

## Static or Dynamic Tourism SMME's Resilience? Adaptive Strategies of Formal and Informal Enterprises to Multiple Crises

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### Abstract

Tourism is recognized as an inherently vulnerable and susceptible industry, with tourism small, medium, and micro enterprises (SMMEs) being the most affected stakeholder group in times of crisis. This study explores the resilience of formal and informal SMMEs in South Africa against the broad and continuous range of crises that affect their operation. Focused on Vilakazi Street in Soweto, a qualitative research design was utilized, and 21 interviews were conducted with owners of tourism-related establishments. The findings of this study show tourism SMMEs to have been facing a number of crisis events, including load-shedding, and rising inflation rates. In response, the study found the adaptive strategies implemented to include the use of technology, investing in generators, changing business practices, and collective business responses to crises. Moreover, the findings showed a notable distinction between the adaptive strategies and actions taken by informal and formal SMMEs. The theoretical contribution of the study lies in its examination of resilience attributes in informal and informal tourism enterprises.

**Keywords:** tourism SMMEs; resilience; crises; informal businesses

### Introduction

Globally, small, medium and micro enterprises (SMMEs) comprise a majority of the tourism and hospitality sector (Pham et al., 2021). Certainly, these enterprises are recognized to hold great potential for social and economic local development (Hatipoglu et al., 2022; Parker et al., 2023), with scholars such as Koens and Thomas (2015) posting such growth was also due (in part) to the rising criticisms on the over-reliance on large and externally owned tourism and hospitality enterprises. Resultantly, SMME development and growth are of high priority to many governments in countries within the Global South and are often considered the backbone of the tourism industry (Ghaderi et al., 2022; Koens & Thomas, 2016). These enterprises have been acknowledged to contribute to the diversification of tourism offerings, enhance the overall visitor experience, and have the capacity to create a more inclusive and equitable tourism sector that allows local communities to actively participate in and benefit from tourism activities (Pham et al., 2021; Damayanti et al., 2018). However, their distinctive characteristics, such as restricted resource reserves, limited personnel and lack of formal crisis management strategy make them even more vulnerable to the impacts of exogenous shocks (Ghaderi et al., 2022; Hatipoglu et al., 2022; Parker et al., 2023; Pham et al., 2021).

Tourism, by its very nature, is susceptible to any disturbances in the social, economic, political, and natural environments (Duan et al., 2022; Ozili, 2021). Indeed, the sector has suffered several major global crises, such as the 2008/2009 global economic recession, the 2014 Ebola outbreak, the 2020 COVID-19, and the 2022 Russia-Ukraine war. Gossling et al.

(2021) affirmed the accelerated rate and frequency of external crises and disasters that will continue to constrain and affect the tourism industry. Embedded in the ensuing discussions and research, was the importance of building resilience within the tourism industry. Indeed, several studies have examined the reaction and adaptation of tourism systems (i.e., destinations, communities, and businesses) to various crises, with the bulk of the literature centred on the COVID-19 pandemic, and a burgeoning amount focusing on the coming climate change impacts (Pyke et al., 2021; Shi et al., 2023; Horne et al., 2022). Underpinned by the assertion that crises are part and parcel of tourism development trajectory, the current study examines the resilience of tourism SMMEs in South Africa to multiple crises. Indeed, while the pandemic was arguably the biggest crisis South Africa has ever faced, the country has since been facing numerous other crises, including civil unrest, climate impacts, inflation, and the energy crisis which has had a dire impact on the economic outlook of the country (International Labour Organisation [ILO], 2023).

Overwhelmingly, the role of informality within SMMEs has been overlooked within the tourism resilience discourse. As such, in examining the resilience of tourism SMMEs to multiple crises, the study considers enterprises operating within the formal and informal sectors, backing the assertion of Koens and Thomas (2016:1643), that the ‘failure to consider the informal and to recognise the articulation between formal and informal economies of townships as destinations will, at best, yield partial insights’. The informal sector comprises a key distinguishing feature of tourism in developing countries, with several scholars underlining the informal economy to be a major driving force in many parts of the region (see Tichaawa, 2021; Rogerson, 2018; Makoni & Tichaawa, 2021), particularly in communities such as Soweto. As such, the consideration of both economies broadens the understanding of tourism SMME resilience. The following section presents the literature review.

## **Literature review**

### ***Tourism and crises***

According to several studies the tourism industry is heavily dependent on the stability of the global economy and is highly sensitive to external factors such as natural disasters, terrorism, health epidemics, political instability, and climate change (Scott et al., 2021). The United Nations International Strategy for Disaster (2012) (UNISDR) describes the concept of vulnerability as the extent to which a community, system, or asset is open to the damaging effects of a hazard. The nature of tourism involves factors such as movement (travel), a place/environment, seasonality, and the non-essential nature of most services and limited capacity to supply them remotely and the need for physical proximity renders the industry to shocks (Biggs 2011; Arbulu et al., 2012). During the past several years, the world has experienced some unpredictable disasters that have had catastrophic impacts on the global economy at large and contributed to the vulnerable nature of the economy (Rogerson & Baum, 2020). Additionally, Becken et al. (2014) argue that a low level of awareness, and knowledge of the negative impacts of natural hazards and the importance of destination planning processes are a few of the many factors influencing vulnerability. The literature illustrates that crises have several detrimental impacts on the global tourism system, including immediate and long-term impacts of pandemics on travel behavior, the development of negative perceptions of destinations, causing a downturn in travel demand, and the closure of tourism businesses (see, for instance, Kyrrododa et al., 2023; Parker et al., 2023; Vasi et al., 2024).

Hufschmidt and Glade (2020) argue that, regardless of the efforts put towards reducing the vulnerability and creating disaster resilience in the tourism industry, the nature of the industry is forever open to unpredictable circumstances that threaten the sustainability of the industry as factors such as higher sea temperatures, rising sea levels cannot be prevented of

efficiently controlled. Further elaborating on the vulnerability of tourism, Gossling et al. (2021) consider tourism and hospitality industries that are characterized by unskilled small accommodation, food, and beverage sectors that are considered less essential with low productivity, high periods of unemployment, and low probability of staying at a job for more than 2 years. These sectors are more than often found in less developed countries/ economies and are at bigger risk of economic loss, increased poverty, and unemployment caused by the outbreak of crisis and shocks (Gregory et al., 2020). In this regard, there lies the importance of effective crisis management strategies and the resilience of tourism destinations.

### ***Resilience***

The term resilience was first used by an ecologist 30 years ago, Hollings (1973) being the pioneer of the concept which has now been adopted and re-invented in cases of short-term disasters and long-term phenomena such as climate change (Hollings 1973; Coles et al., 2021). This concept was later refined by Coles et al. (2021) stating that, individuals, institutions, communities, destinations, and organizations can deflect, withstand, and rebound from serious shocks and perseverance in the face of the crisis. Cochrane (2010) describes resilience as the ability and capacity of systems to undergo stress recovery and return to their existing state. Although a number of studies have shown that the outbreak effects of crises are always negative, it is arguable that there are some indirect positive impacts of the crisis on the destination of its occurrence (Duan et al., 2022; Ozili, 2021; Heinemann 2019).

Resilience has been explored in many ways in tourism literature, including the systematic manner it is developed, the access to resources, the context of these tourism systems, and individual characteristics (de Brito et al., 2022). Generally, resilience strategies uncovered in the literature include (i) crisis preparedness and planning, being the proactive measures, such as creating and implementing comprehensive crisis management plans (i.e., risk assessments, training programs), and coordination mechanisms to ensure a swift and effective response in the face of a crisis; (ii) diversification of tourism offerings: to attract a broader range of visitors, which can include developing new attractions, promoting niche markets, and expanding the tourism product portfolio; (iii) infrastructure and technology investment, which can involve the upgrading and maintaining of infrastructure and embracing technology (such as data analytics and online social media platforms), that can assist communication and recovery efforts; (iv) collaboration and partnerships among a wide array of stakeholders to fosters a more coordinated and effective response to crises, with shared resources and expertise; (v) risk reduction measures such as health and safety protocols to minimize the impact of potential crises, and (vi) adaptability and innovation which involves continuously monitoring trends, leveraging technology, and adapting business models to evolving circumstances (de Brito et al., 2022; Ozili, 2021; Heinemann 2019; Bigg, 2011; Duan et al., 2022; Vasi et al., 2024). Increasingly, tourism literature.

In this study, resilience is understood as the adaptive responses of SMMEs in coping with the impact of crises. Further, the current study examines SMME resilience by considering the differences in the resilience approaches. Generally, resilience is understood through two lenses; static resilience which is adaptive measures taken to return to normal procedures, while dynamic resilience is understood as adaptive responses that may lead to new pathways for tourism SMMEs (de Brito et al., 2022). As such, this study examines the extent to which SMMEs employ static or dynamic resilience responses.

### **Case study site: Soweto**

The township of Soweto is known as a sprawling urban conurbation with a population of over two million people constructed with the specific purpose of housing African people who were



living in areas designated by the government for white settlement during the time of apartheid in 1948 (Briedenhan & Ramchander 2006). The township has a rich political history of overthrowing the apartheid regime and becoming the symbol of political freedom in the ‘New’ South Africa, it has drawn the world’s attention and has become a destination for tourists to experience. Today, the township is known for its cultural interaction, enterprise, and culture of South Africa’s black urban communities (Briedenhan & Ramchander, 2006; Mgiba & Chiliya, 2020). Soweto township is characterised by a variety of attractions, including the Hector Pieterse Museum which is considered a symbol of the anti-apartheid struggle in South Africa. The museum was named after Hector Pieterse one of the first victims of Soweto’s uprising, and the Mandela House is a symbol of Nelson Mandela’s life and legacy (Ramsaroop, 2017). The choice of Soweto as a case study was motivated by its characteristics centered on socioeconomic status, political/historical orientation, and informal settlements which are common to other townships in South Africa. The township has grown over the years providing different services and amenities within the destination (Mgiba & Chiliya, 2020). Indeed, Vilakazi Street is known as a major tourist destination in Johannesburg with different restaurants, stores vendors, accommodation, and other service providers (Mgiba & Chiliya, 2020). Tourism is a major economic sector in this urban area and is characterised by formal and informal SMMEs, hence making it a suitable area to examine tourism resilience.

## Methodology

A purely qualitative research approach was employed in this study. The use of this approach allowed for the collection of in-depth and rich data on the experiences, views, and strategies used by formal and informal SMMEs in reacting to the crises experienced. Data was collected through a series of interviews with owners and, in cases of unavailability, managers of SMMEs in Vilakazi Street. A mixture of purposive and snowball sampling was used, where participants were asked to recommend other SMME owners to partake in the research based on the study’s focus and purpose. The data collection process took place over two months, July and August 2023, and ended when researchers reached saturation at 21 in-depth interviews. Table 1 below illustrates a profile of the study participants.

Table 1. Profile of businesses interviewed in Soweto

Participant code	Formal or informal business	Type of establishment	Years in operation	Owner or manager
1	Informal	Food and beverage	1 year	Owner
2	Formal	Restaurant	6 years	Manager
3	Formal	Restaurant	3 years	Owner
4	Informal	Ice cream	1 year	Owner
5	Formal	Accommodation	5 years	Owner
6	Formal	Accommodation	20 years	Owner
7	Informal	Souvenir vendor	7 years	Owner
8	Formal	Tourist safari company	4 years	Manager
9	Informal	Salon	7 years	Owner
10	Formal	Restaurant	10 years	Manager
11	Formal	Restaurant	2 years	Owner
12	Formal	Accommodation	20 years	Owner
13	Informal	Souvenir shop	18 years	Manager
14	Formal	Souvenir shop	13 years	Owner
15	Informal	Tour guide	17 years	Manager
16	Informal	Clothes shop	7 years	Owner
17	Formal	Restaurant	13 years	Manager
18	Informal	Coffee shop	5 years	Owner
19	Informal	Painting shop/Activity	4 years	Owner
20	Formal	Souvenir store	5 years	Owner
21	Informal	Bicycle tours	14 years	Owner

The interview guides were developed through the examination of literature on resilience, tourism, and SMMES. Generally, the questions were centred on the impacts experienced by SMMES, the subsequent impacts, and business adaptation measures to counter these impacts. The interviews were recorded (with the permission of the participants) and these recorded were transcribed verbatim. The transcripts were then uploaded onto Atlas. ti for analysis. This software enabled the line coding of the data, which enabled the generation of themes. Moreover, through this software, the researchers were able to determine whether informality and gender played a role in the adaptation responses. The findings of the study are presented in the following section.

## Findings

### *Crises and their impacts*

The tourism industry is undeniably a vulnerable industry, faced with accelerating social, economic, and environmental changes that have adverse consequences for the sector. In outlining the crises affecting operations, and survival of the tourism industry in Soweto, participants pointed to the lingering economic impacts of the COVID-19 pandemic, loadshedding and the rising rate of inflation. Regarding the lingering effects of the pandemic, participants explained that while there are some signs of recovery, the demand for tourism products and services is still lagging due to a number of reasons, including continued risk perceptions as well as the widescale job losses.

*“we guess coming back during the COVID era took away a lot of job opportunities so we could hardly get the same number of clients not only revenue but the same stability and the same rotation of guest we had because of the unemployment and jobs being terminated so that cost us a lot we were just on one foot.”* (P5)

*“Through COVID-19, because of sustainability, a lot of people have lost their jobs as well and that increased the (already) high rates of unemployment in South Africa. A lot of businesses have suffered and other businesses went into debt that they can’t even still pay and recover it’s a very big challenge and no matter how much we can try to do door we’re trying harder no matter how much we can try there’s no way.”* (P3).

In addition to the long-term effects of the pandemic, many (if not all) participants lamented the dire impact of load shedding on business operations.

*“You don’t even know what time the electricity going, like now let’s say the chef is cooking something and then electricity just goes because you don’t have a timetable the schedule to show what time is it going to go you understand so that will definitely slow everything down and affix the business because now customers will be waiting for their food now there is no electricity you know the customers will be complaining that the service is slow.”* (P2)

*“Load shedding so load shedding has interrupted our business because you know sometimes we have to buy stock and then throw it away or trash it.”* (P4)

South Africa’s national energy crisis is overwhelmingly one of the biggest constraints for the economy. In fact, some participants further elaborated that as the energy crisis worsened, it became even more difficult to work around the scheduled power cuts, as schedule times are incrementally becoming longer and unpredictable. See, for instance:

*“Now I’ve got those solar lights lighting which is also another loan which I am unable to pay because there are no guests, I took a loan to put the lights but the solar panels and solar batteries and invertors so that if the guest get here because the load shedding is extremely. Four hours, five hours, six hours, there is no guest that can stay in the dark for six hours that ridiculous. So, we are trying to make means getting into those debts that we are not able to pay them.”* (P16)

Rising inflation was the last major crisis facing many tourism SMMEs in Soweto. Largely, the participants explained that the rising interest rates and cost of living have led to tourists reconsidering their need for tourism services. Some of the responses in this regard include:

*“Even interest rate the interest rate it does yeah because if interest rates schools up it’s a challenge for everyone if you have to choose to go on a vacation or to spend that money on food. You resort to buying food so it does affect you as a business.” (P8)*

*“Even the prices you see if you said something with so much some of the customers they want to take with less money which that means you don’t get the profit.” (P16)*

On the manner of interest rates, a few of the participants referred to the loan repayment, some of which were taken during COVID-19 to stay afloat:

*“The reality that we face every day in the business is that we currently have an overdraft so that means we had to take out some loans from the bank. The ones that we needed to help us navigate through the Covid season and now because we’re not making money, but we are incurring debt you understand. Now we are in a phase where we are repaying back so sometimes no matter how much of a great season we’ve had, when it comes to sales performance, we still have a lot to pay back. So whatever chunk of money we made we don’t get to keep because we have to pay back the debt that we incurred during the COVID-19” (P10)*

### ***Adaptive strategies***

In line with the stressors faced by SMMEs, several participants underscored some mitigation and adaptive measures taken to reduce the impacts on their business operations. Understandably, many of the adaptive measures taken were in response to the COVID-19 pandemic, however, the participants noted the value of these measures in reducing vulnerabilities to the current crises being faced. Firstly, one major adaptive measure taken was the increased incorporation of technology into business operations. Largely, the use of technological was related to selling products and services online (including the extension into apps such as Uber Eats), as well as digital marketing using social media platforms.

*“What we were doing selling online doing takeaways you know so customers will come and buy takeaways yeah that’s what we were doing.” (P1)*

*“It [social media] opened our minds to the extent that we know that advertising is all about the internet so it’s all about posting and posting and posting that’s how people get to know you and know your restaurants.” (P2)*

For the most part, the history and global recognition of Soweto, particularly Vilikazi Street meant that the attractions were well known and had a great pull. The dwindling down of international tourist arrivals, as well as the need to diversify into local markets necessitated the exploration and adoption of social media to reach new potential customers:

*“I contact all my clients now I have a database OK so it’s you send a message that but get your favorite food OK just come through now I’m interacting with my clients see now digitizing technology has played the role? Yes now on social media you can say ‘hey now you can get your food’, now my staff I tell them we’ve been through this route for so we should yeah now we should because yeah that concept came in later because now we were more focused on.” (P17)*

Load-shedding poses the greatest threat for businesses, of which many participants agreed required immediate attention. For the most part, many participants pointed to the transition to solar power, inverters, or other alternative sources of energy/electricity.

*“Load shedding the only thing we did was to get the generator and I’m still waiting for the solar installations best keep away the load shedding thing.” (P5)*

*“Before the crisis of load-shedding as a group we used to sit around the table and discuss the future problems that we foresee with global warming so people were reluctant to take off of solar and other substitutes like geyser, well I do have a crisis with load-shedding but not that much solar powered for life for lights solar powered for geysers so that even if we don't have lights but you're still going to have hot water ready for your shower.” (P12)*

The latter of the quote alludes to the recognition that the tourism industry will continue to face a number of crises, particularly climate change impacts. However, some participants contended switching to solar power or even purchasing inverters to be a costly and unrealistic endeavor based on their day-to-day financial standing. Similarly, other participants highlighted that the use of generators or inverters is also costly to maintain owing to the continuous need to replenish fuel, which also constitutes a rising expense. Quotes encapsulating such views are presented below:

*“We are looking at getting maybe inventors but obviously, that doesn't come at a cheap cost so we're still on the looks of that and also saving so that in case load shedding continues then we know that we have a backup plan.” (P4)*

*“Loadshedding because we had to close that time when we didn't have electricity, we had to buy a generator hmm that's more expensive and we had to buy diesel with the profit that we made.” (P18)*

Furthermore, the adaptive measures taken by participants could be classified as changes to business (or management) practices. Generally, practices such as stock management, pricing and HR practices had to be altered during the different crises faced. For load shedding, a number of participants highlighted that the uncertainty in electricity supply meant the inability to store stock for a long period of time. As such, these participants, most of which were in the food and beverage sector resorted to reducing the stock and were rather planning their stock management on a short-term basis. For instance, one participant had the following to say:

*“To survive, so for example in our case we no longer stock as much so would rather run out of stock and close the shop earlier than have a lot of stock and then the stock you know gets wasted because of load shedding so we have minimised the amount of stock.” (P4)*

Regarding pricing, some participants had mentioned changes to their prices over the last few years owing to the pandemic and the rising inflation. Indeed, some participants explained that the focus on capturing the domestic market requires businesses to adopt two pricing strategies, for both the international and local tourist markets. For instance:

*“We do have a local price there is if I miss the international price but you know what I'm saying so I don't want to offend tourists by saying look a price I don't want tourists to see like we exploiting them So we normally have the local price and because I've got to leave I've got to buy stock I've got to buy beats for me to make whatever so it's not a lot man we don't charge them and anyways I think someone tells the mother airport to where ever that don't just buy negotiate so they negotiate you get 2 out of 100 that don't negotiate and it's very rare then negotiate the prices down.” (P7)*

Additionally, as a result of the rising inflation, some businesses underlined the need to increase their own prices to match the rising costs of supplies, with one participant stating that *‘there is close to nothing that we do about it [inflation] we just have to live and increase prices here’ (P19).*

Some of the participants had underlined the changes in human resource planning adopted to involve the transition to remote working as well as the altering staffing arrangements. While the pandemic necessitated remote working, the participants who have continued in this path confirm the value of this working arrangement in reducing operational costs, which is even more useful during the challenging financial period that the tourism sector is facing.

*“I did a lot because now in the past are used to be in the office all the time but now I have I have I have learnt about teams how to work from home using your laptop I know how to hold the meeting while we’re at home and teams mobile phones apps which are now no need for a person to go directly there you need to use an app there a lot of things which are happening some of them in terms of in terms of employment.” (P8)*

Relatedly, the impact of the pandemic coupled with the ensuing financial crisis challenged the ability of these SMMEs to retain their already small number of employees:

*“I’ve noticed that we cant go back to the same number of people that we used to have before. Now let’s say we had like three people in a certain department now it’s only probably one or two but not the number of people that used to operate in that department. I’ll give you an example, so let’s say the bar used to have like four bartenders right and the kitchen used to have two chefs, and assistant cooks maybe let’s say four and then cleaners three so now we are down to one cleaner, one assistant chef, 1 chef and one assistant cook and no matter how busy it gets, the business is too reluctant to go back to getting those number of people to fill in those gaps because they feel like maybe if anything goes wrong we still going to face the same situation of not being able to pay people and having to lay people off again you know and things like that.” (P10)*

Unfortunately, the same participant went on further to add that these arrangements place a heavy workload on the few staff members, causing them to be overwhelmed and compromises the quality of service rendered:

*“What happens is that when we have like mini guess it gets overwhelming because there’s a lot of work to be done and there’s like maybe limited the workforce it’s limited maybe a few number of people that can handle the work and then he gets overwhelming as a result of that it gets low and now we get complaints.” (P10)*

Such views were reaffirmed with the few participants who had similarly adopted this approach. The following theme discussed related to the recovery actions taken.

### ***Collective adaptive strategies***

Due to that SMMEs are characterized by their social networks, as well as the recognized importance of stakeholder collaboration in resilience, it became pertinent to examine the collective efforts taken to reduce vulnerabilities and ensure the collective survival of the sector. Mixed responses were received in this regard, as some of the participants had acknowledged the contributions of larger firms in assisting in some of the challenges faced, for example:

*“Like MTN Vodacom Telkom, these companies will come to donate just to revive the place, so there are some small companies like Mandela Foundation is taking part tourism as a whole. Most of the companies are trying to come together and fighting these challenges that we encounter.” (P8)*

Additionally, these participants further note that there is some collaboration amongst SMMEs, particularly in terms of a forum for these businesses challenges to be discussed as well as some workshops to see how businesses can assist one another. Responses illuminating such endeavours include:

*“We’ve got a forum here. The forum will maybe organise a meeting then will discuss these issues and say these are the challenges and what are the solutions so that we can come of it as a group.” (P8)*

*“The crisis came everybody was alone it’s now only now it’s that we are being invited to attend workshops so that get to know each other so that we support each other network get to know each other so that if you saw dresses you can I can then order uniform I give you money so that you can survive with somebody else like in the church people when they have*

*gatherings they have conferences and that they can book that's my guest house I do survive with that.” (P6)*

However, other participants were of the view that there is a notable lack of cooperation within the SMMEs environment in Soweto, with one stating that *“it was each man for himself, we had to do what we had to do so no one really came to our rescue” (P2)*. Some participants went further to explain this lack of cooperation to be, in part, tied to the different priorities and interests of the different SMME owners. Indeed, two participants had the following to say:

*“As a collective, I’m going to be honest with you there isn’t anything that has been done because the businesses are privately owned and one might affect me but might not affect the other counterpart.” (P4)*

*“Here’s a bit of why we are not united. Firstly, you could be organising something and behind your back someone doesn’t want that and they don’t come upfront and say ‘I don’t one want 1, 2,3’.” (P16)*

### **Recovery and future resilience**

This study considered the recovery process of SMMEs. Largely, the participants were of the view that while their businesses had not yet reached 2019 levels of income and tourist activity, there was some (albeit gradual) increase in their businesses.

*“We’re still in recovery we are still in recovery because just imagine if you lost maybe income for two years or three years it won’t be easy to recover but slowly but surely business is picking up.” (P2)*

In facilitating this pace of recovery, the study found that a few of the participants had been planning some events to distribute their products, with one stating *‘I would say we are we have plans in place because we have events that are coming, we have partnerships which are coming’ (P8)*. Relatedly, this participant further recognized the importance of tapping into the returning international arrivals and increase their brand awareness:

*“We’ve tried to launch displays so that people know about this business, and also to promote it to local and international [tourists]. So, in terms of international tourists, most of them know about San Parks from where they come from, their plans for the whole trip were like ‘I’m going to do Mandela I’m going to do Safari I’ll go to Kruger National Park’ so it’s a plan to tap into those markets.” (P8)*

Finally, the study explored the extent to which these crises affected the adoption of crisis management approaches in SMMEs.

*“Obviously, I think the pandemic was something that nobody has ever anticipated but we had to before starting a business you have to look at the pros and the cons OK if I open a business and something like COVID happens what are we going to do what are the precautions or what can we plan accordingly in order not to be affected in the manner that the other businesses were affected like So what we had obviously we had to calculate to recalculate and you know and future profile as well that OK I’m what measures can we take in in order for for us to to have a successful business.” (P10)*

Certainly, some study participants affirmed the importance of being prepared for future crises, with saving money (to a lesser extent, insurance) being one commonly mentioned strategy with one view summing up these views by participant 7: *‘I am saving every cent I have not ever sent as per say but because I’ve got to eat Because this is my only source of income right so I put a little bit of something aside because once bitten twice shy’*. However, other participants offered a different view. Owing to the nature of the SMMEs, with a meaningful sum living hand-to-mouth, these participants expressed their inability to save money as contingency plans, as seen in this quote below:

*“Let me tell you something, if you want to plan something you need to have money. If you don't have the money, then what are you planning? You can't plan if you do not have money, how many people are not working, the youth? How can you plan if you do not have money, you are hungry what are you going to plan?” (P16)*

Notably, a few of the participants had not considered the need to adopt and future crisis preparedness strategy and were starting to consider this. The following section of the paper discusses the results of the study.

## **Discussion**

This current study sought to examine the resilience of SMMEs over a number of crises affecting the South African tourism industry. The study found enterprises to be affected by the changing macroenvironmental factors, beginning with the long-term effects of COVID-19 which continue to affect economic stability and the survival of businesses. Certainly, while the restrictions on the tourism industry are removed and the industry has fully resumed its operations, rebuilding the tourism receipts may take several years. In fact, the United Nations World Tourism Organisation (UNWTO) (2023) recovery barometer shows that although most parts of the world have reached pre-2020 tourist arrivals, many Global South destinations, such as South Africa have not fully recovered from the pandemic. This, unfortunately, places even more strain on SMMEs in the country owing to (i) the already limited resources in running operations (exacerbated by the pandemic), (ii) the slow pace of recovery in the country, and (iii) the dependence of township tourism on international tourists. Further, load-shedding is placing a heavy burden on the operations of these businesses. Tembe et al. (2022) provide a simple definition of load shedding, being the purposive rotation of power outages. The scholars go on to explain that South Africa is an energy-intensive and highly consumptive economy, which is battling to supply the growing demand for electricity. Numerous studies agree this crisis has greatly impacted the revenue and productivity of many businesses in the tourism sector (see Heinemann, 2019; Tembe & Hlengwa, 2022). Moreover, the rising rate of inflation posed several challenges to the recovery of these enterprises owing to the implications on business operations (and costs) as well as tourist demand.

In countering these impacts, the study found several adaptative actions taken, including the installation of alternative power sources, or supplementing the national electricity supplier. This reduced reliance has been widely accepted as one of the primary needs of businesses to survive and maintain operations in the country (Steenkamp et al., 2016; Tembe & Hlengwa, 2022). Further, the use of technology is one of the most cited resilience enablers, with previous studies affirming the ability of technology to enable business continuity in times of uncertainty and foster innovative means of conducting business (Seshadri et al., 2023; Parker et al., 2023; Nyikana, 2021). Certainly, Seshadri et al. (2023) underline the significant changes in tourists' behaviour during times of crisis, altering their demand, preferences, and consumption patterns, and can be used to revive tourist markets. The study found that some SMMEs recognized these changes and adapted accordingly. This was evident in the move to digital marketing, more consistent communications with consumers as well as having two pricing systems for local and international tourists. Largely, much of these endeavours have been to regain their local/domestic tourist markets.

Furthermore, the study found the disruptive events to have made significant changes to the planning and management of operations within these SMMEs. Largely, the reduction of operational costs was amongst the commonly used strategies to reduce the financial impact of the previous pandemic (Lekgau & Tichaawa, 2021; Shin et al., 2022). The current findings indicate some of these strategies to be of continued use to mitigate against national crises such as load shedding and inflation. Indeed, the reduction in stock purchasing and using limited staff

were among the ways the participating SMMEs effectively managed their operational costs. However, similarly to studies report that have reported on this strategy, the reduction of staff in business has led to the remaining few being overwhelmed (Shin et al., 2022).

Finally, it is important to recognise the differences in the adaptive strategies of formal and informal SMMEs to the multiple disturbances faced, which can be seen in Figure 1 below.

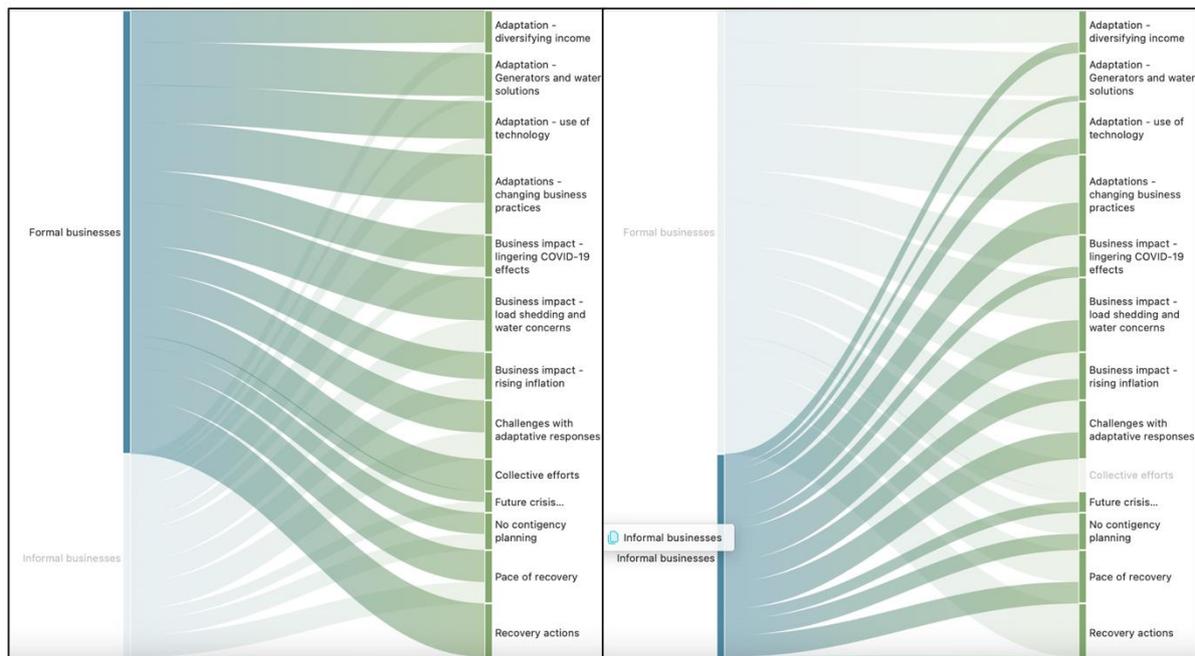


Figure 1: Adaptive responses of informal and formal businesses  
 Source: Authors

As shown in the figure above, one of the differences in adaptive responses was the use of generators and inverters. This strategy was overwhelmingly used by formal enterprises. This was owed to the high-cost implications of switching to solar power or inverters, as well as their long-term maintenance which was a challenge for informal SMMEs. Moreover, informal enterprises were not part of any collective efforts to counter the crises faced. The role of social capital in building resilience is an emerging investigation within tourism literature (Torres et al., 2019; de Brito et al., 2022; Horne et al., 2021), with these studies affirming social capital to be a key asset in long-term resilience. Indeed, Torres et al. (2019) found small businesses connected to their communities were able to withstand disasters and crises and were financially stronger. In the case of the current study, the study found the value of being a registered business, as it enabled links to larger companies that were able to assist these SMMEs. Similarly, some studies find the disadvantage of businesses in the informal economy to be limited to no access to finance or government assistance (Monterrubio, 2022; Damayanti et al., 2018). Finally, the figure illustrates that formal businesses were more focused on planning and implementing recovery actions to regain their tourist business. This could be owed to that these SMMEs are focused on day-to-day operations, and living hand to mouth (Monterrubio, 2022), and therefore constrained in planning for the future.

## Conclusion

SMMEs are widely acknowledged as powerful tools for economic upliftment and sustainable tourism, more especially in developing regions (Hatipoglu et al., 2022). The social and economic importance of these enterprises requires their further examination of their resilience to the numerous crises affecting their operations. As such, the present study sought to examine

the adaptive strategies of formal and informal tourism SMMEs. The study found tourism SMMEs to be facing a number of disruptive and inhibiting events that threaten their survival, particularly crises such as load-shedding and rising rates of inflation destabilizing already vulnerable tourism businesses that were also facing the aftermath of the pandemic. Further, the study found the adaptive strategies implemented by tourism SMMEs to include the use of technology, investing in generators, changing business practices, and collective business responses to crises. However, there was a notable distinction between the actions taken by informal and formal SMMEs owing to the inherent characteristics of these two forms of enterprises. Indeed, the limited resources in informal SMMEs constrain some adaptive approaches.

The resilience process is understood from the perspective of the formal economy. This study's contribution lies in considering the resilience process of formal and informal SMMEs. The findings of the study suggest that formal SMMEs lean towards dynamic resilience responses, as their access to capital and support from public and private organisations enabled some of their adaptive strategies and their planning. In the same line, most informal SMMEs were aligned with static adaptive responses, being the return to the status quo. However, it would be important to recognise that embedding a (formal sector) resilience paradigm to informal business adaptability may not yield a holistic understanding of their resilience. As such, we recommend future studies to inductively examine the meaning of resilience and its process for the informal sector.

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