COVID-19 CRISIS MANAGEMENT RESPONSES OF SMALL TOURISM FIRMS IN SOUTH AFRICA

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Although the literature on COVID-19 is expanding, particularly in relation to crisis management responses pursued by large tourism enterprises, currently few studies exist on the responses of small tourism firms and more specifically of the crisis management practices of small and microaccommodation establishments. The aim in this study is to investigate the business management responses of small tourism firms to the COVID-19 pandemic crisis and restrictions in South Africa. Themes of concern are whether enterprises have been able to sustain operations and adopt certain coping mechanisms or management strategies to mitigate the pandemic’s impact. The article reports on an interview survey of small and microenterprises engaged in accommodation services (N = 75) in South Africa under lockdown restrictions as a means of assessing the responses and coping strategies during an unprecedented crisis of this core component of the country’s tourism industry. Among key findings are that small and microlodging firms that have suffered severe financial losses because of the COVID-19 shock have few viable mechanisms to cope with the impact of the crisis and that government support to aid recovery has been insufficient in South Africa. This research contributes to the limited body of international scholarship that examines how small and microaccommodation firms, a major group and contributor of many economies, are navigating the unprecedented COVID-19 environment.

Key words: Small tourism firms; Accommodation services; COVID-19; Crisis management responses; South Africa

Introduction

The COVID-19 pandemic is triggering a shift in research agendas and priorities for business and tourism research (Assaf et al., 2021; Brouder, 2020; Kock et al., 2020; Sigala, 2020; Verma & Gustafsson, 2020), not least for sub-Saharan Africa (Novelli et al., 2021; C. M. Rogerson & Baum, 2020). A recent thematic content analysis of COVID-19-specific literature pointed to three
major overlapping clusters of emerging research (Kwok & Koh, 2021). First, is “transformation,” which is forward-looking to the extent that it analyzes the prospects for restructuring tourism and offers postpandemic outlooks; second is “ramification,” which involves empirical assessments of the pandemic’s impacts on destinations, tourism businesses, and consumer behavior; and, third is “adaptation,” which encompasses responses in terms of new technologies, business practices, as well as the capacity of destinations and tourism businesses to adapt to change and build resilience (Kwok & Koh, 2021).

Arguably, the global crisis accompanying the spread of COVID-19 has changed fundamentally the operational environment for tourism and hospitality firms that are compelled now to operate in newer and more resilient ways in terms of changing priorities and responses (Verma & Gustafsson, 2020). The significance of “organizational resilience,” a contested concept defined essentially as an organization’s ability to manage uncertainty, is viewed as crucial for the success (as well as continued survival) of the majority of tourism businesses (Prayag et al., 2018; Tanner, 2021). One topic of growing concern in the light of COVID-19 pandemic is the management responses of tourism firms (Alves et al., 2020; Baum et al., 2020; Bouças da Silva et al., 2021; Campbell & Kubickova, 2020; Gössling et al., 2021). Of particular significance is the responses of small tourism firms, including microenterprises, which constitute the largest numerical segment of businesses in the tourism sector representing its backbone or “economic lifeblood” in most countries (R. Thomas et al., 2011, p. 963). For the cohort of small tourism firms in the US, Bartik et al. (2020a) pointed to COVID-19 mass closures and layoffs, stressing that many such establishments will find it “extremely difficult to stay in business” (p. 17666). Sobaih et al. (2021) observed a paucity of research on tourism organizational resilience with respect to COVID-19. This said, while the literature on COVID-19 is expanding, particularly in relation to crisis management responses pursued by large tourism enterprises (cf. Hemmington & Neill, 2021; Lai & Wong, 2020; Nhamo et al., 2020; Rivera et al., 2021), currently few studies exist on the responses of small tourism firms and more specifically of the crisis management practices of microaccommodation establishments (see Kukanja et al., 2020; Tanner, 2021).

Against this backdrop the aim in this study is to investigate the business management responses of small and microaccommodation firms to the COVID-19 pandemic crisis and restrictions. Themes of concern are whether enterprises have been able to sustain operations and adopt certain coping mechanisms or management strategies to mitigate the pandemic’s impact. In addition, the effects on employment, the prospects for enterprises, and the perceived effectiveness of government support measures are scrutinized. Our geographical setting is the global South where in the pre-COVID environment many governments utilized tourism to diversify their economies that were vulnerable to, for example, the impacts of global change and economic globalization (Novelli et al., 2021; Saarinen & Rogers, 2021). The specific context is South Africa where the segment of small and microenterprises, particularly those in the accommodation and hospitality subsectors, make a significant contribution to the country’s tourism economy. Arguably, as the microenterprise sector of South African tourism is female dominated, it is women who are at the forefront of addressing the business management challenges resulting from the COVID-19 restrictions in South African tourism (Casale & Posel, 2020).

This research on the crisis responses of small and microaccommodation enterprises addresses a knowledge gap concerning tourism small firms in sub-Saharan Africa. Analysis is pursued of the consequences of the pandemic for, and crisis responses by, small business owners operating in the lodging sector. The study unpacks the responses to the unfolding pandemic undertaken by owner-managers of small and microaccommodation service establishments (N = 75) in South Africa’s Eastern and Western Cape provinces during stage two of national lockdown (June–July 2020). The researched small enterprises operate at the “coal-face” of the tourism sector and are highly vulnerable to COVID-19 ramifications. In the environment of the global South a segment of such tourism businesses frequently straddle both the formal tourism sector and the wider, less clearly defined, informal sector of tourism (Adams & Sandarapa, 2018; Dahles & Keune, 2002). The existence of a
precarious informal economy within the group of microaccommodation providers in South Africa has been well-documented (Booyens, 2021; Centre for Development and Enterprise, 2020; Hofäcker & Gebauer, 2021; C. M. Rogerson, 2005, 2008). Overall, it is evidenced that while these businesses (and their employees) are particularly exposed to the impacts of crises often they fall through the policy cracks, being beyond the reach and scope of the formal rescue packages that governments may have instituted in response to COVID-19 (Nhama et al., 2020; Rogan & Skinner, 2020).

The analysis is structured as follows. Section two outlines literature on small firms’ business responses in tourism for coping with the challenges brought on by COVID-19. In section three, as geographical setting small firms are situated within recent postapartheid development of tourism in South Africa, including the country’s initial response to the onset of COVID-19 and its tourism consequences. In section four we report on research methods and outline the study areas. The quantitative and qualitative findings are analyzed in section five and situated within a comparative international perspective in section six.

Literature Context

Globally, while the tourism industry is dominated by small, medium, and microenterprises, the literature on organizational resilience and the crisis management responses of firms is weighted towards larger tourism organizations (Kukanja et al., 2020; Prayag et al., 2018; Tanner, 2021). Small tourism and hospitality firms, however, are revealed at risk in times of crisis and change in the macroenvironment (Alves et al., 2020; He et al., 2020). Hu et al. (2021) averred that in the tourism sector “small-sized businesses appear particularly vulnerable to the pandemic” (p. 1). This said, as demonstrated by Brouder and Eriksson (2013), at the best of times in the pre-COVID-19 era, the failure rates of small tourism firms, especially of start-ups, are high. Microenterprises in particular are those viewed as most vulnerable to unforeseen challenges in times of an external crisis such as a pandemic (Alves et al., 2020; Türkcan & Erkuş-Öztürk, 2020).

Although several factors impact the survival of tourism firms, size is a key determinant as typically small firms are financially fragile, which correspondingly determines the availability of resources and skills necessary to adapt to change (Bartik et al., 2020a, 2020b; Crespi-Cladera et al., 2021). In addition to size, further influences upon the “staying power” of small tourism firms include the age, management capabilities, cost and financial structures, business cycles, and location (Brouder & Eriksson, 2013; He et al., 2020; Lado-Sestayo et al., 2016). With respect to location, place-specific assets and local networks are vital for small firm survival (Brouder & Eriksson, 2013). The vulnerability of small tourism businesses is not unexpected and replicates previous experience during crises (cf. Biggs et al., 2012; Novelli et al., 2018). Because of the financial distress caused by the pandemic, small firms particularly face solvency issues and thus will struggle to pay debts and survive (Bartik et al., 2020a, 2020b; Crespi-Cladera et al., 2021). This reflects their financial fragility and, frequently, “hand-to-mouth” business operating models (Bartik et al., 2020a, 2020b; Fairlie, 2020). Eggers (2020) identified the so-called “liability of smallness” (p. 199) and a lack of the resources (primarily financial) that can shield such small firms from external shocks. Extant literature on the responses of firms during COVID-19 suggests that “smallness” allows for a certain flexibility that enhances their adaptability in certain respects (Alves et al., 2021). However, adaptation that can also be understood as making small/incremental changes, improvements, or upgrades should not be conflated with innovation (Booyens & Rogerson, 2016). Lodging firms appear to be more exposed than other hospitality firms, such as restaurants, due to their difficulty in accessing alternative revenue streams in times of crisis (Sobaih et al., 2021; Türkcan & Erkuş-Öztürk, 2020).

Only a small number of studies focus explicitly on tourism small firms and crisis management responses (Kukanja et al., 2020; Rogerson, 2021). The “entrepreneurial self-efficacy” of firms involves the resourcefulness of firms to “reinvent” their business and innovate in times of crisis (Alonso et al., 2020). Innovative firms, and those able to adapt, are proven to be more resilient to crisis (Sobaih et al., 2021). Accordingly, innovation is put forward as a coping strategy for the tourism sector to combat the challenges presented.
by COVID-19 (Alonso et al., 2020; Breier et al., 2021; Bressan et al., 2021; Hemmington & Neill, 2021). A strategic focus on innovation is a planned response to change (Sobaih et al., 2021). Research undertaken on tourism innovation in South Africa shows innovation depends on network relationships, knowledge, and resources. Microfirms, arguably, are at an “innovation disadvantage” because these firms often do not have access to sufficient resources and know-how to innovate or adapt successfully (Booyens & Rogerson, 2016). Nevertheless, from research undertaken in Macau, Alves et al. (2020) pointed to the high flexibility of small firms in their reactions to the pandemic because of “low levels of bureaucracy and limited social responsibility compliance” (p. 1).

Seemingly, the ways whereby tourism businesses are responding to the debilitating effects of the COVID-19 pandemic vary geographically across different world regions as is demonstrated by the eight country research presented by Alonso et al., 2020, 2021). As Africa is one continent not represented in the multicountry study it is pertinent to investigate the management responses of tourism firms in the African country worst hit by the COVID-19 pandemic.

COVID-19 and Tourism in South Africa

In a benchmark diagnostic on the state of South Africa’s pre-COVID-19 economy and society, the World Bank (2018a) concluded that while the country has come a long way since the advent of democracy, its economic transition from a system of exclusion under apartheid remains incomplete. Since 1994, the tourism sector has been one of the “growth poles” of the national economy as democratic transition provided a welcome opportunity for reopening South Africa to international tourism after nearly two decades of sanctions and boycotts (World Bank, 2018b). Considerable progress has occurred in terms of growing the tourism sector, which by 2018 welcomed 10 million international visitors, the majority (76%) regional tourists from Africa. Between 1995 and 2017 direct employment in the tourism industry more than tripled (Glocker & Haxton, 2020).

The “commanding heights” of the tourism economy, in accommodation, transport, and tour services, are dominated by a small cohort of (mostly) large South African-owned enterprises. As large enterprises typically prioritize volume, their dominance has the effect of “crowding-out” the operations of small firms in certain tourism and hospitality services. This said, in numerical terms, the majority of enterprises would be classed as small firms that include a substantial subsegment of micro- and informal enterprises (C. M. Rogerson, 2005). Small firms, and especially microenterprises, focus on specialized market segments in South Africa such as bed-and-breakfast (B&B), guesthouse, and self-catering accommodation (Visser & Eastes, 2020; Visser et al., 2017). Before the COVID-19 crisis, the tourism sector employed approximately 710,000 people (about 4.5% of the formal workforce) and between 2014 and 2017 had created over 64,000 new jobs, contributing an estimated 6.1% to the GDP (gross domestic product), making tourism of greater national significance than mining (World Bank, 2018b; World Bank-International Finance Corporation, 2019).

As a result of its labor-intensive character, tourism has been consistently recognized by national government as a priority economic sector and as one of the main drivers of employment and economic growth. The National Tourism Sector Strategy is currently the key strategic policy framework (Department of Tourism, 2017). “Transformation” is a core objective in order to make the tourism sector more “inclusive” (Abrahams, 2019). Within the expanding international scholarship on inclusive tourism, the South African case is distinctive because government policy focuses on achieving greater “inclusion” defined in terms of the incorporation into the mainstream economy of those groups who were formerly disadvantaged or marginalized under apartheid, including informal firms operating on the margins of South Africa’s formal tourism economy (C. M. Rogerson, 2020a). The policy emphasis is upon boosting Black South African entrepreneurs as owners and operators of tourism firms, in addition to Black communities and also women and persons with disabilities as beneficiaries of tourism as part of a commitment to affirmative action and Broad Based Black Economic Empowerment (BBBEE) (Abrahams, 2019; Giddy et al., 2020). Policy interventions to support the expansion of the niches of “rural tourism” and
contextualized by the fact that at least 95% of tourism enterprises in South Africa would be classed as SMMEs (small, medium, and microenterprises).

As a crisis response South African Tourism (2021a) has released the Tourism Sector Recovery Plan for resuscitating the emasculated sector. The plan is aligned to the country’s Economic Reconstruction and Recovery Plan. In addition, national government launched a ZAR 200 million Tourism Relief Fund, which is in accord with its vision to ensure “inclusive tourism” (Department of Tourism, 2020a). Eligibility is indicated to include all forms of accommodation establishments, hospitality and related services, and travel and related services. Nevertheless, as the Tourism Relief Fund is administered in line with government’s objectives of economic transformation and guided by the Tourism BBBEE Codes of Good Practice, it is in practice therefore geared to support (mainly) Black-owned small tourism firms (C. M. Rogerson & Rogerson, 2020a). It was announced that in order to qualify for aid, businesses would have to prove they are in distress because of COVID-19. The fine-print details of the distribution criteria for this fund make clear, however, that it is aligned directly with government’s empowerment programs in tourism (Kubayi-Ngubane, 2020). During 2020 the tourism relief support of ZAR 200 million was paid in a capped maximum amount of ZAR 50,000 (a once-off payment of US$3,314 per firm) to 4,000 tourism enterprises. Beyond the dedicated Tourism Relief Fund, formal tourism enterprises have received support mainly from the Unemployment Insurance Fund (UIF) with around 50,000 firms and employees reportedly benefiting from the UIF’s Temporary Employee Relief Scheme (Department of Tourism, 2020b). According to labor legislation employers need to pay UIF contributions on behalf of employees, which is deducted from their salaries; UIF benefits are claimable when employees become unemployed.

Methodology and Study Areas

At a time of COVID-19 lockdown restrictions in place, the empirical investigation involved a telephonic survey of 75 accommodation enterprises that was conducted in the Eastern and Western Cape Provinces in South Africa. The survey was
set for each area, and 25 interviews were completed per area. The three study areas were: 1) periurban neighborhoods around Cape Town in especially (but not exclusively) the townships of Langa and Khayelitsha; 2) the Overstrand Local Municipality centered on Hermanus with its surrounding small coastal settlements; and, 3) a spread of urban places in Eastern Cape province (Fig. 1).

The three case studies were selected as representing urban localities with different tourism development trajectories and characteristics. Two of the case studies focused on Western Cape. Entrepreneurs in Cape Town are typically part of the post-1994 movement for the emergence of a new economy of township tourism that opened up local business opportunities for residents to offer B&B accommodation (Booyens, 2021; C. M. Rogerson, 2004). By contrast, small and microaccommodation providers in the coastal Overstrand are part of a long-established tourism resort that in the post-2000 period shifted from a domestic to an international tourism market anchored on the locality’s varied attractions of natural scenery, whale watching, and gastronomy (C. M. Rogerson & Rogerson, 2020b, 2020c). According to data for 2018 contribution of

Figure 1. Location of surveyed areas. Source: Authors.
tourism to local GDP the Overstrand is the fourth most tourism-dependent local municipality in South Africa (C. M. Rogerson & Rogerson, 2020d). The Eastern Cape tourism economy traditionally is focused around domestic tourism and much of it can be characterized as exemplifying “peripheral tourism” (C. M. Rogerson, 2019). The province is distinctive for tourism development as outside its major cities of Gqeberha (formerly Port Elizabeth) and East London, much of it was territory that historically was part of the former Transkei and Ciskei Bantustans. In these Bantustan spaces a regulatory regime existed that actively supported Black entrepreneurship (including in tourism) for at least two decades prior to 1994 democratic transition (Ally & Lissoni, 2017; Hart, 1971).

Overall, it must be understood that the local trajectories of tourism development in South Africa today remain subject to the structural historical and spatial legacies of apartheid racial planning that are imprinted upon our three case study areas. All tourism small firm owners interviewed in the Overstrand were White entrepreneurs and all respondents both in the Cape Town city-region and in the Eastern Cape were Black (African) business owners². The data analysis was undertaken using Excel (Microsoft Office) to compile the data tables and the qualitative responses were analyzed thematically.

Findings

The results from the 75 interviews are organized in terms of three major themes and a comparative discussion. These relate to the heterogeneous nature of tourism small firms in South Africa, COVID-19 impacts and emergency enterprise responses, and reactions to government support programming.

The Heterogeneity of Small Tourism Firms

The characteristics of respondents and their businesses confirm what Haven-Tang and Jones (2005) styled as the “heterodoxy” of small tourism firms. Business and owner profiles per area are shown in Table 1. In the Eastern Cape and Overstrand the accommodation offerings are more diverse than in Cape Town’s periurban areas where most establishments are B&Bs (80%). The overwhelming majority of firms surveyed are microenterprises (93.3% in total), which are defined in South Africa as establishments with less than 10 employees. These are typically B&Bs, guesthouses, or self-catering units run by the owner or manager. Of the sample 6.7% would be classed as small enterprises with more than 10 full-time employees (the largest enterprise in our sample employed 16 staff members)—all these are small hotels or guest lodges situated either in the Eastern Cape or Overstrand.

Up to 80% of accommodation establishments surveyed in the Eastern Cape have been in operation for between 11 and 20 years. The highest proportion of establishments in the Overstrand (44%) have existed for between 6 and 10 years and half of those in Cape Town (50%) were established in the past 5 years. Of surveyed respondents, 40% are retired; this is highest in Cape Town’s periurban areas (60%). An important observation is that respondents overwhelmingly own their properties (89%) with the highest ownership recorded for Cape Town (96%). Up to one third of enterprises reported that they do not have full-time employees, but rather either employ part-time/seasonal staff or rely on family members to help out as needed. The latter is more prevalent in Cape Town periurban areas than in the other areas surveyed. Of enterprises that employ staff (two thirds), most (58%) are full-time.

For the majority of respondents, the accommodation business is their main source of income. This was especially the case in the Overstrand and less so in Cape Town. This said, 69% of respondents have additional sources of income (Table 2). In Cape Town social grants (mainly old age, child support, and disability grants) and wages for other casual work are the main alternative income sources. By contrast, in the Eastern Cape pensions are clearly the most important alternative source of household income. For the Overstrand group of White-owned establishments there is a combination of income sources from investments, a working partner, and other business income.

Establishments surveyed in the Western Cape mostly relied on leisure visitors while business tourism is more pronounced in the Eastern Cape. The reported information on source markets confirms that small firms in the townships around Cape Town are oriented mainly towards international visitors with a smaller domestic market. The Overstrand
Table 1
Business and Owner Profiles

<table>
<thead>
<tr>
<th>Category</th>
<th>Cape Town</th>
<th>Eastern Cape</th>
<th>Overstrand</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accommodation by type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B&amp;B</td>
<td>80%</td>
<td>44%</td>
<td>28%</td>
<td>51%</td>
</tr>
<tr>
<td>Guesthouse</td>
<td>20%</td>
<td>32%</td>
<td>32%</td>
<td>28%</td>
</tr>
<tr>
<td>Self-catering</td>
<td>–</td>
<td>4%</td>
<td>36%</td>
<td>13%</td>
</tr>
<tr>
<td>Hotel/lodge</td>
<td>–</td>
<td>20%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Enterprise size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro (1–10 employees)</td>
<td>100%</td>
<td>88%</td>
<td>92%</td>
<td>93%</td>
</tr>
<tr>
<td>Small (11–50 employees)</td>
<td>–</td>
<td>12%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Gender of owner</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>76%</td>
<td>75%</td>
<td>80%</td>
<td>77%</td>
</tr>
<tr>
<td>Male</td>
<td>24%</td>
<td>25%</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Age of owner</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36–45 years</td>
<td>33%</td>
<td>21%</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td>46–55 years</td>
<td>21%</td>
<td>25%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>56–65 years</td>
<td>21%</td>
<td>21%</td>
<td>42%</td>
<td>28%</td>
</tr>
<tr>
<td>65+ years</td>
<td>25%</td>
<td>33%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Years in operation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1–5 years</td>
<td>52%</td>
<td>8%</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>6–10 years</td>
<td>24%</td>
<td>12%</td>
<td>44%</td>
<td>27%</td>
</tr>
<tr>
<td>11–20 years</td>
<td>16%</td>
<td>80%</td>
<td>20%</td>
<td>39%</td>
</tr>
<tr>
<td>20+ years</td>
<td>8%</td>
<td>–</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Employee profile</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time</td>
<td>50%</td>
<td>61%</td>
<td>57%</td>
<td>58%</td>
</tr>
<tr>
<td>Part-time</td>
<td>43%</td>
<td>33%</td>
<td>40%</td>
<td>37%</td>
</tr>
<tr>
<td>Seasonal</td>
<td>7%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%*</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Answered “yes” to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rely on family to help out</td>
<td>56%</td>
<td>36%</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Owner retired</td>
<td>60%</td>
<td>40%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Own this property</td>
<td>96%</td>
<td>92%</td>
<td>80%</td>
<td>89%</td>
</tr>
<tr>
<td>This business is main income</td>
<td>44%</td>
<td>64%</td>
<td>68%</td>
<td>59%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>


Table 2
Additional Household Income Sources (N = 75)

<table>
<thead>
<tr>
<th>Income Sources</th>
<th>Cape Town</th>
<th>Eastern Cape</th>
<th>Overstrand</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social grants</td>
<td>32%</td>
<td>4%</td>
<td>0%</td>
<td>16%</td>
</tr>
<tr>
<td>Wage or salary for other work</td>
<td>24%</td>
<td>8%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Other business income</td>
<td>4%</td>
<td>4%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Pension</td>
<td>8%</td>
<td>28%</td>
<td>10%</td>
<td>21%</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>0%</td>
<td>0%</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>Rental income</td>
<td>4%</td>
<td>0%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Partner who is working</td>
<td>0%</td>
<td>4%</td>
<td>14%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Note. Source: Author survey.
firms reported 87% international visitors mirroring the area’s shift in recent years towards the attraction of foreign tourists. By contrast, in the Eastern Cape the microenterprises point to only 4% international tourists and to their massive dependence on the domestic tourism market.

Overall, these basic characteristics of accommodation business owners confirm that tourism small firms in South Africa are not a homogeneous category of enterprises. Race and location are two clear bases for differentiation. Given South Africa’s apartheid legacy, sharp differences are observable in the location and characteristics of the group of established White-owned enterprises that operate an array of different accommodation service establishments and of the “emerging” economy of township microfirms, which comprise a mix of formally registered and informal operations. The Black-owned microenterprises in Eastern Cape offer another marked contrast to the emerging group of recently established township B&Bs in Cape Town as 80% of this sample of enterprises in Eastern Cape province have been in operation for at least 10 years.

The Impact of COVID-19 on Small and Microaccommodation Firms

Overwhelmingly enterprises reported that occupancies were high and they were profitable before the onset of COVID-19 restrictions. All enterprises reported financial losses as a result of COVID-19, which several described as a “total shutdown” (i.e., visitor flows stopped, existing bookings were canceled, and operations ceased). Respondents said that they necessarily had to dip into their savings, struggled to pay bills and staff, and had to lay staff off. For many respondents the closure of their businesses was imminent as illustrated:

Our landlord who we rent the properties from is considering selling now, which leaves our business hanging in the balance. [R1. Self-catering business in Hermanus started in 2017]

The business was already declining and the impact of the lockdown was just a push over the cliff, there was no income and I had a lot of debt. [R2. B&B owner from the Eastern Cape who sold the business]

A level of underlying emotional stress is detected in several of the qualitative responses. Many respondents were concerned about the prospects for their businesses and what this meant both personally and for the well-being of their employees. A poignant remark made by a guesthouse owner in the Eastern Cape was:

Lockdown has destroyed our livelihoods. The business has completely closed since lockdown, so no income for my employees. I had to borrow money to buy food and I had no money to pay for the car and insurance. Only one of my employees received UIF, I have received no [relief] funding from the national Department of Tourism. [R3]

The impacts on employment and income of businesses are summarized in Table 3. Up to 52% of businesses say that they have furloughed staff. This was highest in the Eastern Cape with 72% putting staff on furlough and 8% retrenching staff. During COVID-19, the UIF program instituted a Temporary Employee Relief Scheme (TERS), which operated like a furlough scheme. Business owners could accordingly put workers on “unpaid leave” and claim UIF benefits on their behalf. In the Overstrand, 73% of respondents said that they had retrenched staff and enterprises in this area were most successful in claiming UIF/TERS pay-outs for their staff (61% said they did so). However, several

Table 3
Impact of COVID-19 on Employment and Income (N = 75)

<table>
<thead>
<tr>
<th>Impact</th>
<th>Furloughed Staff</th>
<th>Claimed UIF for Staff</th>
<th>Retrenched Staff</th>
<th>Alternative Income in Lockdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>40%</td>
<td>12%</td>
<td>8%</td>
<td>32%</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>72%</td>
<td>44%</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>Overstrand</td>
<td>43%</td>
<td>61%</td>
<td>74%</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>52%</td>
<td>38%</td>
<td>29%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Note. Source: Author survey.
respondents said that they experienced problems with claiming UIF for workers. One of the reasons why business struggled to claim is because some were not registered for UIF. In Cape Town, the figures with respect to retrenching and furloughing staff were comparatively lower because our data shows that B&Bs employ fewer staff and instead rely more on family members to help out. Several respondents indicated that they kept on paying their staff out of their own pockets/savings regardless of not having an income because of COVID-19, even if this meant reduced wages.

Most businesses have not been able to generate an alternative income during lockdown. Of enterprises in Cape Town, 32% said that they were able to generate alternative income while 20% did so in the Eastern Cape and only 9% in the Overstrand. Enterprises implemented small adaptive strategies as emergency measures with the hope to save their businesses. Some reported making and selling masks or foodstuff, accommodating elderly persons or those in quarantine while many relied on alternative income (i.e., social grants, salaries, or other business income). Few businesses had alternative uses for their properties. The study aimed to identify emergency management strategies through qualitative interviews. It was disclosed, however, that few small or microenterprises have been able to implement emergency measures or few had viable options to aid business recovery. Enterprises that had plans for future recovery said that they aimed variously to convert holiday accommodation into long-term rentals or self-catering units, focus on catering and selling food, accommodate guests who are in quarantine or essential workers, and reduce business operations costs.

Government Support for Tourism Businesses

The findings point to a vacuum of support for tourism businesses in South Africa. This is in large measure a consequence of the observation by Turok and Visagie (2021) that while many governments have enacted exceptional support programs for businesses to mitigate the damage caused by the pandemic and restrictions “South Africa’s response was limited by the poor state of public finances” (p. 1). The sentiment that government in South Africa has failed tourism enterprises was widespread and confirms that disclosed in other investigations (Giddy & Rogerson, 2021; J. M. Rogerson, 2021; J. M. Rogerson et al., 2021). The emasculated state of the fiscus is a consequence, in large part, of financial mismanagement across all levels of government and of rampant corruption allied to the phenomenon of “state capture” (Chipkin & Swilling, 2018; Mlambo & Masuku, 2020; C. M. Rogerson, 2020b). Both Black and White business owners stated that they felt “let down” by government. While White businesses were in most cases ineligible for relief business support because of BBEEE criteria, most Black business owners were skeptical about whether they would receive support in the first place. One Black guesthouse owner in Cape Town stressed:

The South African government does not live up to their promises so I do not want to wait for something I know will not happen. [R4]

Another respondent who did receive a grant pay-out of ZAR 50,000 argued that:

The Relief Fund [pay-out] was not enough, it was a drop in the ocean compared to what I need. [R5. Eastern Cape business owner]

It was revealed that 60% of the Eastern Cape sample had applied or at least attempted to apply for business relief funding but had not received anything. Of respondents in Cape Town, only five (20%) said that they have received any pay-out. Respondents complained that the funding application is a bureaucratic exercise centered on compliance and the waiting period is too long between funding application and disbursement of funds. It is important to note that there are “survivalist” businesses in hospitality whose operations are largely informal and thus function beyond the eligibility criteria set by government both for the Tourism Relief Fund and to claim UIF benefits for employees. Several respondents further said that the application forms for the Tourism Relief funding were difficult to understand. These findings concerning eligibility, compliance, and ambiguous funding requirements are reiterated in other research investigations of COVID-19 small firm support mechanisms in South Africa (Centre for Development and Enterprise, 2020; J. M. Rogerson, 2021).
COVID-19 RESPONSES OF SMALL TOURISM FIRMS 131

Discussion

It is evident that the tourism sector in South Africa, as elsewhere in the world, has been debilitated and hollowed out by COVID-19 impacts (Dube, 2021). Our findings have disclosed that small tourism enterprises—most especially microenterprises—have been deeply affected by the pandemic and that the majority face difficulties to adjust to COVID-19 in an environment in which external government support is weak (cf. Giddy & Rogerson, 2021; C. M. Rogerson & Rogerson, 2020a). The recovery of tourism in South Africa is crucial because of the sector’s economic prominence and not least on account of the jobs it supports in a country plagued by rising unemployment (Dube, 2021; Glocker & Haxton, 2020). This said, recovery is expected to be slow amid extended/reinstated lockdowns not least because of a new COVID-19 strain that emerged in South Africa (South African Tourism, 2021a). Visitor demand is projected to remain low for the immediate future (South African Tourism, 2021b). At the time of writing (mid-2021) the country’s borders are still closed for the majority of international leisure travelers (South African Tourism, 2021b). Ironically, a drive to push domestic tourism in late 2020 seemingly contributed to a second wave of infections and brought on further lockdown restrictions after the data for this investigation were collected in mid-2020. Although the situation with respect to the spread and impact of COVID-19 is fluid, what remains little changed (indeed, worsened) is its devastation for small firms operating in the lodging sector. This confirms findings emanating from national studies that used online surveys (Department of Tourism, Tourism Business Council of South Africa & International Finance Corporation, 2020a, 2020b, 2020c) and underlines the vulnerability of small tourism firms in general and the precarity of microenterprises and their employees. In a comparative international perspective our findings can be discussed in the context of debates about both crisis management and organizational resilience, and government support measures.

Crisis Management and Organizational Resilience

Issues relating to the crisis management practices of micro- and small enterprises in tourism during the COVID-19 pandemic so far have been little researched (Kukanja et al., 2020; Pongsakornrungsilp et al., 2021) with the extant literature focused mainly on adjustments made in settings within the global North (Bartik et al., 2020b; Tanner, 2021). This research demonstrates that small and microaccommodation establishments typically have limited means by which to generate alternative income from their properties, do not have other uses for these facilities, and that few have been able to implement emergency management measures with a view to firm survival. Microlodging firms, like those in our South African study, only offer room (and limited) board. In order words, either B&B or self-catering options. These establishments, therefore, do not offer catering at the scale of restaurants and coffee shops as is common in larger accommodation establishments that would have been able to offer a limited service, albeit on much reduced scale, and/or offer take-away food and drink during lockdowns/restrictions (Sobaih et al., 2021). The income potential of small and microaccommodation establishments thus is constrained; few establishments in our sample indicated that they attempted to boost their income through the sale of food and drink.

Overall, crisis management strategies by small and microaccommodation firms in South Africa were found lacking. This contrasts with recent literature (mainly from the global North) that points to emergent theories on the entrepreneurial self-efficacy of firms whereby they are able to through proactive behavior “reinvent” themselves and innovate to mitigate the impacts of the pandemic (Alonso et al., 2020; Alves et al., 2021; Bressan et al., 2021). Furthermore, the adaptive capabilities of the cohort of microfirms in our (diverse) sample are observed to be low. It is argued that when it comes to the ability to adapt to external shocks such as COVID-19 microfirms typically have only limited adaptive capabilities and therefore low levels of resilience (Kukanja et al., 2020).

As argued earlier, the study demonstrates the heterogeneity of small tourism firms (Haven-Tang & Jones, 2005). Heterogeneous factors and behavior results in varying levels of resilience and business recovery opportunities (Rivera et al., 2021; Tanner, 2021). Moreover, it should be stressed that “place” plays a significant role in shaping the nature and
resilience of especially the population of tourism microenterprises (Alonso et al., 2020). In terms of coping strategies and survival there was a greater sense of self-reliance among better-resourced, formalized, and more business-oriented enterprises. This research suggests that determinants of the “staying power” of South African small and microlodging enterprises during COVID-19 include property ownership and availability of alternative household income sources. Another shielding mechanism associated with “smallness” that functions as a survival strategy is the cutting of labor costs by the retrenchment of employees (Alves et al., 2020; Eggers, 2020).

While tourism job losses during the pandemic are widely documented globally the accentuated risk to employment in accommodation and particularly low paid jobs in lower income countries has been pinpointed (Baum et al., 2020; Gössling et al., 2021). In South Africa, Rogan and Skinner (2020) stress the precarity of informal workers as a consequence of the COVID-19 crisis. There is a knock-on effect on the livelihoods of those dependent on tourism at a community level with reference to informal workers and also the local tourism value chain (Musavenga, et al., 2020). Redundancies, therefore, are a severe blow to low-income communities from which informal, low-skilled hospitality labor is typically drawn. These are people who have little alternative means of support and no safety net in the form of either savings or access to government support options. This is typical in developing countries and thus millions of people are plunged into poverty (Jones & Comfort, 2020). The group most at risk is low-skilled women from low-income areas, mainly Black Africans in this case, who are failed both by hospitality businesses in their struggle to survive and by national government policy. The concerns outlined align with critical voices that stress the risks COVID-19 holds for both inclusive tourism (Musavenga et al., 2019) and for tourism sustainability, including for decent work and equity within the tourism workforce (Baum & Nguyen, 2020; Jones & Comfort, 2020).

Support Interventions for Firms and Employees

Arguably, while tourism small firms are viewed as generally highly adaptable and self-reliant organizations “in the case of external crises, such as a state of pandemic that is beyond their control, they need institutional (governmental assistance)” (Kukanja et al., 2020, p. 348). Strong public support is deemed crucial for the recovery of small tourism enterprises in a crisis environment such as COVID-19 (Bressan et al., 2021; Rivera et al., 2021; Sobaih et al., 2021) and the record of New Zealand and Sweden demonstrates that comprehensive government support packages are critical for small firm survival during the pandemic (Breier et al., 2021; Hemmington & Neill, 2021). This said, comparable levels of support have not been forthcoming in all countries (Nhamo et al., 2020; United Nations World Tourism Organization, 2020).

Within a comparative international perspective this research shows that the furlough and small business support offered by the South Africa government during the pandemic were largely insufficient to sustain businesses or jobs (also see C. M. Rogerson & Rogerson 2020a; Giddy & Rogerson, 2021). While these findings are not unique, it must be emphasized that in the context of the global South such omissions put extreme strain on both the most vulnerable of enterprises and employees, neither of which are likely to recover in the near future (if at all) within a struggling economy such as South Africa. The imperative for more comprehensive long run government support beyond the initial bailouts to stimulate the recovery of the small lodging sector is evident. An important consideration and first step for establishing policy responses is to acknowledge the heterogeneous nature of tourism small firms. Future tourism policy responses in times of crises need to take into account the particular needs of formal as well as informal, small as well as large, lodging establishments. Furthermore, there is a need to streamline application processes and eligibility criteria (Centre for Development & Enterprise, 2020). Most Cape Town township accommodation businesses were not eligible for the Tourism Relief Fund pay-outs or unable to claim UIF for their employees because they are not registered in either case. This situation is especially of concern with respect to South Africa’s inclusive tourism agenda that seeks to support Black communities and also women as beneficiaries of tourism (Abrahams, 2019). Arguably, while government support was targeted at BBEEE.
enterprises, stringent bureaucracy and compliance processes were not responsive to the needs and circumstances of micro enterprises, most especially of those who function on an informal basis.

Conclusions

The topic of crisis management of enterprises must be an important agenda item for tourism researchers in addressing the impacts of COVID-19 (cf. Assaf et al., 2021; Kwok & Koh, 2021). This study contributes to the limited body of international scholarship that examines “how micro and small firms, a vital group and contributor of many economies, can navigate the unprecedented COVID-19 predicament” (Bressan et al., 2021, p. 16). More specifically, as extant research is dominated by works in the context of the global North, the study is distinguished by its focus and for dissecting the COVID-19 responses by small and microaccommodation establishments in the less well-resourced environment of the global South.

In South Africa it was demonstrated that small and microenterprise accommodation establishments that have suffered severe financial losses because of the COVID-19 shock have few viable mechanisms to cope with the impact of the crisis and that government support to aid recovery has been inadequate. There is little evidence that the group of microenterprises have the adaptive capacity to survive; their resilience thus is constrained. The risk of business failure was exacerbated by extended lockdown restrictions necessitated by the emergence of a new variant of the COVID-19 virus (beta variant) in South Africa. The consequences of microenterprise business failure are dire when considering the impact on employees who are likely to be further threatened by household poverty with few alternative options for employment in an already strained economy. The South African government’s optimistic policy expectation is that tourism can be a catalyst for broader economic recovery owing to its linkages and interconnectivity, relative resilience, and potential to rebound quickly (South African Tourism, 2021a). Nevertheless, the current COVID-19 situation (mid-2021) and outlook for small and microaccommodation establishments remains poor in South Africa. The adverse impact on enterprises and employees alike in the context of poverty inevitably compromises government objectives for both inclusive development and the sustainability of the sector (cf. South African Tourism, 2021a). Arguably, policy responses and support should be cognizant of these impacts and more nuanced in their implementation. In final analysis within the COVID-19 context governments and international agencies can learn lessons from our findings in reviewing support practices for vulnerable, small tourism businesses and their employees, especially those in the global South with few, if any, alternative means of survival.

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Notes

1In common with the situation in many other countries official definitions in South Africa of small and microenterprise vary between sectors and also have changed in definition since their first official classification in 1995. In 2019 revised definitions for the catering and accommodation sector define “small” as between 11 and 50 employees and “microenterprises” as less than 10 employees. The economy of microbusinesses would include both formal registered enterprises and a cohort of informal enterprises. Arguably, both small and microenterprises within the accommodation sector can be classified under the rubric of “tourism small firms.”

2In understanding the racial profile of our sample it should be understood that an earlier research study conducted in Hermanus, the major settlement of Overstrand, revealed no Black-owned accommodation establishments in this coastal tourism destination (C. M. Rogerson & Rogerson, 2019). The Cape Town sample that was undertaken in (mainly) township areas was a space of exclusively Black (African) entrepreneurship and the Eastern Cape sample purposively selected to include only Black-owned small or microestablishments in a peripheral tourism economy.

References


