

# Effects of Covid-19 Pandemic on the Operations of Small to Medium-Sized Enterprises in the Hospitality Industry in Lusaka Zambia

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## ABSTRACT

During the global COVID-19 pandemic, the hospitality sector faced substantial disruptions, prompting a quantitative exploration of its effects on Lusaka's SMEs in this study. Analyzing data from 379 SMEs with STATA version 14 revealed significant consequences, including reduced demand, revenue loss, and challenges in adapting to safety protocols. The study highlighted a considerable threat to SME viability, leading to considerations of downsizing. Coping strategies, such as seeking government support and fostering collaborative relationships, were crucial in addressing financial, marketing, organizational, and employee-centric challenges. Aligning with global trends, tailored coping strategies proved vital. Recommendations include flexible business models, digital adoption, and prioritizing employee well-being for recovery and long-term sustainability. Future research should encompass a longitudinal study assessing sustained effects, recovery strategy evaluations, post-pandemic consumer behaviour exploration, and cross-regional comparisons for comprehensive insights.

**Keywords:** operations, covid-19, pandemic, smes, hospitality, zambia

## I. INTRODUCTION

The global COVID-19 pandemic, spanning 2019-2020, had a profound effects on various industries, notably the tourism and hospitality sector, resulting in widespread closures and a significant decline in demand (Bartik et al., 2020). Noteworthy establishments, including restaurants, bars, nightclubs, lodges, and hotels, faced closures or restricted operations. Despite a gradual industry recovery, the pandemic induced transformative changes, prompting substantial operational adjustments for safety and confidence-building (Gössling et al., 2020). Challenges led academia to focus on solutions for understanding customer perceptions during a pandemic, particularly in regional contexts like Zambia (Gursoy et al., 2020).

The economic effects in Sub-Saharan Africa, with negative growth rates, significantly affects Small Scale Enterprises (SMEs), crucial for job creation and economic stability. The study addresses a research gap by examining the specific effects of COVID-19 on SMEs in Lusaka, Zambia, particularly in the hospitality industry, where challenges persist despite eased restrictions (The Star, 2020; Turner, 2020; Bartik et al., 2020; Ngoma, Hapompwe, and Karim, 2023). Existing studies in Ng'ombe, Lusaka, indicated limitations, emphasizing the need for targeted research and policies to understand and address interconnected challenges faced by SMEs in the hospitality industry (Mwaanga et al., 2021; Ngoma, Hapompwe, and Karim, 2023). The study aims to fill these gaps and assess the specific effects of COVID-19 on SMEs in Lusaka's hospitality industry.

## II. LITERATURE REVIEW

The COVID-19 pandemic has significantly reshaped the global hospitality industry, prompting SMEs to employ a range of coping strategies, such as government support and stakeholder relationships, to navigate the profound effects on business operations and ensure their resilience amidst unprecedented challenges:

### 2.1 Significance of the Hospitality Industry

The hospitality industry is pivotal for the economies of key countries like the United States, United Arab Emirates, Singapore, and France, contributing significantly to their GDP (Bouey, 2020). Studies highlight substantial tourism growth, such as Singapore's burgeoning sector and the US hospitality industry generating nearly \$1 trillion in revenue (BDS Bank, 2021; Gursoy et al., 2021). Factors like strategic positioning, advanced infrastructure, and government policies have facilitated rapid growth in countries like the UAE (Gursoy et al., 2021). Despite challenges, countries like France, South Africa,

Mauritius, and Zambia have witnessed considerable contributions from tourism to their economic progress (Cooper, 2019; ZIPAR, 2018).

## **2.2 Effects of COVID-19 on Business Operations**

The COVID-19 pandemic has significantly affected Small and Medium Enterprises (SMEs) in the hospitality industry globally, with operations affected in countries like Pakistan, Malaysia, the USA, and others (Burhan, 2021). Critical aspects such as bookings, supply chain management, and employment have faced disruptions, leading to declines in revenue and employment (Ahmat, 2021; Dube, 2020). SMEs have adapted by implementing measures like enhanced hygiene protocols and digital solutions (Youssef, 2022), but concerns remain about potential negative effects (Japutra, 2021).

Sachiyuka and Mwanza's (2024) research in Zambia highlights the effects of COVID-19 on paint manufacturing, emphasizing resilience and innovation. However, it's important to clarify that their study does not focus on the hospitality sector, which is the main subject of this research. Shifting our attention to Zambia's hospitality industry, particularly in food and accommodation, significant challenges have arisen, including declines in revenue and issues with labour remuneration (Mwaanga, 2021). This situation has prompted businesses to reevaluate their models and stress the importance of government support and resilient practices like hygiene measures and cost reduction (Al-Fadly, 2020; Wiczorek-Kosmala, 2021). The effects on the hospitality labour market, characterized by a reduction in non-salaried positions, highlights the widespread challenges faced by SMEs in navigating the multifaceted effects of the pandemic (Huang, 2020; Mwaanga, 2021).

## **2.3 Extent of the Effects on Business Operations due to COVID-19**

The COVID-19 pandemic has profoundly affected SMEs in the hospitality industry, as evidenced by numerous studies and empirical observations (Burhan, 2021; Koç, 2021). Across the globe, challenges in the labour market, supply chain disruptions, and cash flow issues have been prevalent, particularly in sectors like food/drink and leisure/entertainment (Huang, 2020; Al-Fadly, 2020). In regions such as Malaysia, the pandemic has exacerbated difficulties for SMEs, although they have shown resilience through innovative revenue-generating measures (Ahmat, 2021; Alonso, 2020).

Zambia's hospitality industry has seen a significant negative effects, with most SMEs experiencing drastic decreases in monthly revenues and facing challenges such as reduced customer numbers and increased input costs (Mwaanga, 2021). Globally, there has been a notable reduction in non-salaried workers, especially in the United States, surpassing levels observed during the 2008-2009 financial crisis (Huang, 2020; Gourinchas, 2020). Despite these challenges, some SMEs have sustained operations by implementing resilient practices like enhanced hygiene measures and cost-cutting strategies (Burhan, 2021). The multifaceted and widespread effects of the pandemic underscores the complexity of challenges faced by SMEs in the hospitality industry (Burhan, 2021; Koç, 2021; Huang, 2020; Al-Fadly, 2020; Ahmat, 2021; Alonso, 2020; Gourinchas, 2020).

## **2.4 Coping Strategies during the COVID-19 Pandemic**

SMEs in the hospitality industry have employed various coping strategies in response to the COVID-19 pandemic. Government support has been crucial, alongside strong stakeholder relationships and strategic adjustments (Burhan, 2021; Tunio, 2021). Marketing strategies focusing on market share and customer acquisition have been emphasized, while organizational resilience and psychological well-being of employees have been prioritized (Redjeki, 2021; Schwaiger, 2021; Sudha, 2021). Crisis management practices evolved, including changes in pricing strategies and adjustments in business processes (Lai, 2020).

Country-specific coping strategies have been observed, with SMEs in Zambia employing market share and cost reduction strategies (Mwaanga, 2021). Globally, state policies have addressed labor market challenges, while major hotel chains implemented recovery strategies emphasizing adaptation (Huang, 2020; Rodríguez-Antón, 2020). Government support has been highlighted as crucial for SME survival in the hospitality sector (Al-Fadly, 2020).

While literature on the effectiveness of response measures exists, there are gaps, particularly in evaluating their effects on SME viability and recovery in specific contexts like Zambia (Khambule, 2020; Razumovskaia et al., 2020). Addressing these gaps is essential for devising targeted measures to enhance SME resilience in the hospitality industry (Wiczorek-Kosmala, 2021).

# **III. RESEARCH METHODOLOGY**

The study employed the following descriptive research methods:

## **3.1 Research Design**

The methodology employed in this study was descriptive survey design, utilizing a quantitative approach to evaluate the ramifications of the COVID-19 pandemic on Small and Medium Enterprises (SMEs) within Lusaka's hospitality industry.

### 3.2 Data collection

The collection of primary data was conducted through a meticulously designed Likert-scale questionnaire, strategically formulated to address the specific objectives pertaining to the effects of the COVID-19 pandemic on business operations, viability, and coping strategies. The Likert scale, validated for reliability using Cronbach's alpha, ensured consistent and accurate measurements in the responses obtained.

### 3.3 Sample size and sampling framework

Focusing specifically on Lusaka, Zambia, the study encompassed all formally registered SMEs in the hospitality sector, totalling 940 as of 2010, with a sample size of 385 determined using the Cochran Single Proportion Formula and selected through simple random sampling to ensure a robust representation.

$$n = \frac{z^2 P(1 - P)}{e^2}$$

Source: Cochran (1963)

### 3.4 Data Preparation and Analysis

The subsequent data analysis encompassed both univariate and bivariate techniques, executed using STATA version 14. Univariate analysis focused on individual variables, providing a detailed exploration of their characteristics. Concurrently, Pearson correlation was employed to assess relationships between variables, offering insights into the interconnectedness of various aspects. Rigorous statistical methods were applied to comprehensively explore data patterns and relationships, aligning with the study's predetermined objectives and hypotheses.

## IV. RESULTS PRESENTATIONS

### 4.1 Characteristics of Respondents

Ensuring robust representation for subsequent analyses, the sample size of 385 achieved a notable 98.4% response rate. Summarized in Table 1, demographics of 379 hospitality industry respondents show a slight gender skew towards females (54.6%) and a predominant age bracket of 30-34 years (36.1%). Majority hold tertiary education (72.8%) and represent diverse professional backgrounds, including lodging (45.6%) and catering (36.2%), underscoring the need for tailored strategies in addressing the sector's varied landscape.

**Table 1:** Characteristics of Respondents

Characteristics of Respondents	Frequency (N=379)	Percentage (%)
Gender		
Female	207	54.6
Male	172	45.4
Age		
25-29	70	18.5
30-34	137	36.1
35-39	104	27.4
40-44	34	9.0
45-49	34	9.0
Education levels		
Senior secondary	103	27.2
Tertiary	276	72.8
Experience		
Three years or less	139	36.7
Four to six years	68	17.9
Seven to nine years	69	18.2
Ten years and above	103	27.2
Hospitality service type		
Event and Meeting Planning	35	9.2
Lodging	173	45.6

Characteristics of Respondents	Frequency (N=379)	Percentage (%)
Catering	137	36.2
Travel agency	34	9.0
Years of business existence		
Three years and less	69	18.2
Four to seven years	138	36.4
eight years and above	172	45.4
Type of proprietorship		
Sole proprietorship	68	18.0
Partnership	207	54.6
Public Limited Firm	10	27.4
Number of employees		
1 – 5	103	27.2
6- 10	138	36.4
11 – 15	35	9.2
16 – 20	69	18.2
21 and above	34	9.0

Source: Author/s’ field Data (2023)

#### 4.2 Business Operations Affected by COVID-19

Table 2 outlines the operational challenges faced by various sectors within the hospitality industry during COVID-19. Lodging establishments (45.6%) experienced a decline in tourism and reservations, while catering businesses (36.2%) dealt with cancellations and reduced demand. Event planning firms (9.2%) shifted to virtual events, and travel agencies (9.0%) grappled with travel restrictions and declining bookings, highlighting sector-specific difficulties.

**Table 2:** Business operations that were affected by COVID-19

Business Type	Affected Operations	Frequency	Percentage
Lodging	Sharp decline in tourism and business travel, reduced reservations, financial strain, and operational challenges	173	45.6%
Catering	Cancellations, reduced demand for services, effect on social events, weddings, and corporate functions	137	36.2%
Event and Meeting Planning	Restrictions on gatherings, cancellations, shift towards virtual events, decline in demand for planning services	35	9.2%
Travel Agency	Travel restrictions, border closures, reluctance to travel, decline in bookings and revenue	34	9.0%

Source: Author/s’ field Data (2023)

#### 4.3 Effect of COVID-19 on SME Business Operations

Table 3 illustrates the COVID-19 pandemic's effects on SME operations in the hospitality sector. Respondents strongly agreed on significant disruptions (mean score 4.1) and a sharp decline in customer demand (mean score 4.1). While opinions varied on operational efficiency (mean score 3.3), a substantial decrease in revenue received the highest mean score (4.6), indicating severe financial implications. Adapting to health protocols was moderately acknowledged (mean score 3.8), emphasizing their influence on operational dynamics.

**Table 3: Effect of COVID-19 on SME business operations**

<b>To measure the effects of COVID-19 on SME business operations</b>				
Statement	Level of agreement mean score (N=379)	Std Dev.	Correlation (r)	P-Value
The COVID-19 pandemic significantly disrupted our daily business operations.	4.1	1.3	1.0	
Our business experienced a sharp decline in customer demand due to the pandemic.	4.1	1.3	0.7922	0.0001
The implementation of pandemic response measures negatively affected our operational efficiency.	3.3	1.5	0.0863	0.0933
The pandemic-induced lockdowns and restrictions caused a substantial decrease in revenue.	4.6	1.2	0.7888	0.0001
Our business faced challenges in adapting to new health and safety protocols during the pandemic.	3.8	1.4	0.3294	0.0001

Source: Author/s' field Data (2023)

#### 4.4 Extent of COVID-19's Effects on SME Viability

Table 4 evaluates COVID-19's effects on SME viability in hospitality. Respondents strongly agreed (mean score 4.3) on the pandemic's significant financial instability. Operational expenses received a high mean score of 4.4, indicating widespread challenges, supported by a strong correlation ( $r = 0.7343$ ) and low p-value ( $p = 0.0001$ ). Decreased profit margins, highlighted by a mean score of 4.3, underscored substantial financial effects, supported by a strong correlation ( $r = 0.7809$ ) and low p-value ( $p = 0.0001$ ). The statement addressing threats to business viability scored 4.1, with an exceptionally high positive correlation ( $r = 0.9060$ ) and low p-value ( $p = 0.0001$ ). Lastly, considering measures like downsizing scored 3.7, reflecting moderate agreement, with a positive correlation ( $r = 0.4999$ ) and low p-value ( $p = 0.0001$ ). Overall, Table 4 provides insights into intricate financial dynamics affecting SME viability during the pandemic.

**Table 4: Assessing the extent of COVID-19's effects on SME viability**

<b>Assessing the extent of COVID-19's effects on SME viability</b>				
Statement	Level of agreement mean score (N=379)	Std Dev.	Correlation (r)	P-Value
The pandemic has significantly reduced our business's financial stability.	4.3	0.8	1.0	
Our business faced difficulty in covering operational expenses due to the pandemic.	4.4	1.0	0.7343	0.0001
The pandemic led to a noticeable decrease in our business's profit margins.	4.3	1.0	0.7809	0.0001
The viability of our business has been seriously threatened by the effects of the pandemic.	4.1	0.9	0.9060	0.0001
We have had to consider measures such as downsizing or staff reductions due to the pandemic's effects.	3.7	1.4	0.4999	0.0001

Source: Author/s' field Data (2023)

#### 4.5 Coping Strategies used during COVID-19 Pandemic

Table 5 illustrates coping strategies by SMEs in hospitality amid COVID-19. Seeking government support had varied responses (mean score: 2.8,  $r = -1.0$ ,  $p = 0.0001$ ). Collaborative relationships were highly agreed upon (mean score: 4.1,  $r = -0.2438$ ,  $p = 0.0001$ ). Proactive marketing received consensus (mean score: 4.1,  $r = 0.1857$ ,  $p = 0.0003$ ). Organizational

resilience was strongly endorsed (mean score: 4.3,  $r = 0.1373$ ,  $p = 0.0074$ ). Psychological well-being had the highest agreement (mean score: 4.5,  $r = -0.0860$ ,  $p = 0.0947$ ).

**Table 5: Coping strategies during the pandemic**

Coping strategies				
Statement	Level of agreement mean score (N=379)	Std Dev.	Correlation (r)	P-Value
Our business actively sought assistance from government support programs to alleviate financial burdens and sustain operations during the COVID-19 pandemic.	2.8	1.2	1.0	
Strong collaborative relationships with stakeholders, including government agencies, were considered essential for obtaining support and navigating regulatory changes in response to the challenges posed by the pandemic.	4.1	1.2	-0.2438	0.0001
Our business focused on proactive marketing strategies, including efforts to maintain market share, implement cost reduction measures, and intensify customer acquisition, to adapt to the changing consumer behaviours influenced by the pandemic.	4.1	0.9	0.1857	0.0003
Our business prioritized organizational resilience, particularly in human resources, and maintained a positive outlook to navigate the challenges posed by the COVID-19 pandemic, ensuring adaptability and sustaining a positive organizational culture.	4.3	0.9	0.1373	0.0074
Psychological well-being became a focal point for our business, and we implemented resilience techniques to mitigate mental distress among employees. Initiatives included practices such as sleep hygiene, nutritional support, and fostering social connections to support the mental well-being of our workforce during challenging times.	4.5	0.8	-0.0860	0.0947

Source: Author/s' field Data (2023)

## V. DISCUSSION OF RESULTS

The study's results are highly consistent with the existing literature on how organizations respond to the effects, magnitude, and coping mechanisms in the face of COVID-19:

### 5.1 Effect of COVID-19 on Business Operations

The hospitality sector in Lusaka faced significant disruptions during the COVID-19 pandemic, with specific sectors such as lodging, catering, event planning, and travel agencies experiencing challenges akin to global trends, including reduced reservations and diminished demand (Burhan, 2021). Similar struggles were observed internationally, highlighting the vulnerability of these sectors and the need for adaptability. Despite these challenges, the study emphasizes the interconnectedness of different hospitality sectors and underscores the importance of tailored strategies for recovery and comprehensive policymaker support (Burhan, 2021).

### 5.2 Extent of COVID-19's Effects on SME Viability

Triangulating findings with broader studies reveals consistent narratives of closures, layoffs, and financial challenges in the hospitality sector globally (Kumar et al., 2020; Juergensen et al., 2020). The nuanced effects in Zambia align with global trends of businesses struggling to cover expenses and facing threats to viability. Diverse recovery strategies, such as downsizing considerations and resilience initiatives, resonate with global recommendations (Juergensen et al., 2020). The

alignment of findings emphasizes universal challenges faced by SMEs and the importance of collaborative efforts between SME owners and policymakers.

### 5.3 Coping Strategies during COVID-19 Pandemic

Government support programs emerged as pivotal coping strategies, alongside proactive marketing strategies, organizational resilience, and initiatives to enhance psychological well-being (Burhan, 2021; Tunio, 2021). These findings underscore the importance of collaboration between SME owners and policymakers in navigating the complexities of the post-pandemic landscape and highlight the effectiveness of tailored recovery strategies in ensuring the survival and renewal of businesses in Lusaka's hospitality industry.

## VI. CONCLUSION AND RECOMMENDATIONS

In conclusion, this study provides robust evidence of the profound effects of the COVID-19 pandemic on SMEs in Lusaka's hospitality sector. The findings underscore the urgent need for tailored strategies to address the multifaceted challenges faced by businesses in sustaining operations and viability amid the ongoing crisis. By identifying coping strategies and highlighting the importance of government support, collaboration, and resilience initiatives, this research offers actionable insights for SME owners and policymakers alike. It is imperative that stakeholders in the hospitality industry heed these findings and work collaboratively to navigate the post-pandemic landscape, ensuring the sector's sustainable revival and continued prosperity.

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