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Tourism SMEs’ resilience strategies amidst the COVID-19 crisis: the story of survival

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ABSTRACT
Small and medium enterprises (SMEs), play a crucial role in the economy of every destination, particularly in developing countries. However, due to their size, limited resources, cash flow, and restricted access to risk-management tools, SMEs are often significantly impacted by crises. Therefore, gaining a deeper understanding of the resilience strategies they employ during and after a crisis is of paramount significance. The purpose of this study is to identify the resilience strategies utilized by tourism SMEs amidst the COVID-19 crisis in a developing country, Iran. Qualitative data was collected through interviews with tourism SME owners and managers in two phases, conducted in 2020 and 2022. This primary data was supplemented by secondary data collected during the same period. The findings of this study highlight the disproportionate impact of global crises on tourism SMEs in Iran, exacerbating the negative consequences of the country’s sanctions-ravaged economy. Through offering insights into the resilience tactics adopted by SMEs, this study aims to provide both theoretical and practical contributions.

Introduction

While the disaster preparedness and resilience of large tourism businesses have often been prioritized (Mandal & Saravanan, 2019), the ability of SMEs to remain resilient has received little attention. There is a limited understanding of how SMEs manage to function during and after a crisis, particularly in emerging tourism destinations. Studies have shown that tourism SMEs become even more vulnerable during crises, facing financial hardships (Rastegar et al., 2021) and experiencing pressure on the mental health and wellbeing of owners and operators (Lindsay-Smith et al., 2022), especially in developing countries (Seyi et al., 2021). Existing literature on resilience thinking in tourism has primarily focused on the macro level (e.g. tourism system, destinations, and community level) and meso level (e.g. organizations) (Amore et al., 2017; Hall et al., 2017; Saarinen & Gill, 2018). However, there is a lack of research on resilience at the micro level, which encompasses SMEs.

A recent review of tourism SMEs’ resilience has revealed that existing resilience frameworks in tourism are often generic and do not adequately address the specific needs of tourism SMEs (Badoc-Gonzales et al., 2022). Similarly, in the context of the COVID-19 pandemic, much of the current literature has focused on the impacts of the pandemic on tourism resilience, primarily aiming to provide post-crisis strategies. However, research has shown that a ‘one size fits all’ approach to investigating resilience and managing crisis impacts is ineffective (Prayag, 2018). This is because resilience is multi-scalar, and external actors can significantly influence destination and SME resilience initiatives (Hall et al., 2017).

Insufficient research has been conducted to explore the specific elements that contribute to the effective resilience of SMEs in operating during a crisis. Furthermore, the majority of studies on the impacts of COVID-19 on tourism are cross-sectional, providing limited opportunities to understand the broader range of impacts, resilience, and the changes and developments that occur over time. Therefore, further investigation is needed to understand the long-term effects of COVID-19, as these may outweigh the short-term negative effects primarily evaluated in the current growing literature in tourism.

Understanding how SMEs ensure resilience during crises, such as the COVID-19 pandemic, is crucial for...
sustainable growth and recovery of destinations. In developing countries, SMEs represent a significant portion of the tourism sector, often comprising up to 80% (UNWTO, 2020), making them particularly vulnerable to and affected by crises. SMEs are seen as vital drivers of economic growth in developing nations like Iran, and their prosperity directly influences the overall economic progress of these countries. Against this backdrop, the main objective of this study is to investigate the impacts of the COVID-19 pandemic on tourism SMEs in Iran. Specifically, the study aims to examine how the pandemic has affected the operations, performance, and survival of these businesses. The research was conducted in two phases, with the first phase capturing the early stages of the pandemic and the second phase monitoring any changes or adaptations in the SMEs’ resilience strategies. By focusing on tourism SMEs in Iran, this research aims to provide insights into the unique challenges faced by these businesses operating within a developing country context during the pandemic. The findings of this study can offer guidance to policymakers and industry stakeholders on the most effective ways to support SMEs during times of crisis. Furthermore, the study has the potential to contribute to a deeper understanding of the impact of the crisis on tourism SMEs, providing valuable insights applicable to other developing countries facing similar challenges.

Enhancing tourism SMEs’ resilience in times of crisis

The nexus between resilience and tourism has garnered increasing attention in the tourism literature (Amore et al., 2017; Hall et al., 2017; Hall et al., 2023; Prayag, 2018). Resilience in the context of tourism is often framed within the perspective of sustainable development (Saarinen & Gill, 2018). It refers to the capacity of tourism destinations to mitigate and recover from the negative impacts of natural disasters and stresses caused by tourism activities (Badoc-Gonzales et al., 2022). In developing countries, SMEs play a pivotal role by providing employment opportunities and contributing to livelihood generation. SMEs also significantly contribute to the growth of the tourism industry, representing a substantial share of private sector economic activity and employment generation in both developed and developing countries (OECD, 2019; UNWTO, 2020). However, while SMEs have the potential to enhance resilience during crises, they are also highly vulnerable. This vulnerability is particularly evident among tourism SMEs in developing countries. The story of tourism SMEs in Iran, while not identical, shares similarities with the challenges faced by many developing countries that see tourism as a means to boost their economies. However, Iran’s political situation adds a unique context to the operation of tourism in the country. Tourism was considered as one of the few approaches to revitalize Iran’s sanctions-ravaged economy (Seyfi & Hall, 2020). The sector was severely impacted by the COVID-19 pandemic, undermining the progress made at a critical time. Therefore, there is a need to incorporate tourism SMEs within a comprehensive scope of tourism resilience that encompasses economic, social, environmental, and institutional/governance resilience. This approach ensures that the limitations faced by tourism SMEs do not hinder their growth and, consequently, their potential significant contribution to the tourism industry.

Tourism SMEs in Iran

According to the World Travel and Tourism Council (WTTC, 2020), tourism played a significant role in employment in Iran, employing approximately 1,852,000 people in 2019. This accounted for 7.4% of Iran’s total employment at that time. The tourism industry in Iran is comprised of diverse small and medium-sized enterprises, including travel agencies, tour operators, small-scale lodging facilities, handicraft and souvenir businesses, and car rental companies (Khoshkhoo & Nadalipour, 2016; Shafiei & Karoubi, 2018). In Iran, SMEs are defined by the Iranian Small Industries and Industrial Parks Organization (ISIPO) as enterprises with fewer than 149 employees. At the local level, small-sized enterprises are typically considered to have a threshold of 10 family employees (Khatami et al., 2020). While there is no official record of the exact number of tourism SMEs in Iran, a pre-pandemic report by ISIPO indicated that there were over 33,000 SMEs operating in the country, with 1,100 of them exporting their products and services to foreign markets (Zamani, 2022). This report emphasized the vital significance of SMEs in the Iranian economy, particularly considering the prolonged imposition of sanctions. The study of Khoshkhoo and Nadalipour (2016) highlighted the importance of travel and tourism agencies as the most critical type of SMEs in Iran’s tourism industry. These agencies perform various functions, including selling tickets and tours, providing guidance to travellers, assisting with vacation planning, managing bookings, arranging visas and passports, and addressing insurance needs. Their role is integral to the overall functioning of Iran’s tourism industry (Khoshkhoo & Nadalipour, 2016).
Research procedure

This research aimed to investigate the resilience strategies of tourism SMEs in Iran during the COVID-19 crisis. Given the complex nature of tourism development in the country, an exploratory study was deemed necessary to provide a platform for tourism SMEs to share their experiences, concerns, stories, and strategies (Irani et al., 2022). To address the research question, an interpretive paradigm was adopted, employing a qualitative research approach and a case study design. This approach allowed for an in-depth examination of the impacts of COVID-19 on Iranian tourism SMEs during and after the outbreak. In addition to the interviews, secondary data were used to validate and complement the findings from the interviews, providing a broader and more comprehensive understanding of the pandemic's impact on tourism SMEs in Iran. The secondary data included official documents such as tourism strategies and recovery plans, as well as media sources reporting on the effects of the pandemic on tourism SMEs. By combining primary and secondary data, a more nuanced perspective on the research topic was obtained. The study was conducted in two phases. In the first phase, which took place between December 2020 and March 2021, the first author conducted 21 in-depth qualitative interviews. This phase captured the early stages of the pandemic. In the second phase, which occurred between February and April 2022, the first and third authors conducted an additional 24 interviews. This phase represented the recovery stage for the tourism SMEs in the country. Efforts were made to interview the same respondents in both phases. Only in a few cases (5 respondents) where access to the same participants was not possible, individuals holding similar positions were interviewed instead. Purposive sampling was employed to select respondents who were residents above 18 years of age and represented a diverse range of tourism SMEs in Iran. The respondents included owners or managers responsible for resilience strategies and decision-making in their respective SMEs. The sample included participants from various sectors, such as local hotels, restaurants, tour agencies, small shops, and retailers, all of which play active roles in the local tourism industry. Sampling continued until data saturation was reached, meaning that no new information emerged from additional interviews. In analysing the data, we followed thematic analysis steps suggested by Braun and Clarke (2006) to compare conversations and also examine variations between the respondents. The resulting themes were used to present the findings and discussion, aligning them with the research aim and the existing literature.

Findings and discussion

COVID-19 and tourism SMEs in Iran

The COVID-19 pandemic has had a severe impact on tourism SMEs in Iran, leading to significant financial losses and the closure of businesses (Estiri et al., 2022; Khatami et al., 2020). Media reports have highlighted the challenges faced by tourism businesses, including temporary or permanent shutdowns, operating at reduced capacity, and layoffs (Eghtesad, 2020). The tourism sector in Iran has experienced a substantial loss of jobs, with an estimated 88,000 job losses, including 13,000 tour guides, by the end of 2020 (Eghtesad, 2020). The World Bank has projected an increase in poverty rates in the country due to pandemic-induced job losses and the rising cost of living (World Bank, 2021). Additionally, the tourism industry in Iran has suffered a revenue loss of approximately 7.6 billion dollars since the outbreak of COVID-19 (Tehran Times, 2022). This loss is particularly significant as many small businesses and self-employed individuals rely on tourism for their livelihoods and economic inclusion (Khatami et al., 2020; Rastegar & Ruhanen, 2022). Tourism SMEs in Iran have faced challenges in adapting to the health and safety protocols imposed due to the pandemic. Implementing these protocols has required significant operational changes, resulting in additional costs for businesses, particularly those with limited resources. Furthermore, the mental health and well-being of tourism SME owners and operators have been adversely affected by the stress and uncertainty of navigating their businesses through such an unprecedented crisis, while also ensuring the safety of their staff and customers (Eghtesad, 2020; Irani et al., 2022; Sharghdaily, 2020). These challenges have added further strain to the already vulnerable situation of tourism SMEs in Iran.

COVID-19 and tourism SMEs resilience strategies

The interviews conducted with tourism SMEs in Iran have revealed various strategies implemented by these businesses to cope with the challenging circumstances and ensure their survival during the COVID-19 crisis. The analysis of the data resulted in the identification of different main themes in the first and second phases of the study (see Tables 1 and 2). In the initial phase of the pandemic, the strategies employed by SMEs primarily focused on immediate actions for survival. These included seeking government support, reducing costs through measures such as laying off employees, providing limited services, and even temporarily closing their businesses. These strategies were necessary to mitigate...
the immediate financial impact and uncertainty caused by the crisis. However, as the pandemic progressed and SMEs gained more insights into the long-term implications, the focus shifted towards more sustainable strategies to prepare for future unforeseen circumstances. Some SMEs demonstrated resilience and innovation by adapting their operations to the new reality of the pandemic. For instance, some businesses shifted their focus to domestic tourism, recognizing the changing travel habits of Iranians who were unable or unwilling to travel abroad. These SMEs started offering staycation packages and other travel services that catered to the domestic market. Additionally, some tourism SMEs embraced digital transformation and developed new online platforms and digital marketing strategies. This allowed them to reach potential customers and promote their services effectively in a time when traditional marketing channels were disrupted. By embracing digital technologies, these businesses were able to expand their reach, attract customers, and generate revenue during a time when physical interactions were limited. These adaptive strategies highlight the resilience and innovative spirit of tourism SMEs in Iran. Despite the challenges they faced, these businesses demonstrated the ability to pivot, adapt, and find new opportunities within the constraints of the pandemic. These strategies not only helped them survive the crisis but also positioned them for future growth and resilience in the face of similar challenges.

Analysis of the interviews revealed that the tourism SMEs felt the negative impacts of the crisis for much longer than other sectors. Similar findings in the literature show that due to limited resources and cash flow, tourism SMEs are most vulnerable to crises such as the COVID-19 pandemic (Estiri et al., 2022; Kukanja et al., 2020). Given that their main source of income is primarily reliant on tourism, several respondents mentioned that they were entirely dependent on financial supports either from governmental institutions, families or friends to survive at the beginning of the pandemic. To reduce costs and ensure their survival, some businesses resorted to laying off employees, while others considered merging with larger enterprises (Estiri et al., 2022). These strategies reflect the immediate actions taken by SMEs to mitigate the financial impact of the crisis. Similar strategies were adopted by tourism SMEs in Iran when facing other crises such as economic sanctions and financial crises (e.g. Estiri et al., 2022; Zonouzi et al., 2021). For example, Irani et al. (2022) discuss how ecotourism owners in Iran have developed resilience strategies in recent years to deal with instability in political relations, economic and political sanctions, and the COVID-19 pandemic. This demonstrates how past experiences have helped SMEs become more resilient and better prepared to face crises.

During the early phase of the pandemic, many SMEs in Iran actively sought diversification strategies to adapt to the changing circumstances. This proactive approach led to the development of innovative solutions and adjustments (Eggers, 2020). Although some

Table 1. SMEs' resilience mechanisms and strategies in phase one (2020).

<table>
<thead>
<tr>
<th>Theme</th>
<th>Quote</th>
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<tbody>
<tr>
<td>Shifting towards domestic</td>
<td>‘A few months into the pandemic, we know there is not going to be any international tourists, it will probably take some time, not sure when … we still have a few domestic travellers … that is what keeps us going’ (R13).</td>
</tr>
<tr>
<td>tourism market</td>
<td></td>
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<tr>
<td>Merging</td>
<td>‘COVID-19 created opportunities for businesses to work together in new way … I have seen that several tourism SMEs managers were considering merging with larger businesses (R5).</td>
</tr>
<tr>
<td>Reducing the costs</td>
<td>‘Well, we had to close our guesthouse for a while to save on operating expenses such as rent, maintenance and utilities (R9).</td>
</tr>
<tr>
<td>Government financial</td>
<td>‘We applied to receive subsidies intended for small businesses … it was not much and is not going to cover everything but still helped us to survive and pay some of the costs’ (R6).</td>
</tr>
<tr>
<td>assistance</td>
<td></td>
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<tr>
<td>Shifting towards nature-</td>
<td>‘We developed several appealing outdoor and nature-based tour packages that we plan to offer to domestic visitors once travel restrictions are lifted (R4).</td>
</tr>
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<td>based tourism activities</td>
<td></td>
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Table 2. SMEs' resilience mechanisms and strategies in phase two (2022).

<table>
<thead>
<tr>
<th>Theme</th>
<th>Quote</th>
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<tbody>
<tr>
<td>Diversification in services and supply</td>
<td>‘At the beginning many of us were thinking that the outbreak would not last long, but then with the restrictions, and the complete shutdown of travel and tourism industry, our business and others had to adopt some short-term tactics to survive (e.g. implementing new hygienic protocols to ensure safety, digital marketing, virtual tours …’ (R7).</td>
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<td>chain</td>
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<tr>
<td>Reconsidering over-dependence on tourism</td>
<td>‘The loss of main source of income due to the COVID-19 made me think of another job besides my main job in the accommodation sector … The pandemic showed us that it is a big mistake to have your main source of income in a fragile industry like tourism … maybe it’s better not to put all our eggs in one basket’ (R15).</td>
</tr>
<tr>
<td>Shifting toward domestic tourism market</td>
<td>‘What we learned during the pandemic was we should focus more on domestic tourists … we have now designed special packages for people from other cities, that is where most of our guests are coming from’ (R2).</td>
</tr>
<tr>
<td>Digital transformation</td>
<td>‘We have been working hard to stay in touch with our customers. We increased our social media and even created new profiles on some other platforms such as Twitter and Facebook … that is part of our marketing campaigns … We also invited people to tag the places they wish to visit in the future with our agency’s name’ (R12).</td>
</tr>
</tbody>
</table>
of the coping tactics were simply emergency solutions for the short-term survival in very difficult conditions, they have now become key strategies adopted by the SMEs for long term even post pandemic. For example, focusing on domestic tourists was of the key coping strategies for many tourism SMEs that were reliant almost entirely on international arrivals. Many respondents noted that they had to change their target market and focused more on domestic tourism as they were no financial support from government. They believed that domestic tourism largely contributed to the survival of country’s tourism industry. For instance, offering nature-based tourism activities where social distancing were possible or offering cheaper tour packages to domestic visitors. Other scholars have also noted how domestic tourists reclaimed natural attractions in countries such as Iceland during the COVID-19 pandemic (Wendt et al., 2022). The authors argue that the change welcomed by both the tourism actors and residents as a more sustainable strategy to rebuild tourism for the future.

Contrary to the notion that SMEs in developing countries have limited understanding of social media (Pramudita et al., 2022), some tourism SMEs in Iran embraced digital marketing as an effective tactic to reach a wider audience. They utilized social media channels and their websites to provide regular updates, answer customer inquiries, and build trust and confidence. This communication strategy played a crucial role in maintaining customer engagement during a time of limited face-to-face interaction. The importance of social media marketing for SMEs, particularly during crises, has been highlighted in previous studies (Rastegar & Zarezadeh, 2021; Zhu et al., 2017). Furthermore, to reduce their vulnerability to crises, some SMEs in Iran re-evaluated their heavy dependence on tourism by expanding their sources of income and diversifying their product and service offerings. This approach allowed them to establish a more flexible supply chain framework and cater to a broader market beyond tourism (Estiri et al., 2022; Khatami et al., 2020).

Conclusion

The research conducted over a two-year period aimed to explore the resilience of tourism SMEs in the face of the COVID-19 crisis, with a specific focus on the Iranian context. The findings highlighted the disproportionate impact of global crises on tourism SMEs in developing countries like Iran. Contrary to the assumption that past crises make SMEs more adaptable, the study revealed that earlier experiences, such as economic sanctions, did not necessarily enhance their resilience. However, the study emphasized that drawing lessons from past crises can assist SMEs in building resilience for future challenges.

The study emphasized the importance of long-term and sustainable strategies in enhancing resilience. While short-term measures like government financial assistance and cost reduction provided immediate relief, they did not contribute to long-term resilience. Instead, strategies such as diversifying services and supply chains, tapping into local and diverse markets, and embracing digital technologies were found to be effective in helping SMEs survive, recover, and thrive. These findings have practical implications for policymakers, providing insights into how they can support SMEs during crises by facilitating their response and recovery strategies. By recognizing the unique characteristics, limitations, and opportunities of SMEs, policymakers can provide targeted support that caters to their distinct needs. This support can take various forms, including financial assistance, regulatory flexibility, capacity building, and access to resources. By fostering an enabling environment and offering tailored support, policymakers can facilitate the response, recovery, and long-term sustainability of tourism SMEs.

The research also highlighted that SMEs that were able to withstand the initial phase of the COVID-19 crisis adopted forward-thinking plans to prepare for future uncertainties. These findings contribute to both research and practice by offering valuable insights into the impacts of crises on tourism SMEs and providing resilient strategies for their future prospects. Although the road to recovery for tourism SMEs in Iran remained uncertain, the resilience and adaptability displayed by some businesses offer hope for the industry’s future.

The study has also some limitations that need to be acknowledged. Firstly, the research focused specifically on the Iranian context, which may limit the generalizability of the findings to other countries or regions. Future studies could explore the resilience of tourism SMEs in different contexts to gain a more comprehensive understanding. Secondly, the research spanned a two-year period, and the long-term effects of the COVID-19 crisis on tourism SMEs are still unfolding. Further research could investigate the sustained impact and effectiveness of the strategies identified in this study over an extended period. Finally, additional data sources or alternative research methodologies, such as surveys, could also provide further insights into the resilience of tourism SMEs. These limitations should be considered in the interpretation of the research findings.

Disclosure statement

No potential conflict of interest was reported by the author(s).
Notes on contributor

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