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Exploring crisis vulnerability of small and medium enterprises (SMEs): evidence from Sri Lanka's tourism industry

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ABSTRACT

Small businesses and crisis management research areas are well established but largely detached fields. Given the economic importance of Small and Medium Enterprises (SMEs) and their vulnerability to crises, this study explores the factors that make them more vulnerable to such challenges. This study adopts a qualitative phenomenological approach in line with the philosophy of social constructionism. Nineteen tourism-related SMEs from Sri Lanka's Southern Province were chosen for the sample and interviewed, and the data were triangulated with observations. The data were analyzed using Interpretative Phenomenological Analysis (IPA) through the theoretical lens of resilience and risk society theories. The themes identified as factors that make the tourism SME sector more vulnerable to crises are its dependence on unskilled employees, unawareness of preventive measures, and being mostly home-based, seasonal, and crisis-prone. This study's findings may assist SME entrepreneurs and other stakeholders in arranging themselves by adopting proactive measures to deal with crises.

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Introduction

Among different types of businesses Small and Medium Enterprises (SMEs) are considered as forming the backbone of an economy (Eggers, 2020; Hossain et al., 2022). Therefore, survival is vital for any economy. Despite the significant contribution of SMEs to the economy, SMEs been identified as sectors with less survival (Ligthelm, 2011). However, only over 50% of SMEs survive their first three years of operation (Roepga, 2011). The general perception of SME survival is that one in ten succeed (Mazzarol & Reboud, 2020). Empirical evidence are there for SME failure due to many reasons mainly limited resources (Eggers, 2020; Runyan, 2006). Among the various reasons why SMEs fail, crises can have a significant impact on SMEs' failure (Doern, 2016).

It is crucial to emphasize that SMEs are typically more vulnerable during crises than larger organizations (Giannacourou et al., 2015; Hong et al., 2012; Lai et al., 2016; Penrose, 2000) for a variety of reasons, including the following: their small size makes it more difficult for them to downsize, their individual economic activities are less diversified, their financial structure is weaker (Ates & Bititci, 2011), their credit rating is low or nonexistent, they rely heavily on credit and have fewer financing options (OECD Annual Report, 2009). Owing to their smaller customer base, fewer internal resources, and narrower product lines, small businesses are more vulnerable to external shocks (Smallbone et al., 2012). In light of this, we wonder if SME vulnerability to crises stems from their continued struggle with these traditional issues. Therefore, this study aims to explore the factors that affect in SMEs crisis vulnerability, particularly other than the resource limitation.

In most cases SMEs construct their businesses from their homes. Women entrepreneurs get the benefit of handling their business and house hold activities by operating their businesses from home,

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particularity in eastern cultures. SMEs operating in underdeveloped economies typically face more difficult circumstances than those in developed economies (Dahles & Susilowati, 2015), where the climate is more hostile and prone to failure (Page & Söderbom, 2015). The survival of SMEs is threatened by these disturbances, which differ depending on the situation (Abebrese, 2015; Littlewood & Holt, 2018). Natural disasters (Linnenluecke, 2017; Runyan, 2006), political unrest (Branzei & Abdelnour, 2010), economic crises, difficulties in gaining access to markets (Tukamuhabwa et al., 2015), institutional failings (Dahles & Susilowati, 2015), and infrastructural barriers (Abebrese, 2015) are examples of these disruptions. Sri Lanka is a unique situation because the nation is currently experiencing its worst economic downturn since gaining independence from the British colonial authority in 1948. Therefore, Sri Lanka is a unique site for study in this particular environment.

The tourism industry is considered particularly vulnerable to crises, among other businesses (Doern, 2021; Etemad, 2020). Crises and the manner in which they highlight international tourism have not been shown to be long-term disruptive factors but rather momentarily problematic. The tourism sector faced significant obstacles as a result of many crises, including the 2001 attack on New York Twin Towers, the 2007–2008 global financial crisis, the 2013 spread of the Ebola virus, and the 2019 Easter attack in Sri Lanka. Perhaps COVID-19 is a sign of things to come environmental catastrophes that will be increasingly severe, protracted, and difficult for people everywhere to deal with. This is concerning for those involved in the tourist industry because international travel movements depend on open borders, political stability, economic stability, unfettered movements, and a traveling public willing to accept a certain amount of inherent risk. In Sri Lanka, besides the tourism industry's significant contribution to the economy (SLTDA, 2018), SMEs account for a considerable portion of the tourism industry (Sardana & Dasanayaka, 2013).

Accordingly, tourism industry has been identified as particularly vulnerable to crises. In addition, in keeping with the emerging trend of conducting resilience studies in certain industries, scholars have identified the necessity of exploring the crisis vulnerability of tourism businesses (Ketter, 2022).

Due to variations in formal and informal institutions, including culture and values, entrepreneurial activities vary from place to place and country to country (Monteagudo & Martínez, 2013). This gap in the body of knowledge on contextual aspects is filled by researching the crisis vulnerability of SMEs in developing economies (Durst & Henschel, 2021). Although a lot of research has been done on how the environment affects company growth, little has been done to address the vulnerability of small and medium-sized companies (SMEs) in growth-stage organizations in emerging countries like Sri Lanka. While many academics have linked resource restrictions to why small- and medium-sized firms (SMEs) are more susceptible to crises (Salamzadeh & Dana, 2022), this study contends that there are other reasons, such as individual resilience and contextual barriers. In this context, despite the important role SMEs play in the tourism sector, limited research has focused on how tourism entrepreneurs perceive and respond to crisis-induced vulnerabilities, particularly within developing country settings like Sri Lanka. Existing studies predominantly adopt macro-level or policy-oriented perspectives, often overlooking the lived experiences of SME entrepreneurs. This gap highlights the need for context-specific qualitative research to uncover the multidimensional nature of crisis vulnerability as experienced by tourism-based SMEs on the ground.

To identify SMEs for this study, researchers followed the definition of the National Policy Framework of the Ministry of Industries and Commerce (Ministry of Industries & Commerce, 2016) for the service sector, according to which these are firms with fewer than 300 employees (manufacturing sector) or 200 employees (service sector), and an annual turnover of less than Sri Lankan Rupees (LKR) 750 million. Therefore, this study initially reviewed the relevant literature to understand the current state of knowledge in the field. Then the researchers developed a methodology to conduct the study. The findings were presented in the subsequent section. Finally, the contribution of the study to the present state of knowledge is discussed, future research directions are suggested, and the limitations of the present study are mentioned.

Literature review

Organizational crisis management

Businesses face a highly uncertain situation due to the rapidly changing business environment. Among the various types of risks associated with businesses (Falkner & Hiebl, 2015), organizational crises have

recently received more attention because of their recurring nature and severe impact on businesses (Carmeli & Schaubroeck, 2008; Miklian & Hoelscher, 2022). An organizational crisis refers to an incident that has a high impact with low probability, is mostly unpredictable, and endangers an organization's existence (Pearson & Clair, 1998). A crisis of this kind is marked by serious ramifications, an urgent need for prompt resolution, the necessity of making snap judgments, the need to reorganize the system, and uncertainty about its causes and effects (Shrivastava, 1993). Consequently, crisis management plays a key role in organizational management, which considers a series of actions meant to address a crisis and reduce any potential harm (Coombs, 2015; Erdiaw-Kwasie et al., 2023). The extant literature mentions the importance of moving beyond the traditional view of crisis as an event but as a process (Williams et al., 2017). Thus, the ability to act quickly and wisely under pressure is essential for effective crisis management (Fasth et al., 2022). Previous studies in the field of crisis management have emphasized the important need for organizations to prepare to deal with every type of crisis without focusing only on a particulate type of crisis (Mitroff et al., 1987; Pearson & Mitroff, 1993); the reason being that crises are unpredictable and thus there is the need to consider all possibilities and plan ahead to be better prepared (Mitroff et al., 1987).

SME crisis management

Among different types of businesses SMEs tend to be particularly vulnerable to crises (Salamzadeh & Dana, 2022). Due to the significant contribution of SMEs which represent more than two-thirds of all firms and more than half of the private sector businesses of a country (Salamzadeh & Dana, 2022), it is vital to ensure the survival of them. However, the high vulnerability of SMEs to a wide range of crises indicates that they are less capable of managing them. Thus, crises have become a significant factor in SMEs' failure. The extant literature indicates that businesses assume that crisis management is expensive and time-consuming, causing SMEs to deviate from launching crisis management efforts (Kurschus et al., 2017). Therefore, they do not compel themselves to adopt crisis management practices until they face a crisis.

Empirical evidence shows that SME failure can be attributed to poor governance structure, the nature of the industry, firm size (Williams, 2014), and reluctance to adopt competitive strategies (Princess et al., 2015). Moreover, there are many other reasons for SME failure besides limited resources, such as a less-than-ideal location, weak governance structure, the nature of the sector, and small firm size (Williams, 2014). Although the existing literature on SME crisis management draws attention to their high vulnerability to a wide range of crises (Kato & Charoenrat, 2018; Vargo & Seville, 2011), the topic of SME survival has not been adequately examined from a crisis perspective (Herbane, 2010).

Among the various reasons cited for SME failures due to crises in previous studies, an important one was that the limited resources of SMEs played a significant role (Eggers, 2020; Herbane, 2013; Parnell, 2015; Runyan, 2006). Two examples are restricted access to finance (Hyun, 2017) and reduced tendency to use networking to overcome resource limitations during the crisis phase (Battisti & Deakins, 2017; Erdiaw-Kwasie et al., 2023; Macpherson et al., 2015; Mayr et al., 2017). Moreover, some studies have found characteristics unrelated to resource limitations. Similarly, the personal characteristics of SME owner-managers were also identified as key factors behind SME crisis vulnerability, such as lack of prior crisis experience (Doern, 2016), lack of necessary professional skills (Cant, 2012), and the gender of the owner/manager (Josephson et al., 2017; Pathak & Ene, 2017). Nevertheless, these studies generally examined SMEs at a range of stages, including startups, growth, and mature firms. However, the entrepreneurial capacity that develops over the period is one of the factors that determine the crisis resilience (Erdiaw-Kwasie et al., 2023; Salamzadeh et al., 2023). The failure rate might not provide a clear picture of the subject since these studies included startups. Yet it is vital hard to consider SMEs in growth or mature statge to get a better understanding on the crisis resilience of SMEs. Moreover, the SME crisis/disaster literature has not examined in sufficient depth the impact of such disruptions on small businesses or their crisis responses to adverse situations (Doern, 2016).

The existing SME crisis management literature emphasizes that most studies consider economic and financial factors influential in crisis vulnerability (Kurschus et al., 2017). Therefore, the authors emphasized the necessity of analyzing qualitative criteria other than financial factors. In addition, most studies were

conducted after the crisis (Burhan et al., 2021); thus, it is difficult to find studies that use real-time data (Doern, 2021; Fasth et al., 2022). It can also be seen that most of these studies were conducted in developed countries (Salamzadeh & Dana, 2022). However, many scholars have stressed the importance of investigating these matters in developing countries after noting the high crisis vulnerability of SMEs (Burhan et al., 2021; Kato & Charoenrat, 2018; Parnell, 2015), have stressed the importance of investigating these matters in the developing countries (Doern et al., 2019). Moreover, recent studies have emphasized that internationalized SMEs are more vulnerable to crises such as Covid-19 (Etemad, 2020; Paraschi et al., 2024).

In Sri Lanka, the tourism sector supports economic expansion, job creation, and a reduction in regional income disparity, in addition to generating foreign exchange (Central Bank, 2021). With its proclaimed vision being, 'To be recognized as the world's finest island for memorable, authentic and diverse experiences', Sri Lanka is famous internationally as an economical tourist destination where the products are mainly limited to the sun, sea, sand, and holidays (Ministry of Tourism Development & Christian Religious Affairs, 2004). The recognized tourist travel guide 'Lonely Planet' selected Sri Lanka as the top travel destination for 2019 (Central Bank, 2021). Between 2014 and 2019, tourism continued to be the third-largest source of foreign currency earnings, accounting for 14% (approx.) of all earnings in the foreign currency (Central Bank, 2021). For example, earnings from tourism were projected at US \$ 4381 million in Sri Lanka's peak year of 2018. However, the industry has been drastically affected compared to earlier periods due to crises that have occurred in the recent past. The industry's recent contribution compared to its peak periods (2018) reflects the effects of crises, such as terrorism in 2009 and pandemics in 2019. Despite the fact that the tourism industry is more vulnerable to crises, with SMEs representing the majority of businesses in the sector (Central Bank, 2021), one can find only rarely, any industry-specific studies on the subject. Hence, this study aims to bridge these gaps by conducting an in-depth analysis of the factors that make Sri Lankan tourism SMEs more vulnerable to crises. Therefore, this study delves into the factors that increase SMEs' crisis vulnerability and industry-specific characteristics of the tourism industry.

In this setting, much of the existing research on crisis management tends to focus on large organizations, with comparatively less attention given to small business entrepreneurs who operate with limited resources and capacity. Moreover, many of these studies originate from developed countries, raising concerns about the applicability of their findings in developing contexts. This highlights the need for more research on crisis vulnerability in non-Western and resource-constrained environments. Additionally, there is a notable gap in understanding how SME owners and managers perceive and respond to crises, despite the fact that decision-making in SMEs is often centralized around these individuals. Furthermore, sectoral differences are frequently overlooked, even though industries such as tourism face unique challenges such as seasonality, dependence on international mobility, and global shocks, which influence how crises are experienced and managed. These gaps underscore the importance of sector-specific, context-sensitive research to better capture the realities of SME crisis management.

Theoretical framework

The existing tourism literature has highlighted the increasing focus on resilience studies, particularly on rapidly changing business environmental factors (Ketter, 2022). The resilience theory describes a firm's capacity to successfully deal with adversity and recover from failure. This study investigates how to overcome obstacles and thrive. It adopts a strengths-based approach, highlighting the internal and external resources that enable people to overcome hardship.

The theoretical perspective on crisis management and resilience needs to be clearly distinguished, and appropriate strategies should be adopted to survive in the long run. Crisis management focuses on short-term remedies, whereas crisis resilience considers medium- and long-term strategies. This study focuses on the resources and other external factors that affect vulnerability. The conceptual framework provided by the resilience theory allows researchers to examine and comprehend why certain SMEs succeed in the face of risk exposure during a crisis, whereas others fail. Hence, the resilience theory is applied to understand the extent to which tourism SMEs are resilient or vulnerable to crises. Positive environmental, societal, and individual factors that obstruct or interfere with SMEs' developmental paths

from risk to problem behaviors are the main focus of the resilience theory. Referred to as promotive factors (Fergus & Zimmerman, 2005), these positive environmental, societal, and individual characteristics work against risk factors and assist small and medium-sized business owners in overcoming the adverse impacts of risk exposure. The authors distinguished between two categories of elements that promote resources and assets (Fergus & Zimmerman, 2005). Positive traits that people possess, such as self-efficacy and self-esteem, are referred to as assets. Resources are external elements that give people opportunities to learn and practice skills such as social capital and business development programs. Resources and assets provide business owners the unique contextual qualities required for company growth. Many researchers have concentrated on tools that might assist entrepreneurs in managing risk and that are linked to successful entrepreneurial development. Regrettably, SME's limited resources make it difficult for things to return to normal after a crisis. However, SME tourism must also contend with other issues in addition to the scarcity of resources in crisis situations.

Scholars define crisis resilience in a broader sense as the process of protecting an organization's social capital and reputation, including organizational culture, by identifying risks and negative events in advance and resisting the pressures they create (Koronis & Ponis, 2018). According to the authors, this capacity is built on four major pillars: preparedness, responsiveness, adaptability and learning. This is further supported by appropriate cultural and social capital foundations such as trust and perceived organizational identity. This study provides a framework that combines risk, resilience, and phenomenological and social coping approaches. Hence, this study addresses the gaps identified in the literature (Kantabutra & Ketprapakorn, 2021), such as how organizational resilience strategies are practiced in organizations.

The risk society theory holds a new reality in the era of uncertainty and crisis. Ulrich Beck developed the risk society theory in 1992, arguing that human activity, rather than outside natural causes, is now the primary source of threats to society (Beck & Levy, 2013). This theory is linked to the idea of reflexive modernity, which is defined by the waning influence of scientific truth and deterioration of social institutions. However, a crisis like the COVID-19 epidemic has demonstrated that society is not as reactive as Beck contends, since societal structures continue to have a substantial impact on people's outcomes and opportunities in life. The idea of risk society has revolutionized sociological theory and our knowledge of the modern era despite several drawbacks.

In this setting, this study uses Beck's theory of risk society, which connects to the SME crisis, including different types of crises, such as the COVID-19 epidemic and economic crisis. This implies that while social inequality borders have been removed by crises like the COVID-19 epidemic, they have also been enlarged, especially in developing nations and among vulnerable populations such as the SME tourist sector.

Methodology

To design the research methodology, the researchers followed the research onion model (Saunders, 2018). The social constructivist paradigm was used in this study to examine the crisis phenomenon in which people interact with society and find that their responses change as a result. Therefore, this research aims to capture participants' views as much as possible and inductively develop meanings through open-ended questions. The phenomenological technique proved to be more relevant to this study from an epistemic standpoint since phenomenological investigations examine the impact of a concept of phenomenon through the lived experiences of multiple people. Phenomenological studies focus on investigating phenomena from the perspective of those who have actually encountered them and recorded its essence. The phenomenon under investigation in this study is crises. Interpretative Phenomenological Analysis (IPA) is particularly well-suited for exploring how individuals make sense of their lived experiences within specific cultural and social contexts. Given that our research questions aim to understand participants' experiences and interpretations of crisis-driven learning in resource-constrained environments, IPA offers a coherent methodological fit. Its emphasis on capturing meaning-making at a deep, interpretative level aligns with our objective to investigate how individuals construct and reflect on their experiences in such challenging settings.

SMEs active in the tourism industry in Sri Lanka's Southern Province were deemed as appropriate subjects for this study based on their vulnerability to recent crises in the country and the ready availability of information from them due to their accessibility. Purposive sampling consisting of 19 tourism SMEs located in the Southern Province of Sri Lanka was selected through the respective authorities, namely the Chambers of Commerce and District Secretariat offices. The purposive sample in this study refers to SMEs that have been engaged in the industry for more than ten years and experienced a crisis, as this is the primary phenomenon to be investigated. In addition to the existence of more than ten years, at the initial contact, the research inquired whether businesses affected by various crises occurred in the country during the past few decades.

Considering the major crisis phenomena witnessed in Sri Lanka, it is evident that the SMEs that formed the study sample had to conduct business operations during this difficult period. Thus, many of them were affected by major disasters, such as the tsunami in 2004, the effects of civil war until 2009, floods in 2003 and 2017, the Easter attack in 2019, the Covid-19 pandemic in 2020, and the country's current economic crisis. The Southern Province was selected as the research site for this study because it has been a key hub for tourism-related activities and arrivals. As a result, the region is more likely to experience the impacts of crises and vulnerabilities associated with tourism disruptions compared to other provinces, making it a particularly relevant context for this investigation.

As a phenomenological study that follows IPA, it is permissible to deploy only a small sample (Smith, 2004), but the sample should be sufficient to realize the potential of IPA (Smith, 2011). Accordingly, the sample consists of 19 tourism SMEs located in the Southern Province of Sri Lanka. Following earlier phenomenological research on SME crisis management (Doern, 2016), researchers carefully selected SMEs that shared a similar set of traits to guarantee sample homogeneity (Alase, 2017). Hence, the sample possesses unique characteristics, including all working within the tourism sector, all being male except for two women, an age limit of 40 to 72 years, all married, and all educated above the ordinary level, apart from two who just completed only up to the ordinary level (Refer to Table 1).

The main inclusion criteria were the SMEs engaged in the tourism industry, and the accessibility of the businesses located in this geographical area. Through personal relationships the researcher had with the regional chambers and other relevant government offices such as District Secretariat Offices the researcher was able to obtain the necessary information that made it easy to select the appropriate SMEs for this study. The researcher took care to exclude the participants who did not fulfill the requirements of the expected sample. Would-be participants who were not willing to share their experiences were excluded from the study. Furthermore, the recently started businesses were not considered suitable as it seemed unlikely they might have experiences of the major crises that occurred in the country in the past. Therefore, only those businesses that were engaged in business operations for at least 10 years

Table 1. Demographic catachrestic and industry related information of participants.

Respondent	Gender	Age	Marital status	Type of business	Location	No. of employees	Level of education
Respondent 1	Female	59	Married	Restaurant/ Hotelier/ Accommodation provider/ Guest House	Urban	Less than 50	Above Ordinary level
Respondent 2		58					
Respondent 3	Male	64					
Respondent 4		40+					
Respondent 5		71					
Respondent 6		48					
Respondent 7		60+					
Respondent 8		61				More than 50	
Respondent 9		60+				Less than 50	
Respondent 10		72					
Respondent 11		65					
Respondent 12		62					
Respondent 13		49		Safari tour organizer			
Respondent 14		45		Diving center			
Respondent 15		40		Souvenir shop			
Respondent 16		40		Dress shop			
Respondent 17		52		Restaurant/ guest house/ accommodation provider	Rural		
Respondent 18		69					
Respondent 19		62					

(i.e. established before 2010) were taken into the sample. Furthermore, some others who were unable to communicate either in Sinhala or English were not considered for this study.

The main data collection method was face-to-face interviews with tourism SMEs, using an unstructured questionnaire. Data were collected from 1 October 2020, to 30 April 2021. The research questions raised as 'whether the business got affected with a crisis?', 'how those crises affected to your business' (Refer to [Appendix 1](#)). Furthermore, certain evidences were supported, such as photographs. A typical interview lasted approximately one and a half hours. The researcher was careful to create a good rapport and establish a good relationship with participants, as this was considered vital for the phenomenological data collection process. In IPA, it is recommended to conduct multiple interviews with each participant with the objective of creating a strong relationship with them and thereby ensuring the collection of rich data that would prove useful for the study. Moreover, the participants were contacted over the telephone nearly six months after the 1st interview that caused to collect any missing data and verify certain information that was collected during the initial interviews. The data were collected up to the saturation level (Brikci, & Green, 2007), where there may not any new information may be added (Creswell, 2007). The interviews were conducted in mother language and all the interviews were audio recorded. Then the data were transcribed and translated in to English. Transcripts were peer checked to verify the transcribed and translated data.

This qualitative study is based on data collected from interviews, observations, written material, and audio-visual material (Orb et al., 2001). Additional information was gathered to clarify and verify data obtained from other sources such as observations, official documents, reports, etc. Resorting to such data triangulation method resulted in increased validity of the gathered information. Besides, maintaining a diary made it easy to record additional information obtained during field visits. Furthermore, to gain a better understanding of the industry, discussions were held with key informants in the industry, such as current and former office bearers of regional Chambers, the Association of Small and Medium Enterprises in Tourism Sri Lanka (ASMET), and the Small Business Sector Department in the District Secretariat Office. The researchers adhered to the ethical requirements of the university ethics committee. This study was approved by ethics committee of the university of Kelaniya, Sri Lanka prior to data collection, and the approval reference was UOK/ERC/CM/20/007. Participants were fully informed of the study objectives, including how the information they provided was used, and relevant ethical clearance was obtained for the study. Written consent was obtained from the participants through a signed form.

The participants were made aware that the data would be used solely for academic purposes. The interviews were audio recorded, transcribed, and translated. The data were analyzed using IPA, and themes were identified. Initially, all transcripts were read thoroughly multiple times to ensure deep familiarity with the data, and themes were generated for each individual case. A case-by-case analysis was then conducted to explore patterns and meanings within each participant's account. Following this, cross-case analysis was carried out by comparing the individual case themes, allowing for the emergence of higher-order, recurrent themes shared across multiple participants. This two-stage analytical process, moving from within-case depth to cross-case convergence, enabled us to preserve the uniqueness of each participant's voice while identifying broader thematic commonalities, in alignment with IPA's emphasis on idiographic depth and interpretative rigor.

Furthermore, the data analysis followed a hybrid approach, beginning with a deductive orientation shaped by the literature and research objectives, while remaining open to inductive insights that emerged directly from the transcripts. This flexible analytical strategy ensured a balanced exploration of both anticipated and novel themes.

The researcher made use of both software (NVivo 12) and manual analysis methods to process and analyze the data. The combined processing allowed the researcher to obtain a quick reference on the subject, as the analysis summarizes the whole set of data into a snapshot to provide a better understanding of the subject. While the initial identification of themes was done manually, the collected data, transcripts, photographs and field notes were organized using NVivo 12 software. The queries were developed through the software to provide a detailed view of each of the references and contributions they made to the subject. The research data supporting the analysis used in this study are available upon request.

Findings

Despite being directly exposed to various crises and acquiring experience, certain characteristics of SMEs make them particularly vulnerable to crises. Among these were some industry-specific characteristics of tourism SMEs that were identified as factors that rendered them more vulnerable to crises (Refer to Table 2).

Accordingly, these SME entrepreneurs shared their experiences and explained how these factors led to an increase in their businesses' vulnerability to crises. Dependence on unskilled labor increases the crisis vulnerability of tourism SMEs.

Dependance on unskilled labour increases the crises vulnerability

According to (Mitroff, 2004), a human resource crisis is associated with the loss of key executives, key personnel, increased absenteeism, vandalism, accidents, workplace violence, a lack of succession plans, and corruption. The findings of this study support this definition because SMEs face many human resource-related issues during every type of crisis. In fact, certain types of employee behavior can lead to increased crisis vulnerability in SMEs.

Due to the nature of the tourism industry, it requires skilled labor, but owners are often unable to recruit employees who meet the job requirements of the firm. Employee turnover is another critical factor for SMEs, particularly in the tourism industry, as it requires experienced staff for proper customer service (ILO, 2021). Training has been identified as an important factor not only in acquiring industry knowledge and skill enhancement but also in learning about crises at the individual, group, and organizational levels (Pforr & Hosie, 2008). This contributes to human resource development and increases the chance of survival during crises. However, it has been noted that apart from the lack of available opportunities to train industry personnel, it can be even more difficult at times to retain trained personnel. In addition to regular employees, it is often necessary to call for the participation of family members in running the business during the high season, and on special occasions when there is a large rush. However, the fact remains that there are numerous challenges in retaining employees, as they are generally on the lookout for higher-paying jobs, especially with large hotel chains, whereas some try to move abroad after gaining industry knowledge and experience. Respondent 3 explained this circumstance as follows:

Yes, we can't keep them. Because the only way we could keep them is to pay a thumping salary. Either they will leave to work abroad or go to a hotel that would pay a higher service charge. So, we are not on a level playing field. Resilience theory emphasizes the importance of an organization's ability to respond to and adapt during times of crisis. However, many tourism SMEs rely heavily on unskilled labor, which limits their adaptive capacity and slows down recovery processes. This dependence ultimately weakens their long-term resilience in the face of recurring or prolonged crises.

Respondent 3, a lecturer at the Ceylon Hotel School, mentioned how difficult it was to retain hospitality workers in the country. As a developing country, we face the challenge of providing adequate

Table 2. Development of themes.

	Second-order themes	First-order themes	Interview extracts
Factors that increase the crisis vulnerability	Employee behaviour	Dependence on unskilled labour increases the crises vulnerability	There was good business during the daytime. But the workers were not willing to work in the daytime
	Unawareness of entrepreneurs	Lack of awareness about crises and preventive measures	Banks have issued as much as 50 Million Rupees to big companies based on personal relationships. But we could not get even five lakhs for our SMEs (Ruwan).
	No separate business location	Home-based businesses challenge the business operations in the crisis phase	Now, this is a residential property. I am trying to get commercial approval for this building. When I am trying to do this, they say that there should be a 20 feet wide road.
	Seasonal business	The Industry's Inherent Nature as a Seasonal Business	Banks have issued as much as 50 Million Rupees to big companies based on personal relationships. But we could not get even five lakhs for our SMEs (Ruwan).
	Changing environment	Tourism as a crisis-prone industry	The main problem is that it is the tourism business that gets affected first when something bad happens.

training for industrial workers. Even when we provide such training with limited resources, the tourism sector within the country is unable to adequately reward trained employees; therefore, they seek better opportunities abroad.

When they are trained, our staff is among the best in the world. Since we couldn't offer good salaries, most of those people left... to the Middle East, and to the Maldives, while some went to Bahrain because they could get better-paying jobs in those places. I trained so many of our workers here. They all went to the Maldives. Once they moved abroad like that, they never came back (Respondent 3).

Resource limitation is an inherent characteristic of SMEs (Doern, 2016; Spillan & Hough, 2003) including tourism SMEs. Such resource limitations also include a lack of human resources, leading to a reduction in organizational resilience in the long run. Since tourism is a hospitality industry, those who engage in it must possess specialized skills and knowledge to survive. Respondent 17 went through the same experience as the employees after recruiting staff for their business.

I need to pay a higher salary for an experienced, educated, or professional level employee. This is a circle. In this circle, my income and employees' experience must be balanced but experienced people need to be paid a big salary. If I get a person whom I can afford to employ, it often turns out that he is not educated well enough. Sometimes he may not be a suitable person, and he may not have the right attitude. If that is the case, I start facing difficulties when I work with them.

Respondent 2, who lives in a coastal area, explained that she hires temporary workers for her restaurant from the local community. Many of them are fishermen, but they work temporarily in the restaurant kitchens. In their absence, she was forced to seek assistance from her mother.

During the season, 2 or 3 of them will be working. Sometimes they are hired on a part time basis as some of them can't work the whole day. If they have children, they cannot do that. Part-time workers come in the morning and leave in the afternoon at around 1.00 or 2.00 p.m. Others may come at 2.00 p.m. and stay for the rest of the day. But none of them work on a permanent basis. On those occasions when no one is available my mother comes and helps me. Since this is the off-season, my mother does not come here (Respondent 2).

Respondent 1 stated that one of the most challenging tasks she faced during the Corona pandemic was restarting the business. However, soon after, when she was forced to temporarily halt business operations, some of her employees resigned. Later, when businesses picked up again, filling these vacant positions turned out to be a difficult task.

Searching for new staff to replace the lost staff proved to be a big burden on me. In addition to the cost, it was a hassle as it involved much effort (Respondent 1).

It may be necessary to reduce working hours during a crisis, because the company may need to temporarily slow down operations. However, during a sustained crisis, SMEs may be forced to reduce their workforce (Dahles & Susilowati, 2015). Once the situation returns to normal, the hotelier may find it daunting to reinstate laid-off employees and/or hire new workers to fill vacant positions. The ability of an organization to adjust, bounce back, and prosper in the face of misfortune or disruptive events is the main subject of the resilience theory. Resilience is essential for SMEs' survival and long-term performance in this context. However, in line with resilience theory, one reason why SME are not resilient is their lack of human capital.

Therefore, employee behavior impacts the survival of SMEs and can even result in business closures. In compliance with the risk society theory, human activity, rather than external natural causes, is now the primary source of risk that civilization faces (Shrivastava, 1993).

The findings reveal that the human resource situation can impact the crisis vulnerability of SMEs due to various factors, such as high employee turnover and the loss of key employees during a crisis. Thus, human resources within an organization must be managed appropriately to avoid a crisis, or at least mitigate any adverse situations that could arise during a crisis. Therefore, such human resource development initiatives may call for proactive behavior by tourism SMEs. However, it can be challenging for SMEs to develop the right mix of skilled and unskilled labor.

Lack of awareness about crises and preventive measures

Awareness of crises can be recognized in several forms, such as being able to figure out the possible steps to be taken to manage the situation, which is called tactical awareness (Doern, 2021), and awareness of how to prevent/mitigate the harmful effects of crises. The findings of the research indicated that the lack of such awareness of SMEs made them more vulnerable to crises. A lack of awareness of the crisis, its consequences, and the mitigation strategies needed to deal with it would usually result in SMEs not being able to recover from the damage caused by the crisis. SMEs tend to take ad hoc measures to deal with the crises they are confronted with. Thus, SMEs demonstrate reactive behavior against crises. SMEs' capacity determines their resilience. According to (Salamzadeh et al., 2023), the economic concept of resilience can be divided into two categories: dynamic resilience, the rate at which performance returns to expectations, and static resilience, or the capacity to carry on business operations. The notion of resilience may be applied in this study because organizational resilience is defined as the dynamic capacity of organizational personnel to adapt to unexpected changes in the environment. Nonetheless, it is essential that employees act in this manner.

Most of the affected SMEs could not obtain compensation for the damage caused by the tsunami, as their insurance policies they had taken did not include tsunami coverage. The crucial factor is that they were unaware that the coverage for flood damage did not include the damage from the tsunami. They only knew of it when they claimed damage, and were refused by insurance companies. Respondent 3 explained how they were unaware of the terms of their insurance coverage until they found that they could not claim the tsunami damage.

We had insured our properties. However, there was a problem with the insurance. None of these people took the coverage for earthquake damage. We also thought we would be covered under the floods provision. But tsunamis are not included under flood coverage. As a tsunami is caused by an earthquake you had to have earthquake coverage for that. Resilience theory emphasizes the value of proactive capabilities such as preparedness and anticipation in managing crises effectively. However, many tourism SMEs lack awareness of potential crises and preventive measures. This limited knowledge constrains their anticipatory resilience, which is a critical component of resilience theory and essential for timely and effective crisis response.

Sufficient involvement of supporting organizations may enhance awareness by assisting in developing tactical awareness. They did not even think of mitigation actions as they were unaware of any potential crisis.

There is no way to claim for tsunami damages. We haven't got the coverage for this type of disaster (Respondent 3).

Respondent 2 explains how the poor services they receive from various organizations have stymied their company's growth. She stated that officials prioritize making entrepreneurs aware of the specific facilities available through their organizations and other relevant programs by dealing only with those who maintain close relationships with them. Consequently, a significant disparity can be observed in the services provided to different SMEs.

That is what I said, the government involvement does not happen properly. Because of that, our businesses have been paralysed (Respondent 2).

Regardless of the context in which SMEs operate, they require assistance to continue their businesses because of a lack of resources. Government involvement is required to obtain necessary support. According to previous studies, entrepreneurs need to be assisted by government organizations, such as local councils, mainly to get them to adopt best practices, so they are not vulnerable to crises (Doern, 2016). However, SMEs state that fair and equal services are not provided to everyone. Consequently, SMEs are rendered more vulnerable to crises and find it difficult to overcome the ensuing adverse effects.

However, government assistance has not been received by anyone in this area. I also applied but did not get anything. But the big businesses have obtained from 40 to 60 million each. A bank branch is limited to a certain amount when issuing loans to the tourism industry. However, banks have issued as much as 50 Million Rupees to big companies based on personal relationships. But we could not get even five lakhs for our SMEs (Respondent 15).

Respondent 6 also shared his experience of being unable to obtain a loan because he was unaware of loan facility requirements until the last moment. This suggests that there is no proper mechanism in place to keep SMEs informed of available facilities. Therefore, they become more vulnerable to crises and find it challenging to overcome them.

It cost me Rs.2,000 to prepare the requested documents and to make changes to them. After I have done everything, they tell me that my application cannot be accommodated because I have more than six rooms. If the number of rooms is less than four, it will be considered. What exactly does this mean? It does not allow you to create something new. That has a bad impact on someone trying to build a business. SMEs are being stopped by the imposition of certain logic-defying restrictions. That is just due to marketing. That is what the government is doing. Creating large-scale marketing campaigns. But very few have benefitted from that. Mostly people with connections (Respondent 6).

The above quotes emphasize the importance of government involvement, as SMEs rely heavily on it. However, extensive government assistance has not been provided to SMEs. SMEs seek government involvement and assistance during crises in order to overcome their vulnerability. The respondents stated that no such involvement or planned program was launched by the government or any other relevant authority to make them aware of pertinent information. Apart from being unaware of the potential crisis in which SMEs may fall prey, being clueless about possible mitigation actions may make SMEs more vulnerable to the crisis.

Home-based businesses challenge the business operations in the crisis phase

In most cases, SMEs in Sri Lanka operate their business at home. This is primarily due to the high cost of renting or purchasing dedicated premises. Furthermore, home-based businesses are more convenient for women to run, as in the tourism sector (Surangi, 2018), because they can simultaneously play the roles of entrepreneurs and housewives at the same time. Consequently, in most cases, they prefer to conduct business at home. In many tourism villages where home-based or homestay accommodations are popular, investors prefer to develop their businesses within their residences, particularly during the early stages.

Respondent 2 operates her restaurant for foreigners on the ground floor and maintains a garden to provide the right ambience so that visitors can relax and enjoy the greenery. She disclosed that during the second wave of the Covid pandemic her family suffered the full brunt of the lockdown. Hence, it was not possible for her to continue her business for a considerable period, causing them to suffer the worst effects of the crisis. Respondent 16, who runs his business in Unawatuna, recalls how his parents entered the tourism industry by operating a home-based business and how he intended to develop it to the status of a separate hotel block adjacent to his home. Despite making a heavy investment, they had to close both the restaurant and souvenir shop in the front section of their parents' residences during the pandemic.

In March 11-12, the first Corona patient was reported. We had guests at that time. There were people in my brother's restaurant then. We were not yet aware of this disease, which had spread from abroad. We were asked by the government to close the shop on the 11th. We told our brother to close the restaurant, and he closed it by the 16th or 17th as we were concerned that the disease may spread from customer to customer. So, this situation has continued to date (Respondent 16).

The COVID-19 pandemic has shown that society is not as reflexive as Beck suggested, as societal structures still have a significant impact on business outcomes and survival. Furthermore, discourses on crises in the SME tourism sector are inextricably linked to risk society thinking, in keeping with the social constructionist philosophy, whereby the performance of socially created mobility involves risk and the possibility of crisis is axiomatically ubiquitous.

Speaking from his industry experience, Respondent 3 explained that making use of the same property for personal and business purposes can have a negative impact on business.

People who live on their own land can mortgage it to raise funds for an approved purpose. But if after mortgaging the property you can't repay, then the bank will foreclose your property.

He explained the difficulties faced by SMEs that rely on personal property to raise money in times of financial needs. For example, business owners may have to discontinue their operations if they lose their personal property. This shows that the interdependence of an SME business and its owner's personal property may lead to a crisis for SMEs. Hence, SMEs must be better prepared to face crises by understanding the risks and future threats as well as being aware of possible solutions to these challenges (Fergus & Zimmerman, 2005). They defined preparedness in terms of three levels of activity: resources (building buffers and alternative resources), functions (crisis planning and procedure setting), and training people and leaders. However, SMEs do not always act on these resilience initiatives mainly because of a lack of financial resources. Home-based businesses often operate with limited resources and rely heavily on what is immediately available to them, while also lacking access to broader business networks. Many of these enterprises remain unregistered and function informally. According to the core principles of resilience theory, such limitations significantly affect their ability to respond and adapt during times of crisis, thereby reducing their transformative capacity, a key element of organizational resilience.

The industry's inherent nature as a seasonal business

Tourism-based industries are vulnerable to crises because of certain industry-specific characteristics. The seasonal nature of the tourism industry and its high sensitivity to crises makes tourism-related businesses more vulnerable than other businesses.

Seasonality is frequently used as a negative term in certain contexts (Banki et al., 2016; Surangi, 2017), although it has been largely applied to climate change in extant literature (Banki et al., 2016). The consequences of seasonality in business operations, especially in the tourism industry, have to do with meeting recurrent expenditures, such as employee salaries during the off-season when there is hardly any business turnover. Therefore, there is a need to focus on coping strategies during periods of low incomes. According to the authors, family run companies (familiness) have been highlighted as a potential solution for minimizing seasonality effects in the tourism industry. Such social capital empowers SMEs to be resilient during challenging periods such as when confronted with crises. However, crisis studies investigating seasonal effects in the tourism industry are scarce in the SME crisis management literature. This study addresses this gap in literature.

In Sri Lanka, tourism is a seasonal industry with the peak season occurring from December to February. Consequently, businesses, including tourism SMEs, are eager to maximize their profits during the peak seasons. Typically, they find the off-season tedious and stressful because, in most cases, they depend on the tourist season's earnings to set off their expenditures during this period. The rest of the year was divided into short intermediate seasons, such as April and August. Unfortunately, the most serious crisis occurred in the middle of the high season in Sri Lanka. Inevitably, SMEs suffered heavily, as they had to face the full impact of the crises during their busiest days. However, seasonal effects are an inherent feature of the tourism industry, and, as such, tourism SMEs might be expected to have a sufficient understanding of the potential risk factors associated with seasonal business and be prepared with the necessary resilience measures to cope with them effectively.

Respondent 16 is a small business owner who owns a dress shop that primarily caters to foreigners. The seasonal nature of the tourism industry and the importance of earnings during the season to cover off-season commitments have been identified as critical factors, which he makes the following observations:

We typically have a six-month off-season. It has now extended far beyond that. After November, December, and January, the off-season may begin in April. Even during those 4-5 months, we must live on the money we earned during the high season. Many tourism businesses exhibit weak buffering capacity and experience significant revenue fluctuations due to the seasonal nature of the industry, with a heavy reliance on income generated during the high season. Some businesses even suspend operations during the off-season. This overdependence on seasonal peaks limits their ability to respond effectively to crises, thereby constraining both their adaptive and transformative capacities, key components of resilience theory.

Respondent 16 made a generalized statement about how SMEs in the tourism industry in Unawatuna manage to cope with their wildly fluctuating incomes. Respondent 15, the owner of a souvenir shop with over 20 years of experience in the tourism industry, appears to think in the same way and expresses his thoughts as follows:

From the 25th of December to the first week of January we have the biggest business season of all. It is during this brief period that we are able to recover the expenses we incurred over the whole year. The rich people who have money come during this period. If we happen to miss that, we suffer a massive loss.

The foregoing quotes describe how these entrepreneurs were forced to cope with difficulties while attempting to conduct regular business operations. They found that they could not meet their household expenses even after the prolonged shutdown of their businesses, which lasted for more than a year due to the sustained crisis situation, which also covered the peak season.

During the season, both locations were closed even during the daytime though at normal times they would be open and busy. The goods on sale were not displayed attractively. The nameboard and the display boards were dull and faded. Even during the business hours, the entire surroundings appeared to be deserted (Field notes, 21/01/2021).

Apart from the losses caused by frequent crises, SMEs felt quite handicapped as they could not predict the future. Thus, they could not plan anything, particularly business development initiatives, and had to limit their activities to regular operation.

Respondent 4, an SME investor who ran a restaurant for foreigners in Mirissa, explained how the country's frequent crises affected its tourism industry: He described the various crises he experienced and the disruptions they caused. Some crises forced him to halt the development of the industry, while others were so bad that they forced the business to close for good.

Yes, every crisis results in a drop in the business and that lasts for quite some time. That is what has been happening in Sri Lanka on every occasion, especially during the war period. It is as though every time there is good tourist traffic to Sri Lanka, there is a bomb blast. Then the business turnover would drop precipitously. This happened in Mirissa too, where the tourism trade had developed to a high level and all the tourism businesses were prospering. Just then, the Easter bomb attacks occurred, resulting in mayhem, and causing havoc (Respondent 4).

Respondent 9, whose business was in Hambantota, also drew attention to the recurring nature of the crises. After his marriage, Respondent 9 became the Managing Director of a family owned business that was passed down through his wife's family. He has been fully engaged in business since completing higher business management studies in Australia. He worried that it would be difficult to plan for any business expansion because of the unpredictable nature and frequent occurrence of crises.

So, the net result is that one whole year was ruined because of those bomb attacks. Following that, last year was ruined because of Covid-19. The problem with the pandemic is that it affected the entire population of the world. Not only us, but everyone. I have no idea how many years it will take to recover from this disaster (Respondent 9).

As noted above, the frequent occurrence of crises has caused SME entrepreneurs to lose their seasonal income, thereby presenting them with the daunting challenge of how to survive lengthy off-season periods. Although seasonality is an expected circumstance, a crisis like Covid-19 can be highly disruptive and lead to unexpected outcomes for tourism businesses. Seasonality is a common feature of the tourism industry, and most SMEs are sufficiently resilient to manage seasonal effects. However, crisis circumstances, in combination with seasonality, require a higher level of preparedness and responsiveness to ensure business survival. Hence, the ability to analyze and understand the circumstances, identify the problem, estimate the impact, and manage the situation under time constraints and psychological pressure is essential for effectively coping with crises.

Tourism as a crisis-prone industry

Furthermore, owing to its inherent vulnerability, the tourism industry has been identified as one of the first industries to succumb to crises. Therefore, adaptability is essential for tourism businesses to return to normalcy after a crisis (Fergus & Zimmerman, 2005). This became evident during the Covid-19 crisis

when tourism-related businesses were listed as non-essential services. Hence, they were required to suspend their business operations at the initial stage as the pandemic broke out (see 22). It has also identified internationalized SMEs as being more vulnerable to crises such as Covid-19 (Etemad, 2020). This also applies to the tourism industry, which is primarily engaged in the export of services (Central Bank, 2021). Additionally, the tourism industry relies primarily on leisure spending. People usually spend their discretionary income, aside from the bulk of their money, on essentials. Therefore, when confronted with any serious issue, the first expenditure that people are likely to cut is the money they plan to spend on leisure activities, such as tourism.

The main problem is that it is the tourism business that gets affected first when something bad happens (Respondent 16).

After resigning his job as a bank manager, Respondent 17 opened a guesthouse. He was primarily concerned with accommodating overseas visitors who visited tourist destinations in Hambantota, including Ussangoda. He described the tourism industry's high vulnerability to crises as follows:

So, we see that this is the industry that is impacted first when there is any incident. People come to a restaurant or a hotel to enjoy themselves. Then if there is any incident, they will be the first to go. By December, when the industry was recovering from the effects of the Easter bombings, the arrival of tourists was stopped due to Covid-19. I do not think that it is necessary to describe the effect this had on our trade. We cannot allow any gatherings and must operate according to restrictive rules and regulations. That means there will be no foreign tourists. So, like that, any crisis would have its first impact this industry (Respondent 17)

Whenever there is a crisis, authorities usually take immediate action to mitigate its harmful effects on the most vulnerable parties. A crisis like the Covid-19 pandemic would generally cause most governments to declare a national emergency and close all shops, schools, and other institutions, except those that deliver essential goods or services (Doern, 2021). The author stated that in the UK, the authorities ordered close restaurants, hotels, cafés, gyms, pools, leisure centers, etc., most of which are closely linked to and are essential to serve the needs of the tourism industry. Sri Lanka has experienced the same situation, exerting a strong negative influence on the tourism industry. Moreover, Respondent 11's words draw attention to and emphasize the undesirable consequences of such scenarios.

You spend only your surplus money on leisure activities. That is because you give priority in your budget for essential needs like medicine, food, clothing, and such. But only the spare cash is used for leisure. But the question is, who has spare money now? If this goes on for another two years or more, the whole world will collapse. People may not have a single penny to spend on a holiday.

The findings reveal that the tourism industry is highly vulnerable to practically all types of crises, particularly because it relies on what one might call surplus money. Such challenging conditions require tourism SMEs to continuously engage in capacity development, identify risks, manage challenges, think creatively, and move beyond traditional decision making to find appropriate solutions (see Fergus & Zimmerman 2005).

Discussion

Apart from the broad spectrum of crises faced by the Sri Lankan tourist industry, this study provides new insights into the nature of the SME crisis by identifying the characteristics that increase SMEs' vulnerability to crises. Unskilled labor, unawareness, being a home-based business, and several industry-specific factors such as seasonality and crisis proneness have contributed to SMEs' increased vulnerability to crises. As disclosed in risk society theory, all these crisis vulnerability factors are based on outside natural causes but are caused by (directly or indirectly) human activity.

The reliance of tourism SMEs on unskilled workers has made it difficult for them to sustain regular business operations because of excessive staff turnover and absenteeism. Although SMEs may be forced to reduce their workforce during a prolonged crisis (Dahles & Susilowati, 2015), this empirical finding supports previous findings on the importance of developing strategies for retaining key employees, especially during prolonged crises caused by events such as pandemics. They also had to rely on locally recruited staff, especially during peak seasons, although these workers lacked the basic industry skills

(Surangi, 2017). This has compelled SME to become more personally involved in their businesses and enlist the help of family members, whether for full-time or part-time work, even if their primary skills are unrelated to the tourism industry.

Certain crises, such as the tsunami and Covid-19, were unfamiliar to entrepreneurs because they had never encountered them before. SMEs are also more exposed to crises because of their lack of knowledge about key preventive measures. Small business owners have failed to undertake certain risk reduction measures, such as insurance coverage, to avoid vulnerability to crises (Asgary et al., 2012). The absence of facilities for educating SMEs is due to supporting organizations' lack of interest in providing effective trade guidance to them. However, evidence exists to demonstrate that high vulnerability is mainly due to a lack of awareness about both the crises and the preventive/mitigating measures that must be taken during the preparation and response stages.

The location of an organization can also determine its ability to survive a crisis. For example, SMEs are more vulnerable to crises when their business operations are conducted in private residences. However, most women entrepreneurs find it more convenient to conduct their business in a familiar home setting (Surangi, 2017). Extant studies have mostly highlighted the drawbacks of conducting business in the family home without mentioning the advantages that women entrepreneurs and mothers can enjoy through this arrangement, which facilitates their dual role played by them (mumpreneurship) (Ekinsmyt, 2013). However, this study also discovered that SME that do not possess a separate business location can be more vulnerable to crises, which can significantly affect their long-term survival. When SMEs conduct business in their homes, they face unique challenges while attempting to run their operations and diversify their business activities during crises. Furthermore, during a financial crisis, circumstances such as personal liabilities could force them to dispose of business property, resulting in a loss of a base for their operations.

Certain industry-specific characteristics have been recognized as significant factors in determining an SME's crisis vulnerability. SMEs are often confronted with various unexpected situations due to the nature of the business, such as seasonality and vulnerability to crises. As tourism is dependent on discretionary spending, it is inherently vulnerable to crises. Respondents pointed out that tourism is the industry most likely to face a crisis, as it is dependent on people spending the money left over after they have met their basic needs. In addition to being a crisis-prone industry, the seasonal business pattern exposes the industry to lean periods, during which various crises can erupt. Seasonality is frequently used as a negative term (Surangi, 2017). Seasonality is also largely linked to climate change according to extant literature (Banki et al., 2016). Thus, an important goal of business operations in the tourism industry is to build funds to meet the recurrent expenses incurred during the off-season, such as employee costs. Therefore, managers must devise appropriate strategies to achieve this goal. According to the authors, family-owned companies (familiness) have been identified as a potential solution to minimize seasonality effects in the tourism industry. Their findings confirm previous empirical findings on this drawback associated with seasonal enterprises, indicating that the loss of seasonal sales can significantly impact tourism SMEs. Besides losing their seasonal income, which they had to recover somehow, they were also unable to launch off-season events, thereby exacerbating the situation.

Overall, this study considers factors beyond economic aspects that also affect SME crisis vulnerability. For example, the potential to increase entrepreneurs' awareness through industry networking, running the business in a home-based location with the help of social networks, which also helps fulfill labor requirements. Although previous empirical research has explored the influence of seasonality on the tourist business in many aspects, the seasonality effect and crisis are rarely linked. Thus, this study adds to the limited literature on this topic by revealing how the seasonal nature of tourism might raise vulnerability to crises in SMEs. Moreover, respondents ranked tourism as the first industry to be affected by any crisis owing to its dependency on leisure expenditure. Furthermore, they stressed that people would spend on leisure only after they have met their basic needs and have some extra money left over. Therefore, the tourism industry was identified as most vulnerable to any form of crisis. In summary, the findings emphasize the need to take crisis management a step further by adhering to the resilient approach to deal more effectively with the frequent crises faced by tourism SMEs. Therefore, it is necessary to think out of the box by thinking creatively and adopting more innovative approaches to be more resilient when facing a turbulent environment (Salamzadeh et al., 2023). The authors stated that the

economic concept of resilience can be identified in two aspects: dynamic – speed of return to the expected level of performance and static resilience ability to continue the business. This resilience concept could be applied in this study, while crises such as COVID 19, the ongoing economic crisis in Sri Lanka, place new burdens on how tourism-related SME survive and grow. Furthermore, as the COVID-19 pandemic has shown, crises can take entirely new forms or drastically different paths for businesses by changing the socially constructed reality of how businesses survive and move. However, the findings demonstrate that the contradictory behavior of tourism SMEs also makes them more vulnerable to crises.

Conclusion

The results of this study have theoretical and practical implications. Complying with the basic concept of organizational resilience, this study aims to understand why SMEs are vulnerable to real-life crises. The findings of this study have drawn attention to the reactive posture, which makes them more vulnerable to crises. Simultaneously, the findings emphasize the importance of being proactive toward crises to avoid or minimize their negative consequences. According to the social constructivist theory, such provocative behavior might enable entrepreneurs to engage with society to learn about crises. SMEs' learning behaviors can be improved by using an interactive approach to crisis management (Sahin et al., 2015), which would enable them to handle possible future crises (Salamzadeh & Dana, 2022).

The findings of this study will contribute to the limited literature on SME crises and resilience studies, since it has been explored in greater depth. The phenomenological approach may add value to the findings, as it gathered the lived experiences of several affected SMEs and extracted the essence of the collected data. This study is distinct in that it is one of the few to explore several types of crises faced by SMEs in the Sri Lankan context. More importantly, industry-specific studies of crisis-affected industries are rare. Although the seasonality of the tourist industry was studied earlier, the link between seasonality and crises has not received much attention. The tourism industry's identification as a crisis-prone business owing to its reliance on people's leisure spending and as an industry that is highly vulnerable to crises has highlighted the relationship between its industry-specific characteristics and crisis vulnerability. As a result, data collected from tourist business research, particularly from SMEs, may be of significant value in tourism literature. In addition, SMEs and industry stakeholders can assess SME crisis vulnerability factors and devise suitable preventive measures to respond effectively to potential crises.

A limitation of this research is that it is impossible to generalize the findings due to the qualitative approach adopted. In addition, the study was restricted to a specific industry, one country, and a small number of participants. This can be rectified in future research by using alternative methodologies. This qualitative study's research sample is limited only to a purposively selected 19 SMEs. Therefore, alternative study methodologies might be used in future studies. Furthermore, the study is mainly based on cross-sectional data. Besides, longitudinal data may provide more informative findings that show behavioral changes over a period. This subject is a conventional area for both academics and practitioners in future studies (Doern et al., 2019). Action research can provide remedial measures against vulnerability to crises. Rather than limiting the study to a single context, its scope could be broadened by conducting research in different countries and investigating different industries. Comparative studies in different contexts and industries may provide a better understanding of this subject. Through this exercise, alternative crisis classifications might emerge, leading to the discovery of more factors that affect SMEs, and which SMEs must deal with.

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Ethical approval

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Authors' contribution

CRedit: **Nilanthi Kalutara Korallalage Britto Adikaram**: Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Project administration, Resources, Software, Visualization, Writing – original draft, Writing – review & editing; **Hapugoda Achchi Kankanamge Nadee Sheresha Surangi**: Resources, Supervision, Writing – review & editing.

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Appendix 1

Interview Questions Planning Sheet - This is a part of the PhD study and this manuscript is mainly based on the question 1.

Main research objective

To explore on SMEs' experiential learning behavior for crisis response.

Research questions

Q1: What is the nature of the crisis that tourism SMEs face?

Q2: What do tourism SMEs learn when they go through crises, and how do they use the crisis learning experiences when faced with another crisis?

Q3: What are the barriers tourism SMEs have to overcome during crisis learning?

Interview guideline

Self-introduction

I am Nilanthi Adikaram, a MPhil student of the University of Kelaniya, Sri Lanka. Currently, I am conducting a research on Crisis Management of Small and Medium Enterprises in Sri Lanka. I am conducting this interview with the objective of how SMEs could learn from experiences of crises, for better response the future crises.

Confidentiality and ethics of the study

This research has been approved by the ethics committee of the Kelaniya University. Before the interview I would like to ensure you that this interview is confidential and will use for the academic purpose only. It is not supposed to mention personal or any other information that disclose your identity, with your permission. If you do not wish to answer any of the questions, you have the right to do so.

Could you please read and sign the consent form to confirm your application to this interview?

Interview question	Purpose	Relates to RQ
Could you please describe about your business?	Building a rapport.	
What kind of crises that mostly affect Sri Lankan businesses?	Entering to the topic	
Do you remember any incident where your business got affected with a crisis?	To understand whether the business faced crisis situations in the past.	Q1
Explain how those crises were affected to your business.	To evaluate whether there is a significant impact on the business.	Q1
Can you tell me about whether you are aware of crisis situations faced by other organizations?	To know whether it concern/ learn on crisis situations face(d) by other organizations.	Q1, Q2
Explain what you learnt from those crisis situations:of your organization	To know on lessons learned from crisis.	Q1, Q2
• of any other organization		
How important were, your past experiences in supporting you to respond to the crisis?	To understand the usefulness of past experiences of crisis, at the crisis phase.	Q1, Q2
Do you have an idea on how you might use past experiences/ experiential information to better response to a crisis?	To understand the possibilities of applying past experiences at the crisis phase for better response.	Q2
Can you describe an incident where your business was highly vulnerable for a crisis?	To understand the significance of crisis to the business.	Q1
Were you had a similar previous experience(s) at that time?	To understand whether they learn/ apply the past experiences of crisis.	Q2, Q3
Have you identified any situation where you could not apply past experiences to respond the crisis?	To identify the barriers in applying past personal experiences at the crisis phase.	Q3
What are major barriers to you/ other party known to you applying past learning/ learning experiences to a crisis?	To know different barriers for crisis learning.	Q3

Thank you very much for your corporation. I would like to inform you that I might contact you again for further clarification, if any.

If you wish to get more information or to have your interview withdrawn from this study, you can contact me at any time.