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# Small and Medium-Sized Tourism Enterprises' Response to COVID-19

*An Outlook of Business Resilience in Bali, Indonesia*

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Terima Kasih,
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# Abstract

A majority of the businesses operating in the tourism industry are small and medium-sized enterprises (SMEs). This is especially true in small island destinations, where many SMEs often depend financially on tourism. This paper investigates what characteristics tourism SMEs that survived the COVID-19 pandemic in Bali have. This study uses a deductive approach to describe the characteristics of the surviving tourism SMEs in Bali. The data were obtained through conducting qualitative semi-structured interviews with 15 business owners and managers of tourism SMEs in Bali, Indonesia. The data was analyzed through a thematic analysis. The analysis found five distinct categories shared among the majority of the tourism SMEs interviewed. Out of these five categories, five main characteristics behind the survival of the SMEs were derived: (1) minimizing variable costs, (2) focus on promotional activities, (3) bonding network, (4) owning property, (5) creating new products and/or services. The findings provide new descriptive insights to the field of business resilience for SMEs in Bali, Indonesia. Future research can build upon these descriptive findings to create resilience frameworks for SMEs in Bali and other destinations alike.

*Keywords:* tourism, business resilience, SMEs, Bali, organizational adaptation

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## List of Abbreviations

| | |
|---|---|
| **COVID-19** | Coronavirus Disease 2019 |
| **DMO** | Destination Management Organization |
| **GDP** | Gross Domestic Product |
| **ITA** | International Tourism Arrivals |
| **ITE** | International Tourism Expenditure |
| **MFS** | Minor Field Study |
| **SDG** | Sustainable Development Goal |
| **SIDA** | Swedish International Development Cooperation Agency |
| **SME** | Small and Medium-Sized Enterprise |
| **STD** | Sustainable Tourism Development |
| **UN** | United Nations |
| **UNEP** | United Nations Environment Programme |
| **UNWTO** | United Nations World Tourism Organization |

# 1. COVID-19 – Effects on International Tourism

*This chapter starts with an introduction and presents the background to the dissertation. It introduces key practical and theoretical aspects guiding the study. After providing a basic understanding of the social phenomenon of tourism, the chapter moves on to appraise effects of the recent COVID-19 pandemic on international tourism – where the perceived effects are contextualized from the perspective of the destination Bali, Indonesia.*

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The renowned tourism destination Bali has during the past decades built their economy around international tourism. With estimates of tourism accounting for as much as 60% of the island's total economic activity (Chong, 2020), Bali was particularly vulnerable to effects of the COVID-19 pandemic. As global travel restrictions prohibited international visitors for almost two years, a great deal of tourism businesses were forced into bankruptcy – causing a rise in the island's unemployment rate with as much as 344% only during the first year (Badan Pusat Statistik, 2020, 2021). Such impacts call immediate attention to the vulnerabilities of tourism dependency structures, together with economic issues of sustainable tourism development. With that being said, there were certain businesses that managed to mitigate the impacts, and organize in ways that ensured their survival. It is conceivable that such businesses carry valuable insights that could help create a better understanding of resilient tourism businesses. Of particular interest are the small and medium-sized businesses that make up the majority of Bali's total economy (Sihombing & Jiao, 2021). As such, the purpose of this study is to describe the characteristics of surviving tourism businesses. By describing actions and processes that allowed businesses to cope with the conditions posed by COVID-19, this study contributes with knowledge that could help create a better understanding of issues with vulnerability in tourism. With COVID-19 being a relatively near-in-time event, and Bali recently opening up for international tourism again, the premises suggest that research of this nature is timely and relevant.

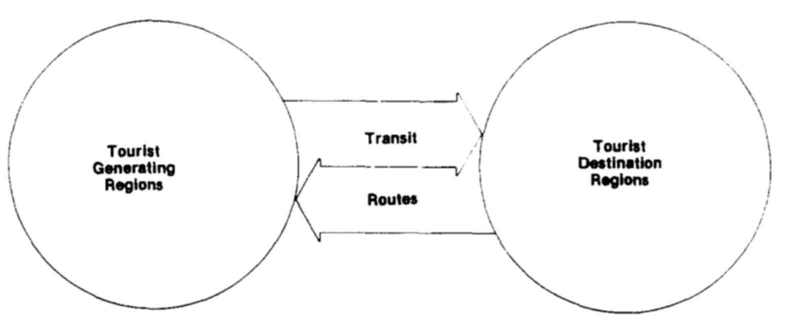
## 1.1 What is Tourism?

Tourism can be viewed as a phenomenon that describes the movement of people, "outside his/her usual environment for less than a year and for a main purpose other than to be employed by a resident entity in the place visited" (UN, 2016, p. 25). Correspondingly, an individual engaged in tourism activity can be identified as a tourist (Smith, 1994; Camilleri, 2018). This form of activity is known to both be influenced by – and influence – social, environmental, and economic forces of societies (Britton, 1991; Mowforth & Munt, 2009; Smith, 2017). Research approaches to the concept of tourism ranges from both social (Pizam & Milman, 1984; Deery et al., 2012), environmental (Gössling, 2002; Buckley, 2011; Scott et al., 2012), and economic perspectives of the phenomenon (Hjalager, 2010; Tsiotsou & Ratten, 2010; Brida et al., 2013; Pablo-Romero & Molina, 2013). The scope of tourism research perspectives, displays the many integrated forces and elements that relate to the phenomenon. Approaches, definitions, and implications take on different natures depending on which perspective one adheres to (Smith, 1994, 2006; Lickorish & Jenkins, 2011; Camilleri, 2018). This thesis addresses tourism from an economic viewpoint, with a predominant focus on tourism in an international context i.e., tourism across country borders. In the global context, international tourism serves as an important facilitator for providing employment opportunities and supporting countries' economic growth (Neufeld, 2020; UNWTO, 2022). This is because where tourism activity emerges, new opportunities for jobs and economic activity emanates. In 2019, tourism and travel accounted for 10.3% of the worldwide gross domestic product (GDP), including direct, indirect and induced impacts (Statista, 2022). Before the recent COVID-19 crisis, estimations depicted that tourism would grow at an annual rate of 4% worldwide (Lenzen et al., 2018), yet how much tourism contributes to the total economy of individual countries differs to a large degree. To illustrate this with an example, consider two contrasting perspectives from the position of Sweden versus Aruba. In Sweden, tourism's contribution to the national GDP was 2,4% in 2019 (Tillväxtverket, 2022), whereas 7.6% of all jobs (WTTC, 2022a) were directly connected to tourism. Conversely, at the same time in Aruba, tourism accounted for 67,9% of the country's total GDP, with a total of 85,6% of all jobs connected to tourism (WTTC, 2022b). Moreover, there are also differences in the proportion of domestic and international tourism. Seen to tourism and GDP on its own, international tourism stood for 33% in Sweden, contra 97% in Aruba (WTTC, 2022b). This distinction will be of importance to reflect upon as the paper continues. Nonetheless, the financially rewarding side of tourism brings about various social and environmental challenges. Examples of environmental challenges are changes in land coverage and the loss of biological species (Gössling, 2002), and on aspects of climate such as emissions and extreme weather events (Buckley, 2011; Scott et al., 2012). Current estimates suggest that 11% of global greenhouse gas emissions are caused by tourism (Girma, 2022). From a social perspective, tourism is criticized for exploiting the local culture and population in many destinations. One example from the renowned tourism destination Bali, is the commercialization of the local people's traditional dances, exploiting cultural practices for conventional purposes (Tinus, 2005). On the other hand, tourism is perceived to also have positive impacts on local culture, as it helps "maintaining and keeping local culture, arts, crafts and traditions; empowering host communities; and strengthening cultural values" (Shahzalal, 2016, p. 31). Although this thesis focuses on the economic side of tourism, it is important to keep in mind that the economic side of tourism is not an exclusive part of the field. As noted above, there is a close interrelationship between the social, economic and environmental facets, which indicates that the economic side of tourism goes beyond capital structures and markets. With that important note, the following section will come back to the focus of this study and proceed to explain the structure of tourism as an economic activity.

## 1.2 The Tourism Industry

Understanding the importance of tourism, it is of interest to go deeper into how economic benefits are obtained, and in which way this form of exchange takes place. Similar to other economic sectors, tourism can be viewed from the perspective of supply and demand. Leiper (1979)'s work on framing tourism as an industry is still relevant today, explaining the fundamental elements of tourism as an economic activity. In an international tourism context, this model can be applied globally and viewed from the perspectives of countries.

**Figure 1**. The Geographical Elements of Tourism




*Note.* Reprinted from "The framework of tourism: Towards a definition of tourism , tourist, and the tourist industry", by Leiper, N., 1979, *Annals of Tourism Research, 6*(4), p. 390-407.

Moving back to the definition of tourism guiding this thesis by UN (2016), the referral to an individual's usual environment can be linked to Leiper (1979)'s element of *Tourist Generating Regions*. This refers to the place where individuals are permanently resident and the place of which an individual initially travels *from*. This element can be viewed as the source of tourism demand. On the other side there is the element of *Tourist Destination Regions* which refers to the places of which individuals travel *to,* and stay for less than a year, for a purpose other than to be employed. This element can conversely be viewed as the supply side. The last element is the *Transit Routes*, which represent the components necessary to make possible the flow and movement of people between these places for example: aviation, trains, taxis or boats (Leiper, 1979). Although this is a simplified explanation, and considering that each element is further part of larger systems, it provides a good overview of the basic exchanges of supply and demand in tourism, which in turn helps the understanding of how economies grow and provide employment opportunities. One might define the tourism industry based on the entities providing the function that both serve tourists, and facilitates tourism (Camilleri, 2018). To further explore this exchange, it is useful to advance the discussion towards the element of the tourist destination regions, which will be referred to as *tourism destinations* from this point forward.

### 1.2.1 Tourism Destinations

How a researcher defines a destination is of great importance to understand the implications of a study. As previously established, the logic behind the concept of tourism indicates movement in-between places, that is, from place (a) to place (b), where the latter becomes that of the destination. As noted by Smith (2017), there is a need to address whether a destination is a for example a village, city, island, or even a country or continent. Furthermore, to think about what constituents that makes a destination – precisely a destination. Some developed notions of the concept assert that a tourism destination is related to a geographical space, whilst at the same time, it is a mental construction of the visitor (Framke, 2002; UNWTO, 2019). The latter relates to a visitor's reason for traveling, cultural background, and the destination's environment (Buhalis, 2000). Furthermore, within the spatial context, one can imagine a marketplace where tourism-related products and services, such as accommodation, activities, transportation, and attractions, are exchanged between host communities and visitors (Hall, 2018). From this, it is understood that a destination is built around various actors. Examples of relevant actors within a destination are residents, businesses, governments, and tourists (Sautter & Leisen, 1999). According to Hall (2018, p. 104) a destination can be defined as a “distinct spatial unit, usually at subnational level, which is defined by visitors, the services provided and its governance”. From this perspective, it is important to note the different viewpoints that exist simultaneously, whilst moreover, each viewpoint does not necessarily have to correlate to the other. From a governance perspective, destinations can be defined by entities related to specific geographical jurisdictions. For example, destination management organizations (DMOs) whose purpose is to coordinate, develop, and improve entities included within a spatial unit (Gartrell, 1994; Bornhorst et al., 2009). Then there is the individual perspective more related to a tourist’s purpose of travel, and the products and services in which a tourist intends to engage with (Buhalis, 2000). That is, one might see a destination as a social construct based on individual experiences and expectations (Urry, 2011). Nevertheless, in order for these destination perspectives to co-exist, there is a need for businesses and/or organizations that provide the products and services which makes tourism possible. One way of putting this into perspective is to consider what is not a tourism destination. A tourism destination as such, becomes a way to describe a spatial area from a tourism perspective. This does not have to mean that the area in question solely engages in tourism activity.

### 1.2.2 Tourism Businesses

Whilst the previous section focused on *what* is offered in tourism destinations , this section focuses on *who* facilitates such offerings, that is, the tourism businesses. The amalgam of products and services in a destination suggests a diversity of businesses. A tourism business could essentially be viewed as an enterprise whose main purpose is to offer products and/or services to people engaged in tourism activity. In the context of a small island destination it would then refer to the market which is contributed by the tourists. Typically include are some of the following segments: attractions and activities (tour operators, excursion providers), accommodation (hotels, Airbnb, hostels), food and beverage (restaurants, cafes), transport (taxi services, bus, train, aviation), among others that facilitates the wants and needs of tourists (Buhalis, 2000; Hall, 2018). To help distinguish businesses and to highlight specific tourism businesses, four main categories are used and will be termed as sub-sectors of tourism provision.

- **Accommodation** refers to businesses such as hotels and guesthouses that offer lodging on a nightly, weekly, or monthly basis for a price.
- **Food and beverage** refers to businesses such as restaurants and cafés where the majority of revenue derives from preparing and serving food and beverages to customers.
- **Attractions and activities** refers to businesses offering experiences such as visiting cultural or historical attractions or offering some physical activity or adventure for the tourist to partake in, such as hiking.
- **Transportation** refers to businesses such as taxi companies and scooter rental businesses where the majority of the income derives from the transportation of tourists.

### 1.2.3 Small and Medium-Sized Enterprises

Scholars and practitioners share a common ground in recognizing that the majority of enterprises in the tourism industry falls within the category of small and medium-sized enterprises (SMEs), including micro-enterprises (Smith, 2006). Buhalis and Peters (2006) further add to this by stating how this is particularly true for peripheral and insular regions, such as islands. Although there are some different notions of how to categorize SMEs, this paper adopts Buhalis and Peters (2006) definition of all enterprises with less than 250 employees. Thereby micro-enterprises fall within the category of SMEs, whilst the term enterprise and business will be used interchangeably. In this paper, what is important is a business relation to tourism. As noted by Vanhove (2007, p. 19), "in many developing countries tourism is a gateway to 'entrepreneurship', and this is considered to be one of the positive points of tourism in the development process of many countries and regions". Perhaps this is one major reason why SMEs are prominent in the tourism industry. Nevertheless, due to limited resources and capabilities to reduce risk, SMEs are often considered more vulnerable to external shocks (Jiang et al., 2019).

In the instances of small island destinations where the tourist market(s) is a vital part of the economy of the destination, the SMEs within such a market rely on, or depend financially on tourism. Moreover, the small islands that rely on tourism face even greater threats in cases of crises that affect the movement of tourists, resulting in a loss of the market (Ridderstaat &

Nijkamp, 2016). Subsequently, one might suggest that SMEs within small island destinations are particularly vulnerable to external threats. According to Britton (1981, p. 19) destination vulnerability is "the tourist industry, because of the predominance of foreign ownership, imposes on peripheral destinations a development mode which reinforces the characteristics of structural dependency on, and vulnerability to, developed countries". Hence, it is important to understand that dependency on any market exposes vulnerability, especially in times of crisis.

## 1.3 COVID-19 - A Tourism Crisis

In many tourism destinations a great deal of the local population rely on international visitors' expenditure to ensure stable income and employment. Known as a global tourism crisis, the COVID-19 pandemic reveals the industry's vulnerability to disruptions in global mobility (Skare et al., 2021). As transit routes between destinations were no longer available due to global restrictions and lockdowns, tourism destination regions stopped receiving tourists. Gössling et al. (2021, p. 15) noted that "the pandemic raises questions of vulnerability, as low-paid jobs in tourism have been disproportionately affected by the crisis and early indications are the tourism impacts in lower income-countries will be disproportionately considerably greater". Adding to this, small islands are oftentimes highly dependent on tourism from an economic perspective. Gu et al. (2022) state that these islands have faced major challenges and suffered greatly under the impact of COVID-19. One could start scrutinizing such impacts by looking at effects relative to the disruption of global mobility. COVID-19 had severe impacts on the global tourism industry, with estimates showing the global GDP could lose up to $4 trillion as an effect of COVID-19's impact on tourism. The Secretary General of the United Nations, António Guterres, states how tourism has been devastated by the COVID-19 pandemic and further states how "this crisis is a major shock for developed economies but for developing countries, it is an emergency" (UNWTO, 2020, 1:02). Furthermore, actors involved in tourism faced unemployment, anxiety and stress about the present and future conditions (Al-Mughairi et al., 2021; Business Today, 2022). However, this reduction in tourist movement led to positive effects as well. Several countries saw improvements in their quality of air, water, flora and fauna as an effect of less tourism movement (Krejić et al., 2021). If these factors arise as an effect of tourism disappearing, then a discussion regarding the development of tourism is needed.

There are widely recognized conceptions that the effects of COVID-19 provide a fundament for new opportunities in rebuilding and rethinking more sustainable tourism practices (Seyfi & Hall, 2020; Lew et al., 2020; Zhang et al., 2021). However, overcoming future sustainability challenges will take more than improving pre-existing practices. As noted by Gössling & Schweiggart (2022) tourism needs to change for the whole system to become more sustainable, and not only in tourism supply, changes in the tourism demand will also be necessary (Tauber & Bausch, 2022). Furthermore, it is particularly evident when perceiving the tourism system as stable, meaning that the tourism system and its components was only disrupted by COVID-19, rather than causing a system failure, as suggested by Bausch et al. (2021). Therefore, from the system perspective the tourism system is a stable system within itself, however, when faced with external shocks it can be frangible.

## 1.4 Issues of Sustainable Tourism Development

Tourism and unsustainability have been the subject of discussion by scholars for decades (Steynberg & Grundling, 1970; Tosun, 1998). In order to maximize tourism's socio-economic benefits and minimize its environmental impacts, sustainable tourism development (STD) is essential (Firenze, 2002). UNWTO and UNEP define STD as "tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" (UNEP, 2005, p. 11). Meaning that STD consists of the three interconnected forces, namely economic, environmental and social. Furthermore, not only does a crisis such as COVID-19 impact the economics of the businesses within the tourism sector, if the destination is dependent on tourists then the loss of cash flow will have an incremental impact on the society as a whole (Klinsirsuk & Pechdin, 2022). Klinsiruk and Pechdin (2022) looked at COVID-19's effects on a tourism dependent destination in Thailand. They found that not only did the economy of the tourism industry stop as a result of COVID-19, it further had impacts on other sectors due to the multiplier effect from the tourists' expenditures. Jones and Comfort (2020) further elaborates that destination economies will have major impacts on the job diversity, especially for less developed countries where tourism is a source of job diversity, and in some parts the sole source of income. Furthermore, Sachs et al. (2022) found that the poverty in low-income countries has increased significantly, which in terms is an effect of cash flow decrease. It is evident that the tourism industry and those industries related to it were not prepared for COVID-19's effects. Crises affecting tourism can happen both on a global and national/local scale. The COVID-19 pandemic displayed how tourism can be affected on a global scale whereas for example, the Bali bombings of the 2000s or the 2004 Indian Ocean earthquake and tsunami showcase how destinations can be affected on a local and national level (Sausmarez, 2005; Putra & Hitchcock, 2006). Predicting when a crisis affecting tourism markets will occur is hard, if not impossible in many cases. Natural disasters or crises are not something controlled by humans and are therefore in many cases inevitable.

One way of dealing with issues of sustainable tourism development is to direct one's attention to the sustainable development goals (SDGs). The SDGs is referred to as "the blueprint to achieve a better and more sustainable future for all" (UN, n.d., para. 1), and is made up of 17 distinct, yet interrelated goals. In this blueprint, tourism is mentioned (only) three times (Hall, 2019): SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG 12 – Ensure sustainable consumption and production patterns; and SDG 14 – Conserve and sustainably use the oceans, seas and marine resources for sustainable development (UNWTO, 2017). Of the three goals, the economic issues emphasized by Klinsirsuk and Pechdin (2022), as well as by Jones and Comfort (2020), can be directly linked to SDG 8. Shuai et al. (2022) measured the impact of COVID-19 related to the SDG goals and found that SDG 8 suffered a 22.3% decline in SDG performance, making it the most impacted goal. What becomes apparent is thus the issue of economic sustainability in contemporary tourism practices. More specifically, the effects of COVID-19 suggests that contemporary tourism, particularly in tourism dependent destinations, does not always promote tourism as a sustainable economic activity. How to build more sustainable practices is therefore an important question, which links to the ability to successfully deal with adversities and environmental shocks. One way of looking at this is through the frame of resilience.

## 1.5 Resilience in Tourism

Fundamentally, resilience can be explained as how well a system or an individual can adapt, innovate and deal with change to fit different demands and conditions (Cheer, 2018). Given that resilience regards both the system and actors within that system, tourism resilience comes with a broad set of approaches. Hall (2018) provides a comprehensive overview of the many sides to which resilience in tourism can be approached using scales. This includes individual, organizational, destination, national, and international scales. Although this study will not cover all scales, it is essential to understand that they are interconnected, which suggests a systemic relationship (Hall, 2018). McManus et al. (2012) agree that there is a need for systemic consideration when approaching resilience. More specifically, based on a survival perspective, these authors assert that resilience interrelatedly depends on local economic, environmental, and sociocultural relationships.

According to Brown and Cave (2010), many island destinations are dependent on the tourism industry and often have a limited number of resources to conduct other activities. Without island tourism resilience, island communities struggle to benefit from the development of successful tourism destinations, hence, they are subsequently exposed to the risk of discontinuity and the potential disposition of their lives (McLeod et al., 2021). Thus, understanding the importance of resilience within the context of tourism is central together with understanding the dire situation for dependent destinations. Following the work of McManus et al. (2012), Steiner and Atterton (2015) conducted a study focusing on the economic sphere through the perspective of rural private enterprises. They found that rural businesses are important actors for resilience in local contexts. Although these studies do not particularly look at the tourism industry, they do bring up curiosity to further investigate the private sector. Looking at more recent studies of resilience in tourism with a focus on private businesses, Badoc-Gonzales et al. (2022) suggest that tourism SMEs are particularly vulnerable to systemic shocks. Hence, this study will proceed from Hall's (2018) scale approach but with a focus on the business level within a destination.

## 1.6 Indonesia – Destination Bali

For Indonesia, tourism has proliferated in the past decades and has become an important industry for the country's economy. In 2017, the tourism industry represented 10.5% of Indonesia's total employment, providing as many as 12.7 million jobs (Ollivaud & Haxton, 2019). Moreover, in 2019, tourism contributed to 5.7% of Indonesia's GDP, making Indonesia one of the top 20 countries in the world where tourism has the largest impact on a country's economy (Neufeld, 2020). Statistics from United Nations World Tourism Organization (UNWTO, n.d.) estimate changes in Indonesia's yearly international tourism arrivals (ITA) equaled -75% in 2020 compared to 2019. In relation, there was a -85% decrease in international tourism expenditure (ITE). The year 2021 followed in the same direction with a -90% decrease in ITA, in line with a -96% in ITE compared to 2019 (UNWTO, n.d.). More than 61% of Indonesia's GDP are contributed by SMEs, of which there are more than 64 million (Antara News, 2022). They employ approximately 97% of the country's workforce and are as such an important player in Indonesia's industries, including tourism. Due to the pandemic, more than 30 million of these SMEs closed down (Sihombing & Jiao, 2021).

Although not the only tourist destination in Indonesia, the island of Bali is by many considered the country's key tourist destination (Gurtner, 2007). In 2019, Bali received approximately 39% of Indonesia's total ITA. Between 2019 and 2020, Bali saw a 83% decrease of its ITA, receiving around 1.1 million international visitors as compared to almost 6.3 million the year before. This was followed by further decreases in 2021, where the island received a mere 51 ITA (Central Bureau of Statistics, 2022). Given the major decrease in ITA and ITE, Bali's unemployment rate increased by 344% only during the first year of the pandemic (Badan Pusat Statistik, 2020, 2021). This comes as no surprise as an estimated 60-70% of Bali's economy is built around tourism (Chong, 2020). Such numbers raise questions about both antecedent and forthcoming issues of sustainable tourism development. According to a bakery owner on Bali, some people he knew had to sell everything they owned, including their houses, just to survive (Gagne, 2021). Another person explained that as tourists disappeared, many people had no other option than to return back to their home villages in Northern Bali. The infrastructure of those villages were however unable to support that increase and as such, they dealt with food insecurity on a large scale (Gagne, 2021). Given the conditions posed by the pandemic, it is understood that the local population on the island suffered major socio-economic consequences.

Despite the significant number of businesses that had to close down, together with the substantial downturn in the destination's employment activity, there are certain tourism businesses that managed to survive the pandemic. Such businesses can provide valuable insights into successful mitigation measures relative to the COVID-19 crisis. In light of this, the concept of business resilience becomes of particular interest since it revolves around different notions of how businesses respond to substantial changes (Dahles & Susilowati, 2015; Hall, 2018; Cheer & Lew, 2018; Saad et al., 2021; Gianiodis et al., 2022). Sobaih et al. (2021) found a clear positive link between resilience and the performance of STD, thus business resilience not only contributes to the survival of organizations, it further fosters positive STD growth as an outcome. As SMEs represent approximately 97% of Indonesia's total workforce (Sihombing & Jiao, 2021), it is evident that SMEs represent the majority of Bali's tourism-related businesses. SMEs thus become relevant sources to facilitate more understanding of the nature of business resilience in Bali. Therefore, Bali is an excellent case to study this phenomenon.

# 2. What can be Learned from the Crisis?

*This chapter starts with a problem discussion of the phenomenon, comparing the identified issues versus previous research. This is followed by the presentation of the research question and purpose of the study.*

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## 2.1 Research Statement

The effects of COVID-19 call attention to the unsustainable relationship between Bali's employment, economy, and international tourism — what could be considered a form of tourism dependency. In this situation, small and medium-sized tourism businesses have been recognized as actors more susceptible to the pandemic effects, which becomes a central problem given that businesses within this segment constitute the majority of the island's economic activity. In order to develop tourism that enables sustained economic activity and employment, there is a need to explore examples of businesses that managed to adapt, innovate and deal with COVID-19 in such ways that ensured survival, and business continuity. One way to address this issue is through the frame of business resilience.

In the case of Bali, scholars have studied resilience across a range of industries (Taylor et al., 2017; Reuter, 2019; Tohari & Raya, 2021). Within the tourism industry, Pedju and Orams (2013) looked at socio-ecological resilience, and its relevance within tourism and marine protected areas. Assegaff et al. (2022) studied resilience building in Bali by interviewing actors from four different hotels. Kurniawan et al. (2020) looked at the resilience of small business organizations in northern Bali. Research regarding the resilience of SMEs in times of crises has previously been conducted by Dahles and Susilowati (2015). They studied the behavior of accommodation SMEs in another destination in Indonesia, Yogyakarta. However, there is a lack of previous research conducted in Bali regarding the characterization of tourism SMEs who survived the COVID-19 pandemic. This, together with the fact that COVID-19 is a new kind of crisis in the tourism sector (Assaf et al., 2021), makes the post-pandemic period an ideal opportunity to study businesses who managed to survive the crisis. Finally, in spite of the adverse effects of COVID-19, there are businesses that managed to survive the pandemic. There is thus an opportunity to learn and discover useful insights of what characterizes such businesses.

## 2.2 Research Question

What characterizes small and medium-sized tourism enterprises that survived the COVID-19 pandemic?

## 2.3 Purpose

The purpose of this study is to describe the characteristics of surviving tourism businesses in Bali after the COVID-19 pandemic. Thereby, the research aims to identify courses of actions, measures and qualities that ensure business survival in the times of the pandemic. The result of this study contributes to a greater awareness of how to build business resilience for future challenges and bring further knowledge to the discussion of tourism resilience. As part of the larger discussion of sustainable tourism development practices, the study will further link the findings to the debate around the sustainable development goals.

## 2.4 Delimitations

As the research investigates SMEs, the results will not include large enterprises i.e., enterprises with more than 250 employees. Furthermore, this study focuses solely on SMEs that mainly serve tourists. The focus of tourism SMEs was chosen due to tourisms' and SMEs' importance to Indonesia's workforce. As the study was restrained by a time limit, focus was only put toward surviving SMEs from a managerial perspective, and not from an employee perspective. Furthermore, the authors chose to conduct the study solely in the province of Bali, Indonesia, and to focus only on the COVID-19 crisis and not other crises.

# 3. Methodology

*The following chapter describes the methodological approach. It begins with an explanation of the research design, followed by a detailed description of how the data was collected, analyzed, comments on the quality of method, and finally a review of ethical considerations.*

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## 3.1 Research Design

**Deductive Reasoning**

There are two major logics undertaken by researchers, either induction or deduction. Using an inductive approach, researchers disregard substantive literature before conducting their research. Doing so, they can be said to see better 'what is going on' as they carry fewer preconceived ideas (Connell & Lowe, 1997). In that sense, the conclusions drawn from the research emerge only as the research unfolds (Smith, 2017). On the contrary, a deductive research approach is when the researcher tests already established theories to see if they apply to specific instances (Hyde, 2000). A deductive approach is commonly used with a quantitative design, as numerical results are used to test an existing theory. (Smith, 2017; Saunders & Thornhill, 2019). Traditionally deductive approaches have been utilized to test existing theories with a generalized population, whilst qualitative approaches have been seen as an inductive approach (Hyde, 2000). However, this research started in the theoretical field to pave the way for the research question. Hence, by nature this research has a deductive approach and as such, a qualitative design was deemed more appropriate to answer the research question in the manner of what happened and the ideas behind the actions. Therefore, the researchers analyzed the data from a theoretical background, allowing the study to accurately compare the results with already existing theories. Furthermore, resilience is a well researched concept with several sub-genres. As such, instead of using an inductive approach to develop yet another theory, the authors used relevant concepts and applied them in the context of Bali. The researchers started off by identifying various forms of resilience and other aspects connected to it. Then, using a top-down approach, these topics are what guided the data collection process and further, the analysis of the results (Braun & Clarke, 2012).

**Qualitative Approach**

The research is of qualitative nature as the primary source of data is interviews thus consisting of ideas (non-numerical) rather than statistics which is a quantitative approach (Smith, 2017).

According to Bowling and Ebrahim (2005) qualitative data is narrative or non-numerical, and can be collected to gain an in-depth understanding of the social world from the participants. Therefore, the main steps in qualitative research are the interpretation of the data as it can provide extensive information on complex phenomena, which one could argue that COVID-19 is (Sofaer, 1999). Qualitative research further regards the general sites and participants to generate the data consisting of their experience of a certain phenomenon, or event (Bryman, 2016). Qualitative methodology is of advantage for this research as the researchers will at site ask business owners and managers what actions and decisions that helped their businesses to survive the pandemic.

**Descriptive Research**

The question word of 'what' that guided this research, suggested a result of descriptive nature. More specifically, the research question suggested a need for specific information that would enable the researchers to determine and describe distinct characteristics of the businesses investigated. In this matter, the research could be regarded as descriptive research. Correspondingly, the purpose of descriptive research is often perceived to be about obtaining an accurate summarization of the topic of a research (Smith, 2017). Moreover, descriptive research does not concern 'how' or 'why' rather it regards 'what' (Nassaji, 2015). As the leisure and tourism area are relatively new fields to study, there exists a need to map the territory (Veal, 2018). Therefore, much research is conducted in areas that have not previously been studied to discover, describe or map patterns, which this study has done. In a tourism context, descriptive research is often used to develop an understanding of the physical or social environment of a phenomenon. To that end, a descriptive research was deemed most appropriate for this research as the study aims to get an understanding of both social and physical characteristics of surviving tourism SMEs. Saunders and Thornhill (2019, pp. 187-188) states that descriptive research "should be thought of as a means to an end rather than an end in itself". Therefore, descriptive research does not conclude an explanation, it should concern to accurately describe the observation of the phenomenon. Hence, this study will not set out to explain why the SMEs survived, rather the characteristics they had. As such, the results will contribute to a better understanding of what characteristics surviving SMEs possess, which ultimately contributes to the understanding of business resilience for tourism SMEs.

**Setting**

The researchers were on-site during an eight-week-period ranging from November to December. That is, ten months after Bali officially opened up to international tourists (12 January 2022). The research took place in three separate villages in Bali, Indonesia – Canggu, Ubud, and Sanur. The sites were selected by virtue of their product and service offerings, and were accordingly, presumed to include the relevant SMEs needed for the sample. During the first two weeks, the researchers' arrived at the sites and assessed the environments through observation and liaising with potential subjects. The different sites were in this manner confirmed adequately. The interviews were later conducted during a three-week period. The remaining time was used to analyze the data. Further comments on the socio-cultural context in which the study took place is further elaborated upon in section 3.5.

**Sampling**

A sample of Bali's SMEs was used with the goal of making conclusions regarding the characteristics of that whole population. Bergin (2018) explains how this is common as it is often impractical and impossible to research the whole population. While a study representative of the population is preferred in regards to the reliability of a study, limitations made the authors move away from probability sampling toward non-probability sampling. Firstly, the limited time frame made the authors want to start interviewing as soon as possible to analyze all the data in time. Secondly, the lack of a sampling frame indicating all the tourism businesses in the destination further problematized this. As such, a non-probability sampling strategy was used. According to Smith (2017), when using a non-probability sampling method, one cannot make valid generalizations about the research population as those representing the sample are not randomly chosen, thus hurting the reliability of this paper.

The authors were required by the regulations of their Minor Field Study (MFS) scholarship to have a local contact person from the country. The contact person presented a list of potential businesses within the tourism sector for us to interview. As this list was presented to the authors, a convenience sampling strategy was initially used for this study. Convenience sampling is a sampling strategy used when other strategies are not possible due to various constraints such as time or resources (Bergin, 2018). To increase the reliability of the research, the researchers could have chosen to disregard this list and instead find other representatives using non-probability sampling. However, due to time and resource constraints, this easily accessible list acted as an initial list of participants for the interviews. Thereafter, judgment sampling, or purposive sampling, was used to find more interviewees. Purposive sampling is when participants are deliberately chosen due to the qualities they possess (Etikan et al., 2016). In other words, the researchers set out to find participants who fit the sample requirements and further, are willing to partake in an interview. Purposive sampling can be highly prone to researcher bias and the researchers have specifically chosen who to study and not. However, judging is mostly a disadvantage when the judgements are not based on clear criteria (Sharma, 2017). The sampling criteria were as follows:

- Operate within the tourism industry
- Operative prior to COVID-19 (March 2020)
- Operative following COVID-19
- Less than 250 employees
- Capable of communicating in English

Thus, the researcher reduced the disadvantages of using a purposive sampling. According to Guest et al. (2006), the size of a purposive sampling relies on the concept of saturation, which is the point where no new information is added from the data. A total of 15 interviews were conducted, which the researchers deemed sufficient, partly due to the time constraints of the study, and further since no new knowledge was presented at that point.

**In-Depth Interviews**

In-depth semi-structured interviews is a way to conduct an interview where the questions are theme based, which will allow the interview to be fluent while still maintaining within the framework of the theoretical narrative. Semi-structured further allows for a better understanding of the decision made by the correspondent and get more developed answers if needed. According to Saunders and Thornhill (2019), another aspect that strengthens the use of semi-structured interviews is the fact that they use open-ended questions, where respondents cannot answer with a simple ‘yes’ or ‘no’. Hence, semi-structured will get more elaborative and defined answers by the correspondents. Moreover, the researchers conducted a pilot test of the question that generated positive results, which allowed the researchers to make minor corrections such as reconstructing a question from an closed question to an open-ended question. The interview guide consisted of ten predefined questions along with additional follow-up questions. The duration of the interviews ranged between 30-60 minutes, depending on the answers of the interviewee. All interviews were conducted in person at the property of the business. The opening question for all interviews were "In the recent time after it became clear that international tourism was prohibited - What did this mean to you as an owner/manager?**".** Afterwards, the researchers had a list of potential questions. However, other questions were also developed based on what the international travel restrictions meant for the interviewees. Follow-up questions such as "could you elaborate on that…?", "how did you feel …?", "could you give us an example…?" were regularly used to acquire as much information as possible. The full list of questions can be found in Appendix A.

**Table 1**. Profile of Businesses

| Name | Sector | Product | Location | Position | No. Employees | Ownership | Open |
|---|---|---|---|---|---|---|---|
| Deon | Transport | Scooter Rental | Canggu | Owner | 2 | Local | 2012 |
| Nyoman | Accommodation | Home Stay | Canggu | Manager | 75 | Local | 2007 |
| Anna | F&B | Café | Sanur | Supervisor | 65 | Local | 2015 |
| Made | Accommodation | Hotel | Sanur | General Manager | 8 | Local | 2015 |
| Agung | Accommodation | Hotel | Sanur | Owner | 30 | Local | 2016 |
| Arjuna | F&B | Café | Sanur | Owner | 25 | Foreign | 2006 |
| Putu | Accommodation | Hotel | Ubud | Resort Manager | 60 | Local | 2004 |
| Toby | Attractions & Activities | Surf Lessons | Canggu | Manager | 5 | Foreign | 2016 |
| Charlie | Attractions & Activities | Surf Camp | Canggu | Owner | 8 | Foreign | 2015 |
| John | Attractions & Activities | Surf Lessons | Canggu | Manager | 1 | Foreign | 2007 |
| Ketut | Accommodation | Home Stay | Canggu | Owner | 1 | Local | 2014 |
| Gede | Accommodation | Hostel | Canggu | Owner | 2 | Local | 2017 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Kadek | Accommodation | Hostel | Canggu | Owner | 6 | Foreign | 2018 |
| Abyasa | Accommodation | Hotel | Canggu | Owner | 30 | Local | 2017 |
| Wayan | Accommodation | Hotel | Sanur | General Manager | 25 | Foreign | 2008 |

## 3.2 Data Collection

To gain this deeper understanding of the characteristics of tourism SMEs in Bali, interviews were conducted to gather qualitative data. According to Oun and Bach (2014), interviews are a common form of data collection in qualitative methods due to their performance. Compared to other data collection methods, interviews can, if performed correctly, be perceived as 'talking', and talking is considered natural. The use of in-person interviews for qualitative data collection is further strengthened by Knox and Burkard (2009), who mean that these types of interviews can help maintain participant involvement and more importantly, make it easier to clarify the information being communicated. This is relevant for this study as most of those interviewed do not have English as their first language. Therefore, face-to-face interviews will allow messages to be conveyed and interpreted by the authors nonverbally (Knox & Burkard, 2009).

The data collected in this study was both secondary and primary data. The secondary data were mainly collected from established online academic databases and physical books relevant to the subjects. It is worth noting that secondary data has been gathered for purposes other than that of the current study (Hox & Boije, 2005). As such, one must be cautious about what kind of secondary data is used. On the contrary, primary data are data that is collected specifically for the research problem one is studying and is personally collected by the researcher (Hox & Boeije, 2005). The primary data for this study was collected through semi-structured, personal interviews with business owners and managers in Bali. This approach was taken as the phenomenon recently occurred, and as such, no secondary data on the subject has yet been collected to the best of the author's knowledge. Using a semi-structured approach allowed the authors to be less restricted in that a tightly structured format of the interview questions was not always asked in the same sequence as in a structured interview (Roulston & Choi, 2018). Instead, it depends on the participants in which order the interview questions are asked. As Resch and Enzenhofer (2018) mention, including research participants who are not fluent in the dominant research language, is becoming more common in social research. The dominant research language in this study was English, which could lead to potential language barriers (Resch & Enzenhofer, 2018). While there at times were some minor language barriers, the authors overcame this with the use of translation applications.

## 3.3 Data Analysis

**Thematic Analysis**

In this study, the qualitative data gathered was analyzed through a thematic analysis. It is defined as "a method for systematically identifying, organizing, and offering insight into patterns of meaning (themes) across a data set" by Braun and Clarke (2012, p. 57), who first developed the technique in 2006. They mean that as a researcher is focusing on meaning across a data set, it is possible to see and understand collective or shared meanings and experiences. As such, thematic analysis allows the researcher to find out what is common to the data and further make sense out of this. However, Braun and Clarke (2012) express that these commonalities are not necessarily important. The patterns identified through thematic analysis need to be relevant in regard to the topic researched. Furthermore, all three researchers conducted a thematic analysis separately and later compared the findings. The data was analyzed with inspiration from Braun and Clarke (2012)'s six-phase approach to thematic analysis:

1. Familiarizing yourself with the data
2. Generating initial codes
3. Searching for themes
4. Reviewing potential themes
5. Defining and naming themes
6. Producing the report

The authors started off by familiarizing themselves with the data by reading and rereading all interview transcripts to further summarize all data in a Google Docs file. Thereafter, initial codes were generated from the data as they are the building blocks of the analysis Braun and Clarke (2012). This was done by each author thoroughly reading through every data item and coding everything that was potentially relevant to the research question until all data is fully coded. Thereafter, the coded data was separately turned into themes based on their similarities and overlappings identified between the codes, or a cluster of codes can be identified to determine a theme. The themes had to keep a high quality and needed to be related to both each other and the research question. Each theme was defined so that the authors had a clear view of each theme and could make sure that they were related but did not overlap (Braun & Clarke, 2012). Thereafter, extracts from the data are selected to present and analyze. The story of each theme is then set either around or with these extracts. An example of the coding process can be found in Appendix B.

## 3.4 Quality Indicators

**Validity and Reliability**

It is important to achieve a reasonable level of quality which can be seen through two aspects, namely the validity and reliability of the research. Validity concerns the quality and relevance of the data collected and how it is analyzed. In the case of a qualitative study, the validity regards the relevance of the answers to the interest of the issue (Bergin, 2018). To further strengthen the validity of a paper, it is important that the research accurately measures what it intends to measure. Therefore, only concepts relevant to the topic of the study can be used (Bergin, 2018).

By using a semi-structured interview method, the reliability decreases in terms of the result might be harder to replicate, but the validity increases in terms of reaching a more relevant answer. As the study is qualitative research consisting of interviews, the data will be subjective and then coded by the researchers. As such, the three authors created a triangulation of the interpretation of the data, increasing the inter-coding reliability (Bergin, 2018). In this study, investigator triangulation was used, which refers to when several different 'investigators' analyze the findings (Guion et al., 2011). The triangulation was ensured by each of the three authors completing their own analysis of the findings and thereafter, all three analyses were compared with each other to get a broader understanding of how the authors view the findings. In phase four of the thematic analysis, the authors openly discussed their initial findings of the codes and themes. Once the codes had been compared and selected to accurately describe the specific data, the authors moved on to compare the initial themes which were found by each of the authors. As such, the authors could individually interpret the data, and then combine and discuss the final analysis of it as a group.

When the authors compared their coding and theming results, the outcomes were quite similar and not many changes were made. The reason for the similarities during the coding and theming phase can be due to that the research was conducted deductively. Since a deductive approach was taken, the researchers conducted the literature review prior to the analysis. By doing so, the interpretation of the codes by the researchers could be said to have been influenced by the literature review. Therefore, the interpretation could be argued to be biased which would hurt the validity of the findings. However, Braun and Clarke (2012) elaborates that a thematic analysis can not be done in a fully inductive way since the researchers will in some way or another be affected by their previous knowledge or preconceived perceptions.

According to Rabianski (2003, p. 49). "both primary and secondary data should be accurate, reliable, precise, unbiased, valid, appropriate, and timely." The authors have strived to use data that accurately reflects what is being studied by mainly using secondary data deriving from a tourism setting. Furthermore, to be appropriate, the research sample must be taken from the correct population (Rabianski, 2003). Here, the authors chose to interview mainly local Balinese tourism businesses compared to multi-international to get a more reliable answer as to how the tourism businesses of Bali survived the pandemic. In collecting secondary data, emphasis was put on using timely data, meaning that it should reflect the time period of the analysis.

Kallio et al. (2016) means that what influences the quality and trustworthiness in a qualitative study the most is the data collection. Despite having a wide understanding of various concepts regarding resilience, the interviewers put aside preconceived ideas about potential answers since one tends to hear what one wants (Smith, 2017). As Smith (2017) explains, one common source of error that the interviewee may introduce is strategic answering. Strategic answering is when the interviewee answers something that either will benefit them, raise their status or protect them from unwanted consequences as a response to their answers. To increase the truthfulness of the interviews, along with minimizing strategic answers, all interviewees were informed that their answers would be anonymous. Despite this, a majority of interviewees preferred the authors to take physical notes rather than record the participants' answers. However, this did not pose as a problem as all interviews were transcribed directly after the interview. By having an understanding of problems such as preconceived ideas and strategic answers, the authors were able to minimize the risk of presenting biased answers, thus maintaining a high quality throughout the interviews.

## 3.5 Ethical Considerations

This research required visiting different tourist attractions, villages, and other elements of the local environment of the island of Bali in Indonesia. Given the authors' origin in Sweden, one must consider the different socio-cultural backgrounds. This means that diverse values, beliefs, and practices must be reflected upon to deal with the ethical aspects of conducting the study. In-depth interviews with local inhabitants were of particular interest, which meant close personal interactions. Durham (2014) noted that conducting interviews in contrasting cultures can be challenged by ethical complications. It was thus of great importance to become acquainted with fundamental social-cultural aspects of the local community and country before entering the empirical field to understand how to maintain respectful and appropriate courses of action. A local contact person was of help in providing necessary information regarding what ethical aspects need to be considered. The authors recorded the interviews when possible to better engage with the respondents, as Harvey (2011) suggests. Nevertheless, it is worth considering that respondents may be more willing to talk "off the record" if not being recorded (Harvey, 2011, p. 436). It was, thereby, important to ask for permission and be fully transparent with the respondents. In terms of language, local employees and most managers within the tourism industry speak comprehensible English (Bali, n.d.). Potential language barriers could be addressed by tools such as translating apps. Furthermore, the researchers need to be aware of the differences in the ability of freedom and self-expression values. According to 'the Inglehart-Welzel World Cultural Map,' Sweden has high levels of self-expression values and secular values. At the same time, Indonesia lies on the other side of the spectrum, relying on traditions and more to survive in their way of 'living' (World Values Survey, 2022). Therefore, it is important that the researchers respect the country's culture and do not impose their own.

## 3.6 Methodological Limitations

The businesses within the sample represent both local and foreign business ownerships which mean that they operated with different conditions. No businesses that did not survive were interviewed. It could be useful to further investigate owners and/or managers of businesses that did not survive the pandemic, and examine whether there are any particular differences in terms of actions and processes. It is worth considering that whether the interviewee was a manager or owner, there might have been differences in standpoints towards the businesses, its employees and stake in the business. Furthermore, the interviews were not conducted in the participants native language, which may affect information that was shared. No primary data from stakeholders related to the businesses such as employees, destination management organizations or governments were collected and included in the research. More information from mentioned stakeholders would be needed in order to understand how other factors might have influenced the businesses survival. The sample did not equally represent the four sub-sectors of accommodation, food and beverage, attractions and activities, and transport – and possible relationships or differences between the sub-sectors were not accounted for. More information is needed regarding each specific segment, to discover if particular tourism offerings differ, or to be able to make distinctions of differences and similarities between the segments. Furthermore, since a non-probability sampling method was used, it is important to emphasize that the findings in this specific study should not be generalized to a bigger population than those interviewed.

# 4. Literature Review

*In this chapter, a thematic review of business resilience is presented, from which interview questions will be extracted. In the review, notions of organizational adaptation, social capital, individual resilience and opportunity recognition were identified as key concepts explaining business resilience in relation to tourism SMEs.*

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## 4.1 Business Resilience – SMEs

Within the field of tourism, the concept of business resilience has emerged as a way to examine businesses' response to external shocks that cause major disruptions in tourism activity (Hall, 2018). Such shocks can be related to for example natural disasters, terrorism, economic/political turmoil, widespread diseases and so forth. However, there are different notions of what is meant by business resilience, and there might be certain aspects worth considering when studying business resilience such as the size of business, market, the nature of the shock etc. As noted by Biggs et al. (2015), resilience depends on the context. Additionally, taking into account that tourism is made up of several interconnected levels, business resilience may be classed as a view of *specified resilience*, meaning that it represents only one part of a larger interconnected system. This as opposed to general resilience which refers to whole systems (Biggs et al., 2015).

According to Saad et al. (2021), there is no universal definition of business resilience. Through their own extensive systematic review of the resilience of SMEs, Saad et al. (2021, p. 13) defined SME resilience as “the SMEs adaptability to disruptions, growth (positive performance), and their ability to seize the business opportunity amid a challenging business environment”. They further argue that business resilience in terms of SMEs is essentially a matter of operations in dynamic environments. However, when it comes to crises with effects such as COVID-19, one might ask the question whether positive performance or growth is a reasonable measurement? When a total market system fails (which the tourism system arguably did during COVID-19), is economic growth possible? The authors argue that assessing business resilience in tourism relative to COVID-19 and growth, is unfeasible due to travel restrictions prohibiting tourism demand. What is more relevant in the case of COVID-19 is the ability to survive. Cheer and Lew (2018) share the notion that survival is an important aspect of business resilience and argue that one should consider enterprises’ survivability, adaptability, and growth when faced with turbulent change – once again, the notion of growth seems essential to this definition, which the authors want to disregard.

Dahles and Susilowati (2015) studied business resilience in Yogyakarta, Indonesia. They explain how businesses can show resilience in three ways: survival, adaptation, and innovation. Survival is the actions or necessary steps that organizations took to manage to stay alive. Adaptation then regards that the organization made an adaptation to the new environment, meaning that they would take alternative actions to cope with the crisis. Innovation regards how the company identifies business gaps amid the crisis, a form of opportunity recognition to create innovation in the new environment with either an alternative business or by creating something new. Furthermore, Dahles and Susilowati (2015) recognized that these three strategies were not working alone, they were interconnected and combined to increase the survivability of the business. Dahles and Susilowati (2015) mean that a resilient business can effectively adjust its operations, management, and marketing strategies to survive in times of drastic change. They concluded that all three aspects: survival, adaptation, and innovation – existed alongside each other. However, they found that adaptation, in several aspects, was the most common reaction by SMEs when conditions changed.

This study takes inspiration from Dahles and Susilowati (2015)'s notion that business resilience is about three core capabilities i.e., survival, adaptation and innovation – and looks further into if/how these capabilities relate to each other. "Resilience and adaptation are distinct, though related, however, in that resilience is the outcome of effective adaptation" (Howard-Grenville & Lahneman, 2021, p. 479). Hence, adaptation when faced with a crisis is a vital part for business resilience.

## 4.2 Organizational Adaptation

In the event of an environmental shock, it can be worth taking a step back and inquiring about how the shock affects the relationship between a business and its environment. One way of looking at this is through the perspective of organizational adaptation. Sarta et al. (2021, p. 44) defines the concept as "intentional decision making undertaken by organizational members, leading to observable actions that aim to reduce the distance between an organization and its economic and institutional environments". Although this perspective could be applied to what might be considered a 'normal' business environment, this paper applies the notion relative to the COVID-19 crisis, in which decisions and measures are particularly aimed towards ensuring business survival. On a similar note, Howard-Grenville and Lahneman (2021 p. 479) captures the essence of this notion by expressing how organizational adaptation is about "how organizations configure themselves internally to face their external environments, and how they respond, through shifts in practices, structures, and strategies, to changes in these environments".

Within the discourse of resilience, scholars use both the term 'adaptation' and adaptability' (Abatecola, 2012; Chakrabarti, 2014; Dahles & Susilowati, 2015; Hall, 2018; Saad et al., 2021). On one hand, adaptation refers to the short-term measures performed by an entity in order to cope and navigate a specific change in the environment. On the other hand, adaptability regards the long-term process of an entity to take actions to foster dynamic capacity to enhance the overall responsiveness by the organization (Pike et al., 2010). This research focuses on the former, since it aligns better with the actions that SMEs had to take to manage the crisis – actions which can not be considered planned or strategic. However, for this thesis it will be viewed as the actions the organizations took in order to be able to survive the crisis of COVID-19.

Carley and Svoboda (1996) discuss how adaptation can occur on two levels: on an individual level and in the design level of an organization. On the individual level, organizational adaptation involves the experience gathered by the organization's personnel over time. Organizations may strive towards having an optimal design needed for their environment, meaning that different changes in design can be made depending on how the organization needs to adapt to its environment. There are several strategies to change an organization's design, such as changing hiring procedures, personnel reassigning, and downsizing. On this design level, organizational adaptation needs to be explored from the individual perspective (Carley & Svoboda, 1996). As Carley and Lee (1998) explain, changes can impact personnel's ability to utilize their previous experience, experiences which can be beneficial to the adaptation of an organization. However, these previous experiences can also be lost through organizational design changes such as downsizing (Carley, 1997). Prior experiences and/or knowledge that could benefit an organization is not only a part of organizational adaptation, it further is a vital part of the social capital. Social capital is a resource which has shown to increase the diversity of opportunities. Having diversified opportunities raises the capacity of organizations to adapt to changes in their environment (Pongtanalert & Assarut, 2022). As such, social capital plays an important part in both the organizational adaptation and, ultimately, the business resilience of an organization.

| **Insights from the concept of Organizational Adaptation, was acquired through the following interview questions**: |
|---|
| ● If we go back to that time, can you tell me about some important operational actions necessary for your business?<br>● What do you feel are the biggest changes if we compare the business today versus before the pandemic?<br>● What did you base this decision on, i.e. was there any specific reasons to why you chose what you chose ? |

- What is your company focusing on right now?

## 4.3 Social Capital

Social capital in its essence consists of two components. Firstly, the resources embedded in the individual's social network, and secondly, the value gained or invested in a social network. Furthermore, social capital has two major perspectives, the first perspective regards the individual and the network connected to that individual (Lin et al., 2001; Aldrich & Meyer, 2015). Aldrich & Meyer (2015) looks at social capital from an individual perspective as the connections the individual have, thus the network and the resources available within that network is the capital. The second perspective regards social capital from an organizational point of view, where a business' network can become an asset for the organization, providing needed resources.

From the business perspective, this includes the network of all those involved in the business, as opposed to one individual's network. Lengnick-Hall et al. (2011) sees social capital as building interaction and relationships to gain a broader and more trustworthy network between individuals for a business. Both at the individual and business level, social capital regards relationship building to foster information sharing, long-term partnership, and creating networks with mutually beneficial support and resources (Lengnick-Hall et al., 2011; Aldrich & Meyer, 2015).

Stam et al. (2014) further draws from the business point of view, but adds that social capital can be seen from a managerial context as well. They mean that for small business owners/managers, the resource of the social capital can be seen in a 'bridging view' or 'bonding view'. These two concepts concern the value of the capital invested in the network by the individual. The bridging view is that of having a large and more diverse network with weaker connection to the persons, leading the individual to have a greater span of resources but a more challenging time to assemble the resources. While bonding is the opposite, having a smaller network consists of closer relationships to the person in the network, hence, the resources are easier to get, but less diversity among the resources. Stam et al. (2014) look at the connections from the managerial point of view considering both the individual and the business' social capital. Hence, this research will follow Stam et al. (2014)'s perspective of social capital as a resource available for the business through its connections.

Furthermore, in a case study made by Pongtanalert and Assarut, (2022) on smaller hostels, they argue that one key factor during COVID-19 was the social capital. As cash flow was decreasing rapidly, the owners of the hostels chose to create adaptive plans to increase the cash flow by initiating in alternative businesses. One of the hostels knew a good recipe for chili paste that the hostel started to produce and sell to increase the cash flow and survive the crisis. Other hostels in Thailand started with similar tactics, such as selling mobile vending carts, food delivery, and organic food delivery. The lateral examples show more of a bridging concept since they had a more significant network with weaker links, such as connecting different services (Pongtanalert & Assarut, 2022). Nonetheless, the examples of Pongtanalert and Assarut (2022) display the impact that social capital can have on businesses in times of crisis and will, as such, be an important aspect of this paper. Thus a key factor in creating and maintaining a social network heavily depends on the individual and ultimately the decision-making.

| **Insights from the concept of Social Capital, was acquired through the following interview questions**: |
|---|
| • Did you get any type of support in order to keep the business running? This could be from authorities, friends, family etc.<br>• What happened to the people in the company? |

## 4.4 Individual Resilience

So far this literature review has addressed the importance of decision-making in terms of business adaptation and how the social capital of a business can come to aid in terms of external shocks. Particularly in SMEs, these aspects essentially depend on the individual owner or manager (Herbane, 2019), as opposed to larger firms where decisions might depend on a board of directors or management groups. In that sense, an individual perspective becomes of interest.

The relationship between an individual and its environment can be looked at from the perspective of individual resilience. More specifically, it can be referred to as the capacity of an individual to deal with difficult situations and positively return to a state of equilibrium (Hall, 2018). Windle (2011, p. 152) refers to this as the individual's capacity of “effectively negotiating, adapting to, or managing significant sources of stress or trauma using assets and resources within the individual, their life and environment that facilitate this capacity for adaptation and bouncing back in the face of adversity”. To put this into the perspective of business resilience, the notion of individual resilience could be related to the perspective of a managers/owners ability to deal with abnormal circumstances on behalf of the business (Hall et al., 2018). This notion aligns well with the importance of social capital and the essence of business adaptation, and additionally highlights the close relationship between business resilience and individual resilience.

| **Insights from the concept of Individual Resilience, was acquired through the following interview question**: |
|---|
| ● In the recent time after it became clear that international tourism was prohibited - What did this mean to you as an owner/manager? |

## 4.5 Opportunity Recognition

**Innovation**

What has not yet been addressed in terms of the core elements of business resilience is the notion of innovation. Innovation in its essence is a new idea of a new product, service or method. Isaksen et al. (2010) defines innovation as to undertake and make an idea into a product and service. Ratten (2022) further develops the concept of innovation to the notion of coping with change and adapting to changing systems competitively. Innovation can as such be a strategic concept meaning that organizations should foster innovation as a culture for them to be able to stay competitive, as innovation can lead to the creation of new products, services or methods (Visentin et al., 2021; Ratten, 2022). However, as stated earlier, COVID-19’s severity on the tourism sector has not been seen before, in that perspective, innovation can help businesses to create new ideas or methods to cope with the new environment. As such, innovation can contribute to the ability to absorb new procedures in changing environments, for the development of the organizations, which is essential when faced with a crisis such as COVID-19 (Huang et al., 2022).

From an evolutionary perspective, innovation can be seen as a trait that can be beneficial in terms of the survival rate. McCarthy et al. (2017) elaborate that innovation is part of the adaptation of an organization and how it copes with the crisis, which plays a pivotal role when the environment changes. As such, one can see that the surviving business after a crisis has coped with the situation somewhat successfully, thus generating a higher survival rate (McCarthy et al., 2017; Sobaih et al., 2021). However, innovation is not only about the actual knowledge that is created, it is also about acting upon the opportunities. Adequately put by John Wolfgang von Goethe "knowledge alone does not suffice, it must also be applied. Wanting is not enough, one has to actually do it" (Audretsch & Link, 2018, p. 1766). Therefore this thesis will look at the business's ability to cope with COVID-19 and maintain its business by adopting innovative thinking and utilizing the capital of innovation within the organization to manage the changing systems successfully – i.e. opportunity recognition.

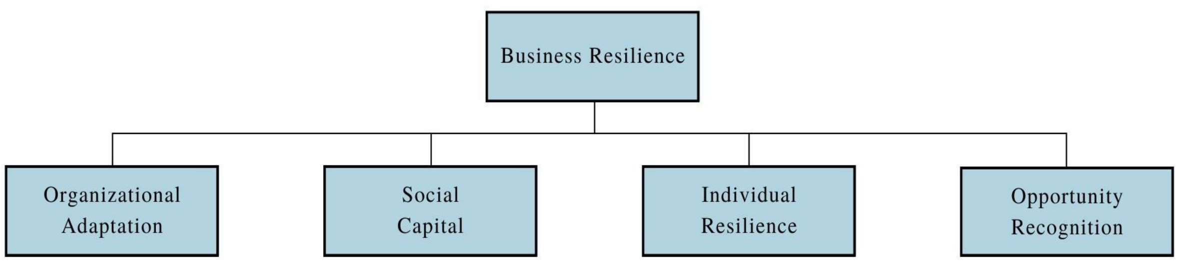
**Recognizing Opportunities**

Scholars addressing resilience theory do not explicitly cover the field of opportunity recognition. Instead, it is more referred to as a trait that an individual can have that enhances resilience. Hence, it is not covered in detail by literature regarding resilience; instead, it is spoken about between the lines (Ricketts, 2008; Hall et al., 2018; Hadjielias., 2022; Haddoud et al., 2022; Pongtanalert & Assarut, 2022).

Salvato et al. (2020) identify opportunity recognition as the ability of a business owner/manager to recognize an opportunity during a crisis and post-crisis to survive and adapt. Furthermore, it, to some extent, regards transforming with the new environment both during and post-crisis. Along with transforming, the research stresses the importance of social capital as a resource that can generate more opportunities, increasing both the diversity and amount of opportunities for the business owner. Within opportunity recognition the managers, to some extent, realize that in a crisis, opportunities arise, and depending on the business's resources, they are more likely to generate greater diversity of opportunities and act upon them (Hadjielias et al., 2022). However, Purnomo et al. (2021) discuss that SMEs work in a resource-constraint environment and that resourcefulness is vital for the manager. Not only is the opportunity recognition of essence for the SMEs, but also the ability to successfully create and manage an organization in a new environment (Purnomo et al., 2021). Conversely, investigating aspects of opportunity recognition can help the understanding of business resilience.

| **Insights from theory of Opportunity Recognition, was acquired through the following interview questions**: |
| --- |
| ● Did you recognize any new business opportunities in the new conditions?<br>● Do you believe that something positive will come out of COVID for your business? |

**Figure 2**. Theoretical Categories.




Based on the literature review, the paper arrives at four core investigations points illustrated in Figure 2 – that relate to business resilience and its core capabilities. Interview question/s has been linked to each investigation point to showcase in which way the authors intend to investigate each area. Note that the paper does not derive from a unique framework, the categories have rather emerged as ways to explain business resilience from the perspectives of survival, adaptation and innovation. Nevertheless, the authors recognize that this is just one frame of mind that has been selected in relation to this particular research design – and welcome further developments to the approach. Based on this approach, the following section presents the findings of the study.

# 5. Empirical Findings

*This chapter presents and analyzes the findings of the research. The findings are presented and structured in the form of themes and sub-themes, which derives from thematic data analysis of the transcripted interviews.*

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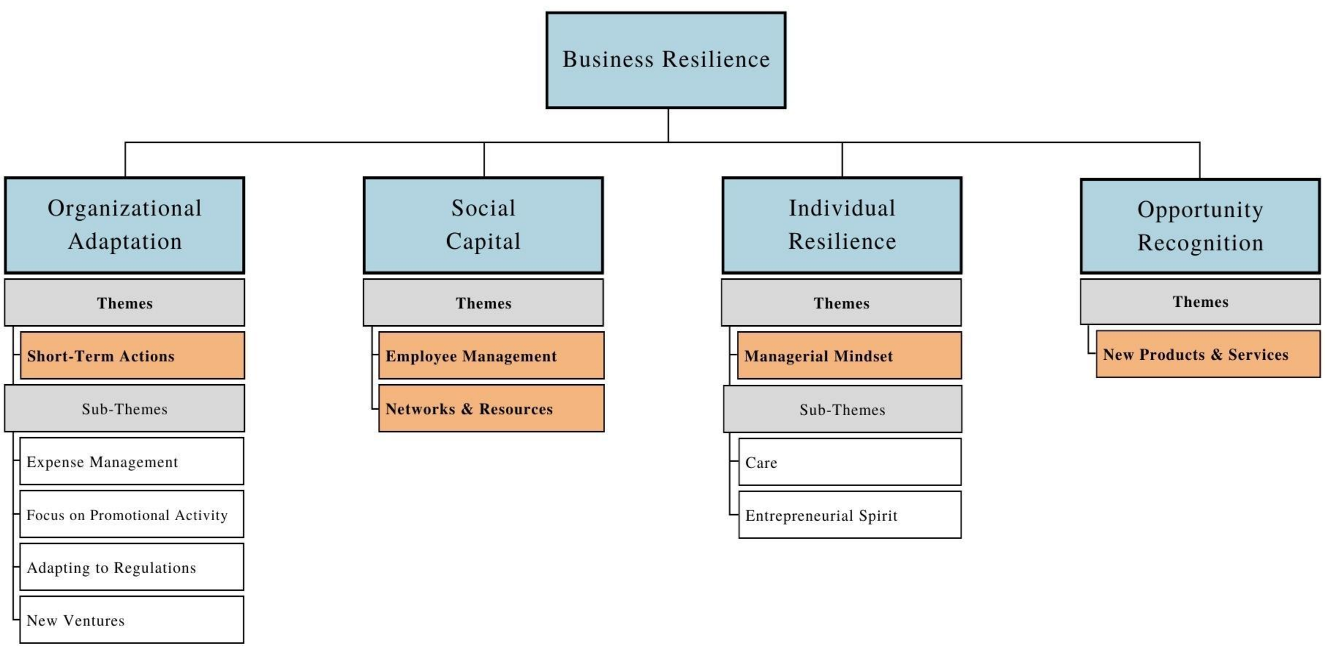
Based on the data collected from the sample of tourism, five distinct categories were identified as crucial for business survival: (1) short-term actions, (2) employee management, (3) network and resources, (4) managerial mindset, (5) new products and services. These categories are expressed as themes, and derived from the coding process of the data. Certain themes include a set of sub-themes which distinguish distinct, yet interrelated characteristics of the concerning theme. Figure 3. displays how the themes relate to the theoretical framework used to collect the data, and follows with an analysis of each theme and sub-themes.

**Figure 3.** Themes




## 5.1 Short-Term Actions

One of the main themes identified in the complete set of interviews was various kinds of short-term actions. This refers to actions that the businesses took shortly after it became clear that Indonesia closed their borders to international tourists, as well as actions throughout the period of pandemic restrictions. The time frame refers to the period from March 2020 until approximately March 2022. Given the diversity of the findings related to this theme, it was further possible to distinguish four sub-themes: (a) expense management; (b) focus on promotional activity; (c) adapting to regulations; and finally (d) new ventures. Each sub-theme is described in detail below.

**Expense Management**

The most common short-term actions of the participants were different kinds of economic actions. While revenues decreased quickly along with disappearing tourists, certain costs associated with the business were found remaining. These costs, such as rent and electricity, had to be paid in order for the business to stay in operation and maintain their assets. To overcome such issues, Abyasa explained that it was all about "*minimizing costs*" where possible.

> **Abyasa:** *I have been in this industry for over 30 years now and I can tell you that I am lucky that no crisis occurred when I started off. The older you get, the wiser you become, especially with money. You realize that the one thing that keeps a business operating is money. So when I started to understand that COVID-19 was going to be here for sometime, I knew I had to be smart with my money. Money was saved throughout all parts of the business, I had to fire my staff, I only had 2 dorms open so that I could save electricity and I spent no money on marketing. As I already owned the property, I did not pay any rent. I simply minimized all the expenses I had and waited and prayed for COVID-19 to be over.*

For Abyasa it was thus possible to minimize costs through the reduction of staff and electricity usage. While most businesses minimized their expenses just like Abyasa, some had a different approach towards their staff. A common solution to minimizing the costs (while maintaining the staff within the company) was to either reduce work hours, lower the wages of the people in the company or a combination of the two.

The example of Abyasa along with the other businesses are fine examples of the structural configurations that organizations use when adapting to changes in their environment

(Howard-Grenville & Lahneman, 2021). Furthermore, it also displays how adaptation can look from the design level of an organization (Carley & Svoboda, 1996).

**Focus on Promotional Activity**

The second sub-theme of short-term actions is marketing. In this context, marketing refers to how the promotion of the business was changed as a response to COVID-19. As tourists left the island of Bali, the SMEs serving the tourism industry was left with a significantly smaller market segment. The challenge now was to reach those tourists that were still left on Bali, a challenge best described by Nyoman.

> **Nyoman:** *We did not have much of a choice. If you wanted to reach tourists or digital nomads still in Bali, you had to stand out. Instead of offering long-term rentals like many others, we lowered our prices significantly, a room for one night cost 80% of the price before COVID-19. By doing this, we were able to keep a high occupancy rate, especially during weekends when locals and westerners were looking for a weekend getaway.*

Pricing promotions were the most common marketing response taken by tourism SMEs in Bali, a response often combined with a focus of marketing product offerings digitally. Before COVID-19, many SMEs had relied on online reviews on various platforms to generate a flow of customers. For a majority of these businesses, this was the first time they actively promoted their business online. Deon described this as “scary” and “not knowing what to do”.

> **Deon**: *For me this was a bit scary as I had never done marketing before. I could understand that I needed to do something to reach customers as the tourists were gone. I designed promotions on the computer that I posted on different local Facebook pages. That really helped to increase business just enough for me to survive.*

As Abyasa presented a great example of structural changes in the context of organizational adaptation above, Nyoman and Deon offer great examples of the shifts in practices and strategies that Howard-Grenville and Lahneman (2021) further mentions.

**Adapting to Regulations**

Apart from the actions taken toward costs and marketing, a majority of the businesses interviewed had to adapt their operations in additional ways. Restaurants limited the number of guests allowed while hotels and hostels decreased the number beds to follow restrictions put in place by the government and to keep social distance between guests. To fight the limited capacity, the most common response by restaurants was to focus on digital food delivery platforms such as GoFood and GrabFood. This is best described by Anna:

> **Anna:** *The Indonesian government imposed restrictions determining how many people we could be inside the restaurant. Of course we followed these restrictions but they hurt the business. To cope with this, we started expanding our offerings on online food platforms. The take away business did not go great but it was something.*

This "something", i.e. operational adaptations, played an important role not only in Anna's business, but in many others as well. Following Pike et al (2010)'s definition, these adaptations are examples of the short-term measures taken by an entity to cope with changes in the environment. While the SMEs had no other option than to follow the government's regulations, the real challenge was situated in how to keep operations running despite these regulations. For some, the solution was to create new streams of income.

**New Ventures**

The fourth sub-theme of short-term actions regards the creation of new ventures. Around half of all the interviewees responded that they had undertaken some form of new venture during COVID-19. These ventures could be further divided into ventures that only regarded the survival of the individual and ventures that regarded the survival of the business. Two of the businesses that focused on the individual relied on international tourists for surfing lessons and as tourists disappeared they lost their income. As the businesses were locally owned and located at the beach, the owners paid no operational costs such as electricity and rent. John explained his new venture as:

> **John:** *I went out on my surfboard each morning with my fishing rod and started fishing. The fish I caught I sold at the local market, giving me a small income that I could survive*

*on. Then I went to the surf shop and waited for someone wanting a surfing lesson. At times it could go weeks between lessons but at least I still had a job.*

Putu, another participant who was originally a manager in the accommodation industry, started a tofu and bubble tea business (food and beverage) together with his wife. He decided to step down from his role as hotel manager so that the company could afford to keep the staff and not fire them. As he explained it, "for me it was more important that the staff had a salary than for him to sit behind a desk all day".

Other ventures instead regarded actions that were taken in direct connection to the business. Ketut provides a good example of this. She explained how price reductions and downsizing did little to help her business. Instead, the real turning point was when she opened a side business connected to the hostel.

**Ketut:** *When people stop traveling, the demand for accommodation is severely affected. What is not affected as badly is the food and beverage industry, as people always need to eat. I had no space to open a restaurant in the hostel, but I did have a kitchen that I started making traditional Indonesian desserts in. I then signed up for online food platforms where I sold the desserts on order.*

By utilizing what she already had, she was able to keep her business alive. Another example of this is Charlie, the owner of a surf camp establishment offering accommodation and surfing lessons who saw an opportunity to open a whole new venture. In the beginning of COVID-19, the beaches were closed. As he could not offer surfing anymore, he decided to clean out the garage in front of the surf camp and open up a boxing gym. That allowed him to diversify his revenues and expand his product offering.

These examples align with Carley and Svoboda (1996)'s notion of how adaptation can occur on either the individual level or in the design level of an organization. Putu and John displayed how adaptations to shock in one's environment can be made on the individual level whereas Charlie offers a great example into how adaptation can be made at the design level of an organization. How employees were affected by the measures taken were in close relation to businesses' short-term adaptive changes. However, more than anything the examples relate to the notion of innovation presented by Isaken et al. (2010) and Ratten (2022). This is understandable as McCarthy et al. (2017) states how innovation plays a pivotal role for the adaptation of organizations as environments change.

The data suggests that out of the four sub-themes identified within short-term actions, three had a direct noticeable effect on the survivability of a majority of the SMEs interviewed. These three were expense management, focus on promotional activity and new ventures. While the sub-theme 'adapting to regulations' indicated that adapting and focusing more on online platforms had effects on revenue, this was not a trait shared among most SMEs. The sub-theme of expense management will be seen as the characteristic of minimizing variable costs. No changes will be made to the name of the sub-theme focus on promotional activity. The sub-theme of new ventures will be further characterized together with the theme of new products and services below.

## 5.2 Employee Management

As a noted part of reducing costs, employees were affected in different ways. Nonetheless, a set of businesses made the decision to not let go of any staff, or at least provide opportunities for the people to stay within the company. There were two main reasons found to explain this. First, there was an inherent feeling of care and responsibility for the employees and their families, as discovered in the statements below:

> **Arjuna**: *The staff was working 50%, we could not pay them full time, and we felt responsible to keep the staff, we could not just throw them out. I see all my employees as a family. We could not force our staff to go home.*

> **Putu**: *I was thinking of their families and what would happen to them if they got fired. The responsibility was on my end.*

> **Made**: *The first concern was to my staff, I know the pandemic hit Bali no business so I started to make negotiations with our owner on what to do with the staff.*

Second, employees were perceived as valuable assets due to their experiences and competencies, and there was a desire to keep this expertise in order to be ready to perform when tourism came back. This type of 'loyalty' could also be seen on the opposite side, where staff chose to go to work with little, or even no pay at all. In order to keep the staff, these businesses reduced working hours of the staff, whilst salaries were minimized, based on business performance. Nevertheless, other businesses had no choice but to let go of staff due to financial constraints caused by the absence of international tourism expenditure. In such cases, employees prioritized to be kept within the company were those who were capable of multitasking relative to their previous experience and drive – in which education and internal development was revealed as important follow-up steps. In other cases, the owners were the only ones left to keep the existence of the business. Additionally, outside the control of the businesses, several employees voluntarily resigned to pursue alternative ways of obtaining income.

The two reasons i.e. the feeling of care and responsibility for the employees, and employees perceived as valuable assets for the companies, can be related to the theory of social capital. The former is linked to the notion of bonding social capital (Lengnick-Hall et al. 2011), referring to the emotional connections as a form of capital within a business, whilst the latter goes in line with Aldrich and Meyer's (2015) reasoning that business resilience is partly achieved through employees, their competencies, and strategically managing this human capital. In this regard, human resource management (HRM) can be seen as an integral part of building resilience both from a theoretical point of view, as well as in the case of Bali. Moreover, in addition to the internal perspective of employees as social capital, the role of the owner along with the external network is further discussed in the next section.

In terms of employees two conflicting discernments were identified. On one hand, certain businesses were characterized by keeping all employees whilst on the other, employees were seen as dispensable for survival. In the latter cases, only a selection of staff were kept due to their abilities to multitask. However, what both instances had in common was the reduction of work hours and remuneration, which relate human resources to economic measurements. The reduction in work hours and remuneration are a part of the characteristic of minimizing variable costs mentioned above. Therefore, no characteristic related to the surviving tourism SMEs was found under the employee management theme.

## 5.3 Networks and Resources

The third theme commonly identified in the interviews was networks and resources. The crisis caused major stress on the economic health of the businesses interviewed, which is understandable when the cash flow of a business becomes a fraction of what it was prior to the pandemic. One resource that many of those interviewed shared was property ownership. By owning one's property, the expenses of a business will be significantly influenced as recurring costs such as rent will not have to be paid. The ones that did not own their property managed to either successfully negotiate the lease of the properties, and/or lower the rent or to be able to pay rent once COVID-19 was over.

Property ownership proved to be an important factor for the survival of the businesses. However, the businesses that still had to pay rent were forced to adapt to its environment by negotiating their lease terms. This further aligns with the individual resilience trait of effectively negotiating sources of stress in the environment by the assets and resources available within the individual, their life and their environment (Windle, 2011). Hence, the skill of negotiation and the network connected to the organization were favorable traits in a crisis (Lengnick-Hall et al., 2011; Windle, 2011).

Further important aspects lifted by the interviewees was the ability to get additional funds to manage to keep the business alive. A few of the businesses got economic support from the government, and a few got a one time support around 600 dollars over the course of the pandemic. Nevertheless, the majority of the businesses did not receive any support and had to find alternative sources to get additional funds. Some of the businesses managed to raise capital by loaning money from friends and family, and two of the interviewees got additional funds from previous guests that donated money. Where one of the businesses got a fundraiser started by one of his old guests, which according to the business owner, helped his business to financially survive the pandemic.

> **Kadek:** *I got a fundraiser from previous guests that I have met during my time in the tourism industry. Some of my previous guests even chose to donate to me directly. Today I*

*am eternally grateful for the fundraiser and the donations, because without them I would not have managed to keep the business.*

The network made by Kadek shows the aspect of social capital as a keystone for the business. As Kadek managed to create a network and close relations with his previous guest, ultimately helped him to survive the pandemic. Thus the fundraiser and donations are a consequence of the close connection that Kadek managed to create with his previous guest (Stam et al., 2014). Furthermore, contacts allowed other businesses to get economic benefits such as loaning money from the suppliers, getting beneficial rent negotiations, getting food from members in a village, or getting funds from family and friends. As such, the network by itself generated value for the businesses as they managed to raise capital with the help of their contacts (Aldrich and Meyer, 2015).

**Arjuna:** *In the end we ran out of money so we could not pay the suppliers, luckily the suppliers did not charge us, they allowed us to loan supplies from them, without that it would not have been financially viable.*

It is evident that having networks and contacts played an important role for the survival of businesses during the crisis. However, the authors found only evidence of bonding networks, i.e., smaller networks to which the organization has close relationships (Stam et al., 2014). This can be seen in both Kadek's and Arjuna's cases.

Ownership of the property in which the business operates proved to be a significant feature for surviving businesses since property ownership meant that the business did not have to pay a monthly rate. The businesses who rented properties expressed that they had difficulty in paying rent, but managed to negotiate terms and payment to keep their facilities. The beneficiaries of social capital were an important factor for the businesses, however, the data showed only social capital consisting of bonding networks. Thus, a bonding network will be one of the characteristics for business resilience. Owning the property was further an important feature for the business, as such, it will be considered a characteristic of the business resilience.

## 5.4 Managerial Mindset

**Care**

Amongst the interviewees, an important aspect that came to light was how they dealt with the uncertainty of not knowing when things would get back to 'normal', as no one could have predicted how long global travel restrictions would persist. The findings disclosed two specific motivational factors linked to keeping the business alive. As noted in the theme of *employee management*, there was an inherent care for the staff – extended to their families. A type of reciprocal loyalty both from business to staff, but also from staff towards the business. This form of loyalty and care was additionally related to the aspect of occupational importance. This was evident in the instance of staff attending work without pay, whilst other interviewees expressed that without the job – there would be nothing to do.

> **Anna:** *First is my family! My own family and the employees in the company, who are also considered family, share their feelings together (the worst crisis in Bali). We survive together.*
>
> **Putu**: *I kept thinking of the children of the employees and I thought to myself I can not surrender for their sake.*

**Entrepreneurial Spirit**

The other important motivational factor was the individual drive to not give up. Even though many interviewees struggled with uncertainty relative to the continuous postponing of restrictions, there was still hope that international tourism would resume at some point.

> **Agung**: *When you are a business man you are a fighter, never stop fighting. When trouble comes it is like a war game. When COVID came you had to defend because you have no weapon to defend, and now you have to attack. That is it, once you are a warrior you fight mentally. My father says we are born in Bali to serve people, to make people happy.*

As Arjuna puts it: "stubbornness of the entrepreneur". What Arjuna claims is not a trait seen in just entrepreneurs, but a common pattern among the interviewees. Arguably, the mindset of the owner/manager plays a big role when faced with a challenge. Hall et al. (2018) recognized the individual's ability to deal with abnormal circumstances and return to equilibrium, and as claimed by Agung when the covid came the business owners and managers became warriors. Motivation in that sense can be seen as a characteristic within the realm of individual resilience, the motivation to keep on fighting, even when faced with resistance. It was apparent that the pandemic was a challenging time not only on a business level, but further on an individual level. Individual qualities relating to motivation and values were distinguished as: *entrepreneurial spirit* – to not give up; *care* – understanding the importance of employment for remunerative reasons; and the intrinsic value of having a job. However, the data was not sufficient to determine a clear pattern between the motivational factors and their specific impact on business survival. Meaning, that a particular characteristic could not be proclaimed.

## 5.5 New Products and Services

A fifth theme found in the data of the interviews is new products and services. Compared to the sub-theme of 'new ventures' in 6.1, this refers to those business opportunities seen by owners and managers that were still connected to the company's original offering. While not done by all, a majority of the businesses interviewed showed indications to developing new products and services. This indicates that the trait of opportunity recognition is one shared among many of the SMEs interviewed. Charlie, the owner of a surf camp establishment on Bali described the period during COVID-19 as "a great opportunity to try new things". Personally, Charlie started offering advanced surfing lessons with jet skis, something they were not able to during regular conditions as it takes up too much time. The owner of a restaurant and café had a hard time finding new business opportunities as there were no customers and no demand. However, she did come up with the idea of opening up the café to events. So once every week, they held a salsa night inside the restaurant which helped attract customers to the company. Whether it is to create a new product such as advanced surfing lessons or start with new events, these new products show the innovation and opportunity recognition of the businesses. However, these new products would not have been possible if not an opportunity was recognized to act upon, as Salvato et al. (2020) recognized the ability to recognize opportunities as a trait to gain resilience in times of crisis. Gede, the owner of a hostel summarizes the theme of new products and services the best:

> **Gede:** *As my hostel 100% serves the international backpacker segment, I knew that surviving COVID-19 was going to be hard for me. My current offering of bunk-beds was not going to work out partly because of the lack of backpackers and further due to the*

*social distancing regulations imposed by the government. I therefore removed all of the bunk beds and changed them to double-beds. I also needed to find a new segment to target as there were few backpackers left in Bali. That is when I remembered that Bali has a large number of digital nomads , people working remotely. Through friends I knew, I eventually managed to rent out all my rooms long-term to digital nomads, allowing me not to make a profit but to barely break-even.*

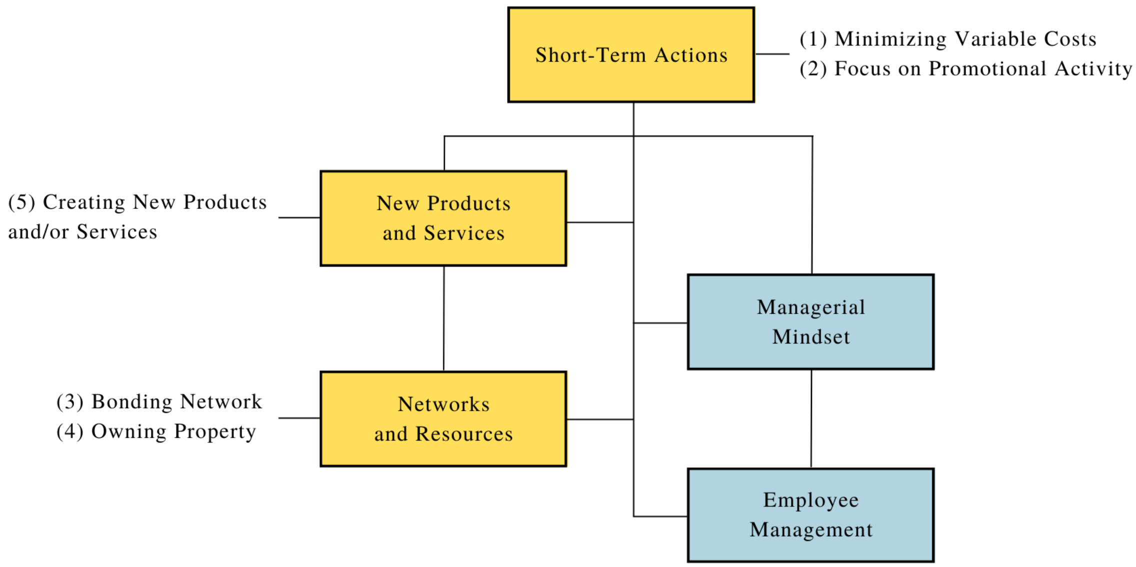
Hence, this example above of Gede confirms what Salvato et al. (2020) wrote about social capital as an important resource to have when recognizing opportunities. Furthermore, it also showcases how resourcefulness is vital to a manager as in this case it helped him in renting out all the rooms.

The ability to produce alternative product- and service offers was a coherent feature recognized in the surviving businesses. Whilst it was implausible to determine a cogent pattern between the specific offerings, it was possible to point out the quality of recognizing opportunities. That is, to successfully create new forms of income streams by either utilizing existing resources in new ways, or to invest in alternative activities. The theme of new products and services, together with the sub-theme of new ventures from 'short-term actions' above will be seen as the characteristic of creating new products or services.

# 6. Discussion

Surviving tourism SMEs in Bali were characterized by: (1) minimizing variable costs, (2) focus on promotional activity, (3) bonding network, (4) owning property, and (5) creating new products and/or services. In clarification – the formulated characteristics are to be understood as a product of the identified themes. Although expressed as individual features and qualities, it was evident that certain characteristics were interrelated. Describing these links provide further insight into the nature of characteristics – exhibited in Figure 4. The ability of businesses to perform specific short-term actions was the most important aspect identified. This, in the form of minimizing variable costs and focusing on promotional activities. Next, the aspect of creating new product and service offers allowed businesses to generate new sources of income, supported by the engagement of promotional activities towards additional customer segments. Further, the inherent networks and resources of the businesses were found connected to their ability to create new products and services, as the network meant a broader diversity of access to resources. Furthermore, the properties acted as the base for facilitating the new products and services.

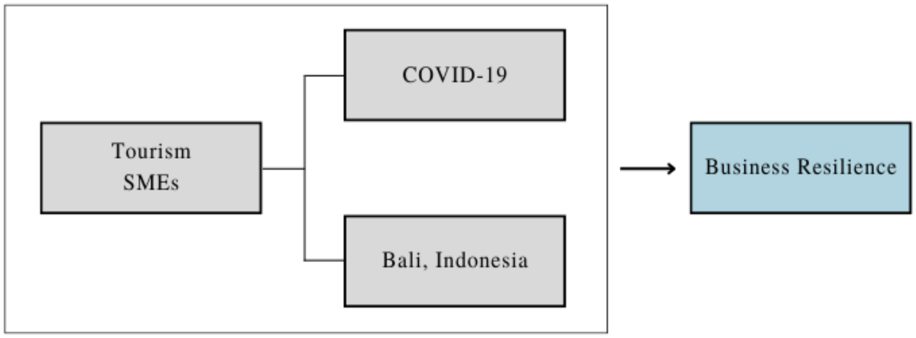
**Figure 4.** Relationship Between the Themes




The final two aspects – managerial mindset and employee management, did not generate any distinct characteristics. However, they were found to play an important role in terms of the managerial decisions and the businesses ability to carry out the other activities. The aspect of care beyond financial incentives was most clearly found in the linkage between managerial mindset and employee management. Nevertheless, employees were also seen as a resource due to their experience and competence, which convey the link between employee management and resources. By understanding the aggregation of the findings, it is possible to advance the discussion towards the result's theoretical implications.

The concept of business resilience was based on the work of Dahles and Susilowati (2015), who argued that SMEs facing a crisis depict resilience through their ability to survive, adapt, and innovate. When looking at the results of this study, one can see a similar pattern. Adaptation was seen from the focus on promotional activities where businesses adapted their offering based on the changes in their environment. Innovation was seen through the creation of new products and services, which include both new ventures unrelated to the original business offering and further, new product offerings in the market they originally operated in. As Dahles and Susilowati (2015) further state, survivability in this context means that a business is still in operation after the crisis due to survival strategies. In regard to this study, these survival strategies were seen in the majority of the businesses interviewed through their ability to minimize variable costs. However, the results also showed two other characteristics of surviving tourism SMEs in Bali, bonding network and owning property. In their study of small hotels in Thailand, Pongtanalert and Assarut (2022) noted that a key factor for surviving COVID-19 was social capital. They found that the social capital of organizations allowed them to open alternative businesses to increase cash flow. Based on this, one could argue that social capital is not a characteristic in itself but merely a part of organizational adaptation and innovation. This study suggests that social capital entails additional aspects, as a network of contacts to which one maintains good relationships can be a reason behind the survival of a business. However, the results found only that the helping network for business was a bonding network, meaning that the network of the business consisted of close relationships to the people in the network, such as family and friends. For some of the businesses, the resources gained from the bonding network became vital for their survival. For others, it served as a resource which generated greater diversity and reach for those resources. In this regard, the result agrees to some degree with Pongtanalert and Assarut (2022), and further with Aldrich and Meyer (2015), in accordance that the resources in the business network is an asset that does provide needed resources. Purnomo et al. (2021) argues that SMEs often are subject to resource constraints, hence that resourcefulness is a favorable trait amongst decision-makers. Our findings suggest that owning the property gave companies greater flexibility and fewer financial constraints, because of lower rental expenditures. This, especially since cash flows drastically decreased during the pandemic. The aspect of rental expenditures was additionally shown to be an important subject in terms of survival where businesses that did not own their property successfully negotiated their lease of the property in order to survive. The overall result provides new descriptive insights and knowledge to theory of business resilience. It represents a position relative to: tourism SMEs; Bali – Indonesia; and the COVID-19 pandemic, as illustrated in Figure 5.

**Figure 5**. Theoretical Contribution




# 7. Conclusion

This study set out to characterize surviving tourism SMEs, operating in the destination of Bali during the COVID-19 pandemic. It was found that surviving businesses were characterized by their ability to minimize variable costs, and create new products and services – and to promote such offerings to mainly domestic market segments. Additionally, surviving businesses were characterized by property ownership, as well as the utilization of networks built upon emotional connections. The results provide new descriptive insight to the theoretical field of business resilience. COVID-19 had immense impacts on the tourism industry, erupting the movements of international tourists, and enlightened major flaws within the industry itself. The consequences of COVID-19 entailed devastating effects for developing countries that had the majority of the economy based on tourism. Not only did the destinations lose income, the cascading effects generated higher unemployment rates, less diversity in job opportunities, and in some instances bankruptcies. Williams and Vorley (2014, p. 259) state how "when an exogenous shock occurs there is a threat that economic development will stall and firms will scale down operations, close or move out of the region. As such, the resilience of a region has come to be regarded as dependent upon its firms". Therefore, knowing what characteristics resilient tourism SMEs that survived the COVID-19 pandemic is crucial for tourism dependent destinations such as Bali. Furthermore, having resilient tourism businesses that survive external shocks will not only be beneficial for Bali as a destination, it will also act as one among many factors needed for Bali to meet the sustainable development goals, in particular SDG 8. Not only will the results have implications in the context of SDGs, but also in the development of the economic facet of sustainable tourism (see Figure. 6).

**Figure 6**. Practical Implications


The theory of business resilience, upon which this study is based, can be viewed from many perspectives and be defined in many ways. From a theoretical viewpoint, this study is further limited as it took inspiration from Dahles and Susilowati (2015)'s notions of business resilience and disregarded many other definitions of the theory.

**Limitations**

This study is a bachelor thesis conducted in relation to the Minor Field Studies Scholarship (MFS), funded by 'Styrelsen för Internationellt Utvecklingssamarbete' (SIDA), a governmental organization, part of Sweden's Ministry of Foreign Affairs. There were three important prerequisites for the acquisition of the scholarship that served as limitations for the study: first, the field study had to be conducted in a low- and middle income country based on OECD's DAC list; second, the topic had to be related to the 17 Sustainable Development Goals by the United Nations' Agenda 2030 ; and third, the duration of the field study had to follow a minimum of eight consecutive weeks in the relative country. Thus, to some extent, the findings of this study have been influenced by mentioned prerequisites. Due to limitations of time, the authors suggest that one might consider room for a more comprehensive argumentation in the discussion. Furthermore, the study did not address the possible relationship of the businesses age, and previous experience of crises, which may be seen as a contributor to business resilience (Biggs et. al., 2015). Despite the referred to limitations, particularly how the results are not representative to all of Bali's tourism SMEs mentioned in section 3.6, the research still to some degree answers what characteristics that tourism SMEs in Bali, Indonesia that survived the COVID-19 pandemic have.

## Future Recommendations

The study was focused on a business managerial perspective. When conducting the study, it became clear that in some of the businesses, the employees played an important role in the company's survival which is why it would be interesting for future research to include an employee perspective as well. Furthermore, this study was limited in that it only studied businesses that survived the COVID-19 pandemic. It would be interesting for future research to include businesses that did not survive as well to see whether any similarities or differences can be found between those who survived and those who did not. Nonetheless, the authors believe that future research could build upon the descriptive characteristics found in this study to further develop resilience frameworks for SMEs in Bali. In order to include other destinations, future research needs to use probability sampling, which will strengthen the generalizability of the findings. The business perspective addresses only one level of a larger tourism system, and could thus be contextualized from a broader perspective – such as on a level of destination, national, and global. One might suggest that there are various forces that influence the conditions in which the businesses operate. Future recommendations in this regard, suggest more attention towards how the findings are connected to other levels in the system. Despite the limitations mentioned above, particularly how the results are not representative to all of Bali's tourism SMEs, the research still to some degree answers what characteristics that tourism SMEs in Bali, Indonesia that survived the COVID-19 pandemic have.

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# Appendices

## Appendix A – Interview Guide

| **General Questions** |
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| ● *Would it be okay if we record this interview?* |
| ● *Let's start with some brief introduction about you and the company?* |
| ● *What company do you own/work for ?* |
| ● *If not the owner, what is your position in the company?* |
| ● *When did the business start?* |
| ● *How many employees does the company have?* |
| ● *Does the company own the property?* |
| ● *What is the market spread for the company (when it comes to customers)?* |
| **Main Interview Questions** |
| **1.** In recent time after it became clear that international tourism was prohibited - What did this mean to you as an owner/manager? |
| **2.** If we go back in time, can you tell me about some important operational actions necessary for your business ?<br><br>2a. What did you base this/these decisions on, i.e. was there any specific reasons to why you chose what you chose? |
| **3.** Did you get any type of support in order to keep the business running? (from authorities, friends, family etc.) |
| **4.** What happened to the people in the company? |
| **5.** Did you recognize any new business opportunities in the new conditions? |
| **6.** What would you say are the main factors behind your business survival? |
| **7.** What do you feel are the biggest changes if we compare the business today versus before the pandemic? |

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| *7a. Similarities?*<br>*7b. Differences?*<br>**8.** Do you believe that something positive will come out of COVID-19 for your business? |
| **9.** What is your company focusing on right now? |

## Appendix B – Coding

The coding was done according to Braun and Clarke (2012) six phase framework. The table below showcases a few examples of how the authors coded the data and concluded the selected themes.

| The Data | First Coding | Perceived Themes | Comparing and Selecting Themes |
|---|---|---|---|
| My current offering of bunk-beds was not going to work out partly because of the lack of backpackers and further due to the social distancing regulations imposed by the government. I therefore removed all of the bunk beds and changed them to double-beds. I also needed to find a new segment to target as there were few backpackers left in Bali. That is when I remembered that Bali has a large number of digital nomads , people working remotely. Through friends I knew, I eventually managed to rent out all my rooms long-term to digital nomads, allowing me not to make a profit but to barely break-even. I did also renegotiate my lease for the property, adding on another 2 years with the same rent and at the same time managed to get 6 months rent-free. | Opportunity recognition<br><br>Change product<br><br>Economic relief from contact | Opportunity recognition<br><br>Organizational adaptation<br><br>Social capital | New products and services<br><br>Network and resources |
| I got a fundraiser from previous guests that I have met during my time in the tourism industry. Some of my previous guests even chose to donate to me directly. | Fundraising economic support<br><br>Personal donations | Economic relief<br><br>Social capital | Network and resources |
| Well yes, I tried several different ideas to both be creative and to just have something to do. We tried only yoga but it was not a good idea as there was such a high competition. Then I realized that in Bali there is a waste problem (70 % of all the waste is from nature (leafs, fruits, etc)). So I started a composting business. Where we charged 50 000 to pick up 50 kg of trash and then I would compost it | Opportunity recognition<br><br>Alternative business<br><br>Trial and error<br><br>Motivation | Opportunity recognition<br><br>Organizational adaptation<br><br>Innovation<br><br>Stubbornness | New ventures<br><br>New products and services<br><br>Managerial mindset |

| | | | |
|---|---|---|---|
| and sell the end product as natural fertilizer. | | Individual resilience | |
| Only 5 people working per day during covid. The staff got paid according to how much money we got for that month. The staff was not thinking about their salaries, they wanted to sell more so that the business could survive. Luckily, 90% of our staff is back today, and we adjust with the new staff. We did not fire any staff, some of the staff chose to resign because of the situation. We tried to keep as much staff as possible, since they are special skills such as baking and stuff (loyal staff, know each other for a long time). | Loyalty<br><br>Maintain skills of staff | Loyalty<br><br>Social capital | Managerial mindset<br><br>Employee |