore, the online survey was also utilised as it provided the opportunity to elicit responses internationally, and its use ensured the safety of the research team and participants.

All responses were anonymous, ensuring participant confidentiality and privacy. In total, 107 businesses were contacted; this number was not increased fundamentally due to the precarious and extreme situation business owners/managers and their firms were experiencing. Moreover, initial contacts led to various negative responses by prospective respondents. Thus, given the size of the responses against the volume of hospitality-tourism businesses globally, the overall results and their generalisability should be considered prudently. While the number is limited in size, it was nonetheless perceived to provide useful empirical results and contribute conceptually, as well as to complement the dynamic capabilities approach in the context of adaptation among hospitality firms to an unprecedented crisis. In addition, the international focus of this research, while not intended as a means to undertake cross-country comparisons, does contribute to enriching the quality of the data gathered.

In this study, the semi-structured online survey was split into two sections, one to gather demographic data on participants and their businesses, and the other focusing on open-ended responses. The open-ended questions were developed from the current discourse that focuses on severe crises hospitality and tourism businesses face, and on crisis management (e.g., Alonso-Almeida et al., 2015; Faulkner, 2001; Jiang et al., 2019; Mair et al., 2016; Mansour et al., 2019; Ritchie and Jiang, 2019). Aligned with the three overarching issues associated with the afore-mentioned research questions, participants were posed the following:

- To what extent has your previous experience prepared you for this crisis?
- How would you manage the business, or other activities related to your business, to come out of this crisis?
- How would you envision the return of your business coexisting with this threat?

The survey was translated into the different languages to match its geographic distribution (e.g., Italian, Malay, Spanish), with the responses translated back into English by members of the research team for analysis. These responses, as the transcribed content, were cross-checked for consistency and clarity by these and other members of the research team. In total, 50 responses were returned with an overall response rate of 46.7 percent (50/107).

The qualitative responses were analysed by the research team using content analysis, which allowed identifying, classifying, and coding patterns drawn from the content of text data (e.g., Hsieh and Shannon, 2005; Bryman, 2016). NVivo version 12, a computer assisted qualitative data analysis (CAQDAS), was utilised in the coding process and further assisted in the development of visual representations of the emergent issues. The software facilitates the creation of nodes, mind maps, and models (Bazeley and Jackson, 2013), as presented in Figures 1-3.

The identified themes were further cross-checked by members of the research team to ensure that coding reflected the issues identified by respondents and that critical elements were not lost in translation. This coding process allowed for theory development through first-order codes, which are more descriptive and fragmented, followed by more specific second-order themes, which are theory-centric (Gioia, Corley, and Hamilton, 2012). Essentially, the process entails moving from open categories to more specific and detailed themes that reflect relationships and associations emergent from the data (Creswell and Poth, 2016). Gioia et al. (2012) view this process as the development of second-order themes, which are then distilled into theoretical dimensions.

Saturation or information redundancy, the point where no further new themes or issues were identified was achieved by the study. Guest et al. (2006) and Trotter (2012) indicate that, to arrive at this redundancy, requires the review of qualitative data from as many respondents as needed till all concepts are repetitive without new issues emerging. These notions of saturation are similarly applied and achieved in terms of the qualitative data collected and analysed for the purposes of this study.

3.1 Demographic information of participants and firms

As illustrated (Table 1), participants are coded by abbreviations (i.e. participant 1, Argentina: AR1, etc.). Most respondents were males, and business owners. The largest group of businesses was composed of hotels, followed by restaurants and wineries, and cafes. The wineries in the study undertake hospitality and tourism activities, notably, through catering, wine tasting, and tours to the facilities. Furthermore, the lowest number of years in working experience among respondents was four, with the highest at 45 years. In addition, 26 of the firms had been established over two decades ago, with the oldest being 80 years. Finally, most businesses employed between two and seventy employees. For instance, in the

European Union, where the largest group of participating firms operates, firms employing less than 10 employees are classified as micro in size, while those employing between 11 and 49 are small in size (European Commission, 2021). Using this categorisation, 54 percent of the firms in this study are micro-sized, 42 percent are small-sized, and 4 percent are medium-sized.

Table 1 Here

Table 1: Demographic characteristics of participants and their firms

n	Country *	Type of firm **	Role	Gender	Age of firm ***	Experience ***	Full-time staff
1	AR1	Winery	Manager	Female	15	8	35
2	AR2	Winery	Manager	Female	25	22	5
3	AR3	Winery	Manager	Female	20	4	5
4	AR4	Hotel	Owner	Female	16	18	15
5	AR5	Winery	Manager	Male	1	7	2
6	AR6	Winery	Manager	Female	20	6	10
7	AR7	Winery	Manager	Female	25	20	10
8	AR8	Restaurant	Owner	Male	22	29	48
9	AUS1	Café	Manager	Male	2	20	8
10	AUS2	Restaurant	Owner	Male	8	28	40
11	AUS3	Café	Owner	Male	12	20	3
12	AUS4	Café	Manager	Male	2	5	6
13	AUS5	Restaurant	Owner	Male	4	15	3
14	AUS6	Café	Owner	Female	5	10	3
15	AUS7	Café	Owner	Male	1	20	4
16	AUS8	Restaurant	Owner	Male	5	15	6
17	AUS9	Restaurant	Owner	Female	10	11	20
18	BO1	Hotel	Manager	Male	20	10	4
19	BO2	Hotel	Owner	Female	5	8	5
20	BO3	Hotel	Owner	Female	28	7	4
21	BO4	Winery	Owner	Female	12	12	7
22	BO5	Winery	Manager	Female	4	14	9
23	BO6	Winery	Owner	Male	22	17	13
24	BO7	Winery	Manager	Male	22	22	24
25	GR1	Hotel	Manager	Male	20	38	22
26	GR2	Restaurant	Owner	Male	7	20	4
27	GR3	Hotel	Manager	Male	22	18	18
28	GR4	Hotel	Owner	Male	40	45	4
29	GR5	Hotel	Manager	Female	25	12	13
30	GR6	Hotel	Manager	Female	20	29	30
31	GR7	Hotel	Manager	Female	40	20	35
32	IT1	Agritourism	Owner	Male	50	30	4
33	IT2	Agritourism	Owner	Male	25	15	3
34	IT3	Hotel	Owner	Female	25	25	6
35	IT4	Café	Owner	Male	15	15	6
36	IT5	Restaurant	Owner	Male	26	30	8
37	IT6	Restaurant	Owner	Female	25	15	4
38	IT7	Agritourism	Owner	Female	5	7	3
39	IT8	Hotel	Owner	Male	63	40	15

40	MA1	Restaurant	Owner	Male	8	10	35
41	MA2	Restaurant	Owner	Male	12	12	20
42	MA3	Café	Owner	Male	4	5	10
43	SP1	Hotel	Owner	Female	25	28	12
44	SP2	Winery	Owner	Male	80	30	3
45	SP3	Winery	Manager	Male	32	16	32
46	UK1	Restaurant	Owner	Male	8	10	13
47	UK2	Bar	Owner	Male	8	8	4
48	UK3	Restaurant	Owner	Male	14	27	5
49	UK4	Hotel	Manager	Male	35	14	50
50	UK5	Hotel	Manager	Male	52	20	70

* Coding for participants according to countries: Argentina: AR; Australia: AUS; Bolivia: BO; Greece: GR; Italy: IT; Malaysia: MA; Spain: SP; United Kingdom: UK. ** All wineries offered onsite catering and a tasting room; agritourism firms offered onsite catering and accommodation. *** In years.

4. Results and Discussion

4.1 Perceptions of previous experience as a foundation to respond to the COVID-19 crisis

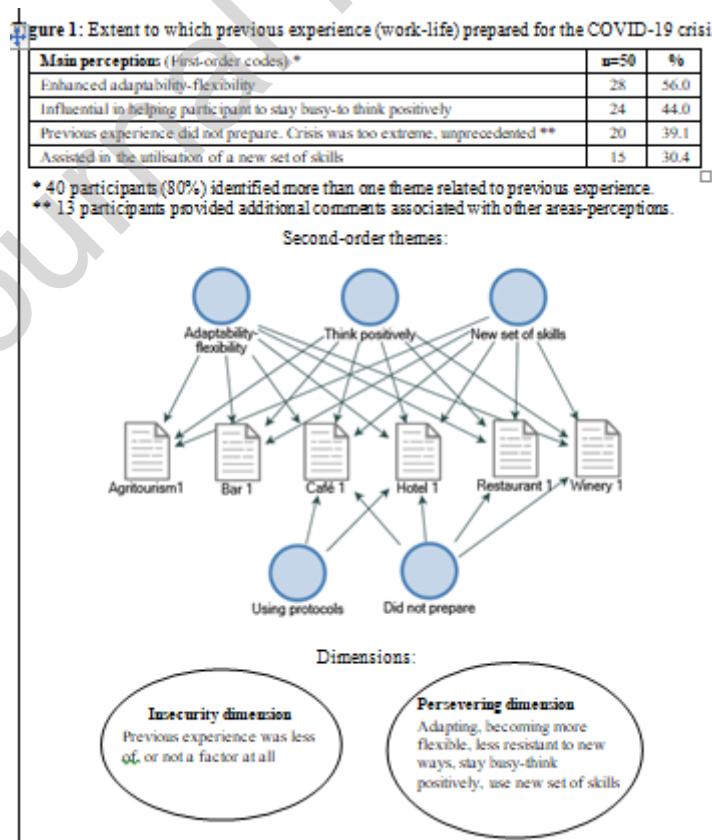
Figure 1 depicts some of the conceptual dimensions associated with Gioia et al.'s (2012) methodology, where a selection of first-order codes cascades down into second-order themes, and, ultimately, into overarching dimensions. Queried about the extent to which previous experience in the hospitality-tourism setting had equipped them to respond to the COVID-19 crisis, two dimensions were revealed, with the following being fundamental concerning firms' socioeconomic sustainability:

1) *Persevering*: participants perceive the usefulness of current experience in equipping them with adaptive and other associated skills. In fact, despite the gravity of their situation, over half of the participants (56.5%) considered previous experience valuable (Figure 1). For instance, participants from various countries where economic crises have had a near devastating effect in recent decades and years, including Argentina (Richardson, 2009) or Greece (Reinhart and Trebesch, 2015), suggested the development of strong adaptive qualities. These countries' respective tourism industry has also been significantly affected by the severe crisis (Bustos et al., 2021; Mariolis, Rodousakis, and Soklis, 2020). GR3, for instance, noted: "My previous experience helped me significantly in relation to understanding how the economy works, and how to reduce any expenditures or supplies/purchases."

Nevertheless, other owners/managers operating in what might be considered more stable economic environments equally perceived past experiences as fundamental in overcoming the initial stages of COVID-19's effects; as AU2 pointed out: "Being through a few downturns we reacted very swiftly to minimise damage; early open dialogue with banks, creditors, etc. was paramount."

Although these and other comments do not strictly illustrate 'sensing' as a threat, they nevertheless acknowledge the magnitude of the crisis, and accordingly suggest making concessions and plans. Furthermore, in preparation for an upcoming crisis, participants and their businesses enter an 'idle stage', where growing the business is not an option. Instead, they embraced adaptive measures, for instance, creativity or patience (AR6), concessions through business cost reductions (GR3), or loss minimisation (AU2), with clear implications for business growth, as ways to become socioeconomically sustainable.

Figure 1 Here



Moreover, sensing becomes part of the entrepreneur's survival instinct, where considering ways to avoid business failure takes different forms, including 'reinventing' the business model (SP2).

Sensing a threat while at the same time mobilising resources (Teece, 2012) in a coherent fashion (Teece, 2014) became clear in the case of UK3. Having directly experienced a shutdown of an entire region due to the foot-and-mouth disease, and later the 2008-2010 financial crisis, in accord with other observations, UK3 also felt that he had learned to react quickly and prioritise activities, including being extremely mindful regarding expenditures.

The main findings revealed above concerning the perceived value of previous experience in helping weather the new COVID-19 situation validate the following proposition:

Proposition 1: In times of an unprecedented crisis such as COVID-19, previous experiences represent valuable assets for owners/managers, including in helping them sense threats (being adaptable-flexible), and mobilising resources (seizing) through skill development, finance management, and exhibiting patience and positivism.

2) *Insecurity*: previous experiences have not been a real factor in preparing businesses for COVID-19. While almost 40 percent of respondents conceded that the extreme situation was unparalleled, within this group, 11 respondents also recognised that prior experience had at least maintained them completely absorbed, or forced them to draw on a new set of skills. Thus, despite the crisis's unprecedented effects, these individuals perceived their experiences of some inherent value. Such was the case of AU6, whose situation illustrates the overwhelming predicament hospitality and tourism entrepreneurs found themselves in: "*I don't think anything could have prepared us for this. I guess just keeping positive and thinking of that way through.*" However, AU6 was among those who were able to modify their business model (takeaway meals-beverages) to adapt.

4.2 Perceptions of managing the business to overcome the crisis

In investigating how participants would manage their businesses or associated activities to overcome the COVID-19 crisis, Figure 2 illustrates three main emerging dimensions:

1) *Dynamic*, which predominantly illustrates the cluster of activities associated with seizing (Teece, 2012). This dimension was illustrated in various ways, and underlined the relevance of seizing, in allocating resources to bring out new ideas and processes, as well as transforming-reconfiguring, particularly in reflecting upon and revisiting current business models that included a shift in business foci. As AR8 recognised, the current unprecedented scenario even required “*looking for new revenue streams that earlier I frowned upon*”. The respondent was referring to emerging new offerings for the restaurant operation, including deliveries and online sales, previously viewed as devaluing the dining experience. Almost 40 percent of participants’ comments emphasised the significance of creativity, perceived as a key asset in the process of guaranteeing a firm’s socioeconomic sustainability.

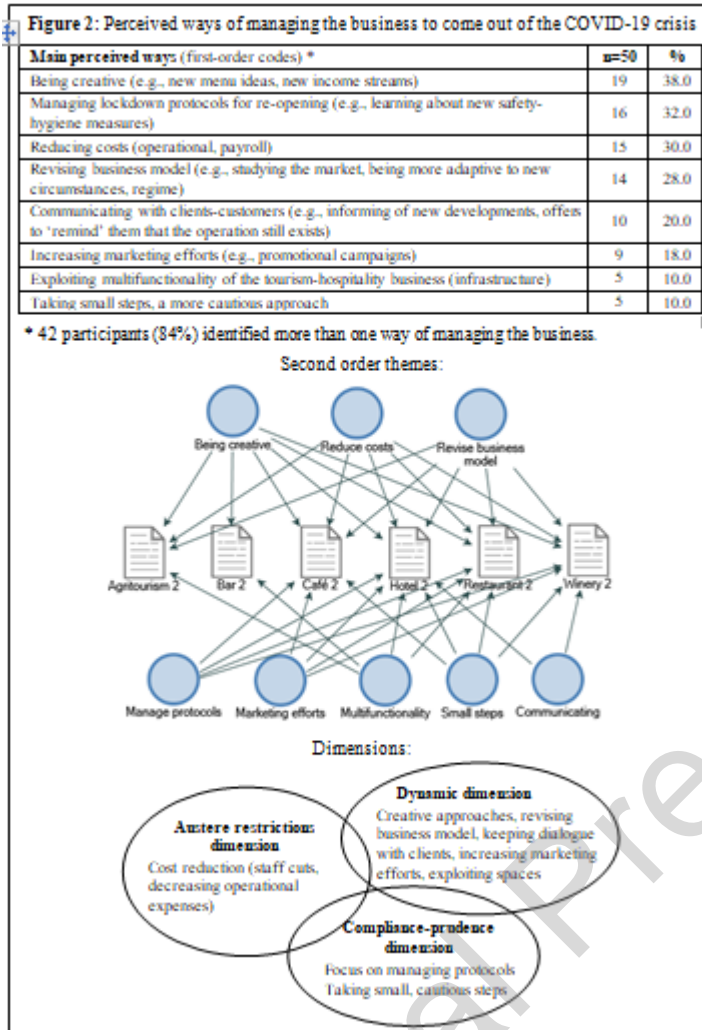
AR2’s experience in managing a winery offering wine tourism experiences demonstrates the strategic value of keeping the dialogue with clients-customers alive. This vital action helped strengthen marketing efforts, and exploit the multi-functionality of the business to manage the crisis, though with no definite outcomes. This case strongly supports some of the recommendations Mair et al. (2016) made in their review of post-disaster recovery, including relationship marketing and knowledge-sharing.

Nevertheless, depending directly on visitors travelling to their premises and region, businesses will need to benefit from a future easing of restrictions, and, at the same time, propose potentially different experiences to move forward. In light of COVID-19, Galvani et al. (2020) posit that degrowth might be experienced in the tourism industry, whereby travel

numbers will be more modest but at the same time costlier. Importantly, this degrowth could lead to more meaningful travel and to more appreciation for ‘the right to travel’ (Galvani et al., 2020), and have direct implications for regions’ destination image, particularly as domestic travel experiences a boost as a result of the crisis (Gössling et al., 2020; Vaishar and Šťastná, 2020).

Another revelation of transforming-reconfiguring emerged from multi-functionality, which allowed the business to propose different modes of hospitality-tourism offerings (e.g., IT1). The agri-tourism firm focused on food production (agriculture), tourism (on-site accommodation), and hospitality (on-site catering), which allowed for exploiting its strengths depending on seasonality, as well as supply or demand shifts. In addition, the value of reflecting upon, even reconsidering current business models was highlighted, further demonstrating associations with the transformation-reconfiguration cluster (AR1): *“The (wine tourism) industry must have the capacity to adapt and reinvent itself. That means being willing to modify your offerings according to what the new tourism demands.”* The participant was referring to a post-COVID-19 scenario, where wineries would need creativity and other adaptive strategies to maintain alive the image of the wine tourism destination and, by extension, that of the region.

Figure 2 Here



2) *Austere*, not illuminating ‘dynamic capabilities.’ As partly illustrated previously, these are reactive-radical measures, considered by almost one-third of participants (Figure 2). In addition, views of managing lockdown protocols, or seeking to make progress in small steps denoted participants’ cautious approach to dealing with the crisis. Regarding the first area, comments illustrated the severity of these cost-cutting measures. Although potential advantages to future tourists-visitors in the form of special offers and discounts were pinpointed, serious implications were highlighted for firms’ long-term socioeconomic sustainability, the well-being of their staff members, and even effects on other stakeholders, including operating costs (AU5, MA3), or the need to decrease prices (BO1).

3) *Compliance-prudence* suggests that participants take few if any actions while remaining observant and vigilant of government regulations and gradual lifting of restrictions. This

group of more cautious participants referred to the significance of managing the lockdown moving forward. For instance, AU7 and IT8 acknowledged lacking the resources, agility, or motivation to be entrepreneurial, and additionally had a pessimistic outlook for the future of their businesses.

The dynamic, austere, and compliance-prudence dimensions demonstrate that, while not all are implementing similar initiatives in light of the COVID-19 crisis, participants' actions underscore a high dose of creativity, agility, and entrepreneurial flair. These actions are strongly related to the clusters of seizing and transforming-reconfiguring (Teece, 2012).

Arguably, creativity is also interrelated with other elements of the firm that transpired in the different dimensions, including learning and managing the ever-changing nature of protocols, reducing costs, and even reconsidering one's business model. Together, these ways are strongly associated with the application and management of knowledge, which, in the case of many of the participants, additionally require agile thinking and action.

Based upon these notions, the following proposition is observed:

Proposition 2: To manage their firms through the COVID-19 threat, participating owners/managers of hospitality-tourism firms resort to various means, including those associated with seizing and transforming-reconfiguring of their business, by using creativity, considering revising their business model, reaching out to consumers-customers to keep relationships alive, increasing marketing efforts, and by exploiting the multi-functionality of their operations.

4.3 Returning to day-to-day business activities in the age of COVID-19

The data analysis and the subsequent distilling of second-order themes into theoretical dimensions (Gioia et al., 2012) revealed the following, also illustrated in Figure 3:

1) *Stakeholder*: this group recognises behavioural changes in the future business-customer relationship, for instance, concerning re-learning processes to safeguard customers' well-being from a different perspective as compared to pre-COVID-19 cases. This notion aligns with tourism research (Leonidou et al., 2015) examining capabilities that enhance organisations' competitiveness, where the significance of organisational learning and cross-functional coordination, among others, is revealed. Thus, a strong association between this group's drive and the clusters of seizing and transforming-reconfiguring is observed.

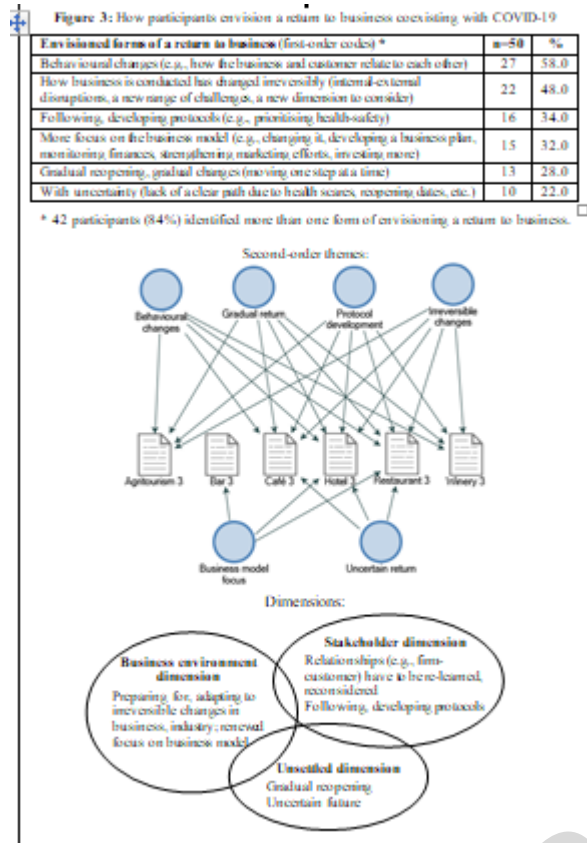
Clearly, there is an argument for the inclusion of business-staff relationships; hence, overall, the stakeholder dimension entails radical considerations. These considerations include a swift duty of care for the entire establishment following much stricter health and safety protocols, while at the same time discontinuing the business for an uncertain period (disinfection, authorities' approval to resume business activities), with potentially ruinous business-related consequences.

Associated with the increased focus on stakeholders, the mounting complications in service-product provision were not reflected through aggregates in the business's bottom line (GR2): *"We will need to reduce the number of guests due to self-distancing rules, set new hygiene processes for all operating processes..."*

While undoubtedly the new regime poses extreme challenges to numerous hospitality-tourism providers, the above comments further illustrate much-needed transforming-reconfiguring processes hospitality-tourism firms will have to undertake in order to create some sense of peace of mind among customers and travellers. Research by Senbeto and Hon (2020) suggests that the anxiety pandemics create among tourists can strongly influence their travelling decisions. These observations are supported by Zenker and Kock (2020), in that the COVID-19 crisis can affect the way people travel, and tourists' feeling and thinking, creating 'deep marks.'

2) *Business environment*: participants echoed concerns that current changes in response and adjustment to COVID-19 will be irreversible, underlining the need for new ways of operating. This perception again strongly relates to the clusters of seizing, and, in particular, to transforming, highlighting an overhaul of businesses' philosophy and strategy moving forward. Moreover, an emerging key factor was the reconsideration of one's business model, which is also associated with the perceived irreversible changes that the hospitality and tourism business will be experiencing, and therefore new ways of managing business activities, hence, transforming. As IT8 observed, a pragmatic view also ensued, with the visualisation of a 'transformation' of the firm's future, which offered promise to achieve socioeconomic sustainability, and where knowledge management also played a key role: *"To survive this deep crisis, people in our sector will have to become entrepreneurial... learn to evaluate the economic scenarios, and act accordingly, trying to anticipate what customers would like."*

Figure 3 Here



3) *Unsettled*: these respondents' comments resonated with the uncertainty caused by the extreme predicament they face. Their situation aligns with Mair et al.'s (2016) research, in that following disasters or crises, small tourism businesses struggle to quickly recover due to a lack of resources or capabilities. Arguably, uncertainty is further heightened by the slow reopening and recovery of their businesses, with direct implications for cash-flow generation to face immediate expenses, employee job security, and overall business well-being (e.g., AU4, BO3).

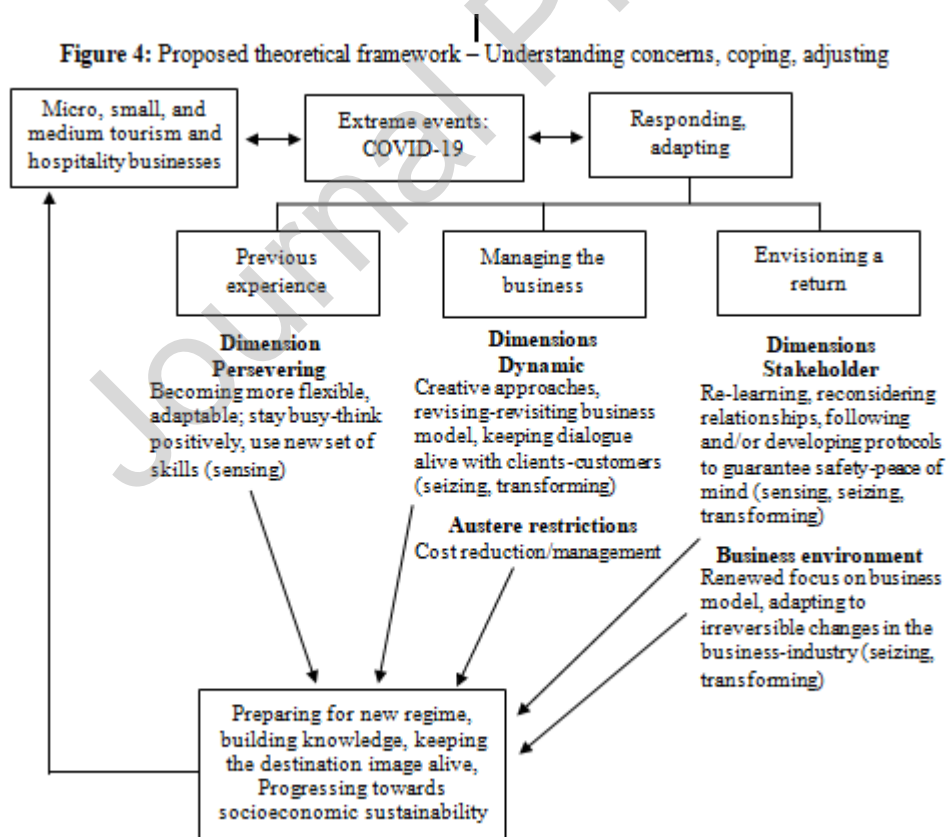
By considering the main dimensions emerging from the comments, the following proposition is adopted:

Proposition 3: While a return to business in the face of the COVID-19 crisis is fraught with uncertainties and the complications of reopening, the persevering entrepreneurs will be required to make radical business transformations/changes, as well as undergo significant

behavioural changes toward clients-customers and staff, including a stronger focus on safeguarding health-safety.

4.4 Proposed multidimensional framework

Figure 4 encapsulates the key dimensions revealed in the data analysis discussed above. First, a disconnect is identified concerning the extent to which participants' previous professional-business experience prepared them for the challenges of COVID-19. One group was utilising or building upon previous experiences to persevere, while the other, arguably subdued and overwhelmed by the emerging challenges did not consider their prior experiences practical or useful. Moreover, the 'persevering' dimension in its various forms provides context regarding ways to move forward and is therefore considered in the multidimensional framework. This dimension has linkages to the seizing cluster (e.g., Teece, 2012).



Further, in regard to managing the business, the dynamic dimension clearly illustrates participants' creative approaches, and their intention to revisit their business model, which arguably entails creativity, alongside maintaining dialogue and relationships with clients-customers. This dimension is strongly related to seizing and transforming-reconfiguring. The austere dimension, on the other hand, is reactive and lacks components of any of the three clusters of dynamic capabilities; however, its consideration is based upon its critical value for entrepreneurs to implement in times of severe crises.

Concerning participants' envisioning of a return to business in coexistence with COVID-19, the stakeholder dimension partly extends from the dynamic dimension to further place a strong emphasis on maintaining and strengthening business-clients/customers relationships. Demonstrating serious commitment to safeguarding the safety and well-being of visitors, clients-customers will be yet another aspect that entrepreneurs will have to consider, including, as some observations underlined, making necessary investments and limiting revenues, for instance, due to health protocols (e.g., social distancing). Similarly, the business environment dimension depicts the adaptation element, whereby owners/managers will have to reconsider their business model, as well as assume the irreversible changes in their business setting.

Together, the above dimensions can facilitate the preparation for the new and emerging COVID-19 regime (or potential future health concerns), and contribute to the destination image of regions and cities, and with it, to the long-term socioeconomic sustainability of hospitality and tourism enterprises.

5. Conclusions

This study makes an important contribution to the literature on adaptation in the aftermath of a devastating event, empirically examining the perspectives of owners/managers of SMEs

operating in hospitality and tourism settings. Participants' journey is undoubtedly unprecedented, filled with uncertainty, and therefore with no clear outcomes on their horizon. However, even in these extreme circumstances, many find ways to adapt and continue their business journey, including by mobilising resources (seizing) and by revisiting their business model, and-or introducing new creative means (transforming-reconfiguring) to extend the life of their business and achieve socioeconomic sustainability. The study also identifies the confirmation of three key propositions based upon the gathered data that further support the value of the various emerging dimensions.

5.1 Theoretical Implications

As Dahles and Susilowati (2015) observe, there is value in investigating from an actor-centred perspective the different forms in which business operators navigate crises. In this sense, the study offers new practical and theoretical insights with important implications.

From a theoretical viewpoint, through a proposed theoretical framework and various revealed dimensions, the study illustrates how hospitality-tourism businesses might emerge from the current critical phase. Thus, conceptually, the study also extends discourse of hospitality-tourism entrepreneurship. Furthermore, the emergence of dynamic capabilities in the findings goes beyond discourses of businesses' competitiveness, which are predicated in the academic literature. A variety of activities owners/managers undertake to achieve socioeconomic sustainability in extreme circumstances reflects that this process becomes a requirement for hospitality and tourism firms. In turn, the activities adhere to adaptive capacity, where socioeconomic sustainability can, for instance, be enhanced through profit-related activities associated with firms' competitiveness (Hartman, 2016).

The study also contributes to extending discourses of dynamic capabilities, not only during the current unprecedented crisis, but also in situations that severely challenge and test

the entrepreneurial and adaptation reservoir of owners/managers. The sensing cluster of adjustments, represented by previous experience, where the persevering dimension was revealed, provides support in identifying aspects that go beyond sensing to pinpoint fundamental aspects that contribute to identifying opportunities and threats (Teece, 2007). The repertoire of persevering options further demonstrates how sensing could be understood and operationalised.

The second area investigated, managing the business under an unprecedented crisis, reveals the significance of two predominant dimensions that extend the understanding of the seizing cluster. Indeed, each of the dynamic dimensions provides precise ways to help businesses capitalise on potential opportunities and minimise threats, and include the mobilisation of resources predicated by the dynamic capabilities model. Finally, the third area under examination, envisioning a return to conduct business activities, also emphasises two key dimensions that further extend the understanding of transforming/reconfiguring in the context of an extreme crisis. Here, reconfiguring embraces the stakeholder dimension, where firm-customer relationships will be changed forever, and new ways are required to rebuild and strengthen such relationships. The business environment dimension further provides conceptual understanding with practical value, in that adapting for irreversible changes will test the endurance, as well as the entrepreneurial spirit of hospitality/tourism business owners/managers.

5.2 Practical Implications

From a practical perspective, the various dimensions highlight elements, factors, and aspects that entrepreneurs operating in extreme situations could reflect upon to gain agility and momentum. Clearly, numerous owners/managers do not have the luxury to revert to other means to offset the loss of revenue or the complete shutdown of their businesses. Thus, while

the dimensions and their second-order themes may not represent a ‘silver bullet’ to solve paramount issues, they could be considered by entrepreneurs, their industry, and by other stakeholders (e.g., local-regional chambers of commerce) to begin processes of recovery and reopening of businesses. Some specific examples identified in participants’ comments (e.g., in Figure 2) follow:

- Creativity, by developing new income streams, such as adding new features to the business, including new food offerings.
- Flexibility, for instance, adding delivery services without substantially increasing prices.
- Technology, by increasing the business presence in online or Internet-based platforms.
- Efficiency, by reducing costs by limiting the use of large spaces that require high consumption of already costly utility fees, while using alternative spaces (e.g., outdoors) to organise more small events. In some cases, reducing costs led to family members becoming involved in the business.

Another fundamental implication is the need for businesses to extend their different offerings of lodging, gastronomy, and generators of memorable experiences to also undertake the role of caretaker. For example, when communicating face-to-face, verbalising safeguarding procedures, as well as demonstrating these, for instance, in cases of minor outbreaks or spikes, or even scares, creating a sense of peace of mind among visitors or customers will become paramount. Again, training and investments to prepare staff and management will become relevant.

Overall, while sensing potential scenarios of COVID-19 is extremely useful, the research first reveals the need to seize the moment. Seizing in this context is not perceived as a process of tapping into opportunities and in achieving further competitiveness while mobilising firm resources. Instead, the gravity of the situation persuades entrepreneurs (owners/managers) to seize or aim for a much more modest scenario, that is, minimise losses or damages that could bring firms to the brink, or to full collapse. As noted above, sensing could extend to triggering and actioning creativity, enhancing business-related flexible approaches (learning online platforms), or, in the last resort, also action cost effective measures. In addition, transforming-reconfiguring underlines the fundamental shift for owners/managers to reconsider key aspects, including the future of their business model, to move forward and coexist with the COVID-19 threat.

The study also suggests implications for policy makers and government institutions. Indeed, while arguably governments of the nations represented in this research might provide different supporting instruments to weather the unprecedented crisis, in as many as 15 cases, participants bemoaned the lack of government support during the initial months of the crisis. Thus, government officials should communicate any intentions and plans to business owners/managers in the early stages of a crisis so that these are well informed of how they should act without expecting prompt and tangible support.

5.3 Limitations and future research

This research features some limitations that could be addressed through future explorations. For instance, despite gathering data from 50 firms operating in various geographic locations, the overall recruited contingent is limited in number, and it does not include countries where hospitality and tourism businesses are also significant. Future research could consider other geographic and operational contexts, including a larger number of medium enterprises, or

choosing larger organisations, thus, complementing and extending the findings of this research.

Furthermore, while future research will inevitably contain post-crisis considerations, it could also be geared towards developing models and frameworks to illuminate the hospitality and tourism industries regarding ways to move forward. This research has made a first attempt to isolate key strategies and ways of operating that owners/managers are currently undertaking. Future research could follow this line of investigation, which could generate invaluable practical insights. Similarly, from a theoretical perspective, future research could replicate this study's proposed theoretical models, particularly Figure 4, in other hospitality-tourism contexts, whereby its usefulness could be assessed or challenged.

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Highlights

- Investigates adaptation strategies to respond to the COVID-19 threat
- Focuses on micro, small and medium tourism and hospitality firms
- Proposes a multidimensional framework based upon emerging dimensions
- Extends theoretical underpinnings of the dynamic capabilities framework
- Provides practical and theoretical dimensions to understand adaptation to COVID-19