INNOVATIVE ACTIVITY IN SMES: CRITICAL SUCCESS FACTORS TO ACHIEVE SUSTAINABLE BUSINESS GROWTH

Abstract. During the pandemic, the tourism and hospitality sector was one of the worst-hit sectors in Seychelles. Due to the uncertainties in the ‘new normal’ environment, businesses had to devise strategies and tactics to survive and emerge from the turmoil. This event or the new normal was unexpected, and there is a lack of studies on this phenomenon in Seychelles. This qualitative study aimed to ascertain the impact of the pandemic and, subsequently, the tactics and strategies to survive and sustain the growth of SMEs in Seychelles. This research was a qualitative study in which semi-structured open-ended interviews were conducted. The objective was to collect in-depth data from the target population who were owners or operators of SMEs engaged in the tourism sector in Seychelles. Judgemental sampling was utilized. The researcher’s professional judgment was used to select the participants who could enable the researcher to address the research questions. A total of six business owners were interviewed. The thematic analysis identified the themes that emerged from collected through interviews and transcribed data. The key impact of the pandemic uncovered in this study encompass increased uncertainty, a drop in sales leading to cash flow shortage, changes in customers, and an increase in operating costs. The main strategies to deal with the effect of the pandemic include cost-cutting, managing cash on hand, CSR involvement, flexible pricing, and implementing intensive growth strategies. The results are expected to provide policymakers in Seychelles with additional information that could be useful in forming policies that would help ease the struggles that businesses are encountering. The study also suggested that SMEs be more innovative and search for new opportunities to sustain and grow. To the researcher’s knowledge, this is among the first studies exploring the impact of the COVID-19 on SMEs in the tourism sector in Seychelles.

Keywords: pandemic, tourism, crisis, impact, strategies, sustain, survival.

Introduction. The Seychelles Island is a developing archipelagic island country situated in the Indian Ocean, east of Africa. The country consists of 115 granitic, coralline, and volcanic islands with lush vegetation, gorgeous beaches, and a diverse range of marine life (Sparks, 2020). This small island state has undergone a socioeconomic transformation since gaining independence from Britain in 1976 and is now classified as a high-middle-income country. The GDP is constantly rising, and it is the highest in Africa. The current population of the Seychelles is 99,199 people, with 50,735 men (51.1%) and 48,464 women (48.9%). (Countrymeter, 2021). Enterprises categorized as small and medium-sized enterprises (SMEs) are the largest job providers. As stated in the World Bank report, the contribution by SMEs to GDP...
is 33%. SMEs also contribute 45% of employment (Seychelles Nation, 2017).

The tourism sector is a significant contributor to the economies of several countries. According to the World Travel & Tourism Council (2021) report, Travel & Tourism accounted for 10.6% of all jobs and 10.4% of global GDP before the pandemic. International visitor spending was around US$1.7 trillion in 2019, accounting for 10.4% of global GDP. Several small countries, including Seychelles, are highly dependent on tourism. The Inbound tourism expenditure as a share of the GDP of Seychelles in 2018 was 38% (UNCTD, 2020b). However, the Travel & Tourism sector has been one of the hardest-hit sectors by the pandemic. This sector suffered a loss of almost US$4.7 trillion in 2020, and the contribution to the economy dropped from 10.4% of global GDP to a mere 5.5% in 2020 (World Travel & Tourism Council, 2021). In line with the global drop, the tourism sector in Seychelles was also badly hit. There were only 177,504 tourist arrivals in the year 2021. The survey undertaken in the Seychelles islands discovered that at least 2,367 bookings valued at $3.8 million were canceled between 25 February 2020 to 23 March 2020 due to the COVID-19 pandemic (Ernesta, 2020). In emerging economies such as that of Seychelles, small and medium enterprises contribute up to 33% of Gross Domestic Product and 45% of total employment. However, due to the effect of the pandemic, SMEs are encountering difficulties that are limiting their growth (Seychelles Nation, 2017)

Previous studies have identified the significant impact of the pandemic on businesses, their strategies, and tactics deployed to survive. Bhattacharyya and Thakre (2020) found that the Indian firms reconfigured their business in the short term and resigned their business model in the long term. Innovative solutions and collaboration were highlighted. Polinkeyvch et al. (2021) pointed out that corporate culture is key for managing internal risk. Pu et al. (2021) stated that business sustainability was associated with applying innovative finance and integrating technological adoption. Chowdhury et al. (2020) stated that the impact of the pandemic on business encompasses expired products, working capital shortage, operational expenses difficulties, and discontinuation of distributors' operations. Other strategies include product rotation, lower remuneration, extended operating hours, minimizing costs, and incentives for distributors. The current literature shows that past studies cover different industries. In turn, the suggested strategies to survive the pandemic differ across them.

However, few studies have explored the impact of the pandemic on the tourism sector, including tourism-related businesses in an emerging economy such as Seychelles. This qualitative study is expected to obtain more insights from the owners of SMEs themselves in Seychelles. The research questions cover the pandemic's impact on the SMEs' businesses and the strategies and tactics deployed to deal with the effect of the pandemic and survive. To the researcher's knowledge, it is the first study in the tourism sector of an emerging economy. This in-depth study could provide the owners of SMEs and the authorities with a better understanding of the impact of the pandemic and the potential strategies for minimizing the effect and sustaining businesses.

**Literature Review.** Effects of business operations during a crisis. Past research has identified the impact of the coronavirus pandemic on various industries and sectors such as manufacturing, education, tourism and traveling, and the retail sector. Based on a report published by Statista, the highest impact was on the manufacturing sector, followed by the tourism and traveling sector. In third place was the retail sector (Miltz, 2021). However, some sectors were not impacted. A report by the U.S. Bureau of Labour Statistics reported that 316,000 employed by fifty-seven percent of establishments in utilities experienced no impact on their business (Stang, 2021).

The pandemic severely disrupted business operations and sustainability (UNCTAD, 2020a). One of the key impacts was the disruptions in supply chains and trade logistics. The report stated that logistics and trade facilitation was challenging. Around 60% of the respondents stated that the disruptions in the supply chains were linked to the pandemic. The disruption in the functions of the supply chains encompasses supply-side disruption (Wang and Yu 2020), production disruption (Bao et al. 2020),
distribution disruption (Hishamuddin et al. 2015), and demand-side disruption (Paul et al. 2014). Meyer et al. (2021) stated that the crisis was viewed as a demand instead of a supply shock by business firms. In addition to the supply chain disruptions and internet-related issues, the pandemic also affected sales.

Another impact was noted in the sales reduction and cost increase that influenced the working capital. A report published by UNCTAD (2020b) notified that around 58 percent of e-commerce companies had reductions in sales by 50 percent. In addition, the impact was terrible, and several businesses had an increase in their cost. The UNCTAD report (2020a) declared that around two-thirds of the respondents encountered increased costs. The impact of the pandemic on operational cost, profitability, and revenue was highlighted in the study by Bhattacharyya and Thakre (2020). Besides, Bartik et al. (2020) stated small businesses' liquidity and operating concerns. Chowdhury et al. (2021) noted that the shortage of working capital during this crisis due to a drop in sales caused cash flow shortages. A drop in sales volume affected the firms' profits and led to a lower return on investment (ROI). Further, it led to the business's permanent or temporary closure (Chowdhury et al., 2021).

The pandemic also had a big impact on employees. According to the Harvard (2021) report, employees' rise in remote work led to stress and burnout. One of the key impacts was the turnover of employees. Researchers highlighted the risk of mass employee layoffs and closures. The report by UNCTAD stated that 44 percent of respondents reported a reduction in their workforce. Meyer et al. (2021) explained that firms' response to the demand shock led to lowered wages for a material share of their workforce. Additional pay cuts and selling prices were anticipated over the near term. Bartik et al. (2020) stated that the limited cash levels on hand led to employees' layoffs and business shutdowns.

The disruptions in supply chains, drop in sales, higher costs, and employee turnover led to the closure of some businesses. Seetharaman (2020) looked into the impact of COVID-19 on the economy and businesses. The scholar highlighted that some businesses faced a sudden decline in aggregate demand and supply caused by extensive regulatory lockdowns. These closures may be permanent because of the inability to settle unceasing expenses and pull through the shutdown (Fairlie, 2020). Intuitively, it is understood that the crisis would constrain organizations to struggle for survival and impel some to seek alternative strategic paths (Seetharaman, 2020).

Strategies to sustain and grow. Due to the impact of the pandemic, business firms have adopted new business models and managerial guidelines or strategies to adapt to the 'new normal' conditions and to survive. Some of the strategies adopted in earlier crises such as SARS include cost-cutting, lowering operating costs, asking employees to take unpaid leave, and promotions of products and services such as offering discount packages (Tew et al., 2008). Bhattacharyya and Thakre (2020) suggested repair and adjustment of supply chains, close monitoring of working capital, minimal human resources to lower operating costs, and revamping the product portfolio. Besides, Chowdhury et al. (2020) stated the need to restructure the supply chain and strengthen the relationships with distributors and partners.

Another critical strategy is cash flow management which must be a core strategy of a business firm's overall risk assessment and planning (Kilpatrick et al., 2020). Business firms need to adopt strategies to increase sales and overcome the cost pressures that could stem from the disruptions in the supply chain and are associated with the increase in the price of resources (Wen et al., 2020). Mc Kinsey suggested that business firms should model their financials (Craveen et al., 2022). In turn, Simchi-Levi (2020) indicated that business firms should study the risk exposure of suppliers and identify the weaknesses in the supply chain. To achieve stabilization, network optimization, early demand planning, and getting new suppliers are important for business firms (Craven et al., 2022). Chowdhury et al. (2020) suggested networking, identifying new distributors, and improving relationships with distributors and partners. One of the ways to increase sales is by redesigning the firm's product portfolio that meets the customer needs that have changed since the onset of the pandemic (Reeves et al., 2020). Therefore, there is a need to be innovative. That includes innovation across the delivery channels to engage effectively with customers.
Marketing strategies that include promotion activities play a critical role in today's 'new normal' environment (Wang et al., 2020). Consumer habits change due to regulatory requirements. Thus, there is a need for transformations in the 'new normal' environment (Sheth, 2020). Companies should investigate and take note of the changes in market outlook (Bhattacharyya and Takere, 2020). He and Harris (2020) highlighted that business organizations should develop strategic agility due to changes to the marketing environment. Bhattacharyya and Takere (2020) suggested prioritizing targeted marketing and advertisement. Offering discounts is another strategy mentioned by researchers. According to Tew et al. (2008), over 60% of the hotel in Toronto offered deeply discounted packages to improve their hotel occupancy.

Employees are a critical asset to business organizations. A report from Harvard (2021) stated that mental health and well-being should be given higher priority at the individual and organizational levels. McKinsey also highlighted that business firms should protect their employees because the pandemic has been emotionally challenging for them (Craven et al., 2022). In addition, they need to manage operations remotely and strengthen their relationships with employees (Goodson et al., 2020). Similarly, Reeves et al. (2020) suggested that business firms need to be innovative across delivery channels and engage effectively to strengthen their networking and relationships with employees. Joly (2020) touched on innovativeness and indicated that business firms could mobilize employees to be more innovative and find new ways to produce. To strengthen their relationships and collaboration with employees and team members, Raffoni (2020) suggested activities such as team building activities. Pentland (2020) indicated that business firms could improve remote connections and interactions among employees working remotely to improve their mental health.

Other strategies include deploying new technologies and systems, corporate social responsibilities, and consumer ethics are different strategies (Larson et al., 2020; He and Harris, 2020). Larson et al. (2020) suggested that business firms deploy new technologies to be more flexible. Besides, Reeves et al. (2020) indicated that business firms should strengthen their current capabilities by investing in technology and digital infrastructure that would be beneficial now and in the future. Similarly, Bhattacharyya and Takere (2020) pointed out that business firms should use digitally connected solutions to improve operational capabilities. There is a shift towards e-commerce and online shopping. Therefore, as recommended by McKinsey, business firms should push for omnichannel distribution.

The current situation should be taken as an opportunity for companies to put corporate social responsibility, consumer ethics, and marketing philosophy in place. It would open up more attractive strategies for organizations and consumers (He and Harris, 2020). He and Harris (2020) suggested that this pandemic has provided business firms with greater opportunities to engage in CSR initiatives. Business firms could establish a better rapport with customers by engaging in genuine CSR programs.

Methodology and Research Methods. Interpretivism philosophy was selected because there was no single truth, and knowledge was not measurable (Saunders et al., 2016). The inductive approach was considered more appropriate for the interpretivism philosophy. Based on the interpretivism philosophy and inductive approach, broad and open-ended questions were set to obtain rich data relating to the research questions specified in this study (Saunders et al., 2016). In this exploratory research, primary data was gathered using words and voices (Sekaran and Bougie, 2016). Qualitative research was more appropriate as it is usually associated with interpretivism philosophy (Saunders et al., 2016). Thematic analysis was done manually to identify the themes.

Purposive sampling was applied to select the participants (Merriam and Tisdell, 2016). According to Sim et al. (2018), there is no specific rule of thumb for qualitative research sample size. The target population for this study was considered homogeneous as all of them were engaged in the tourism sector. Dukes (1984) recommended a sample size of 3–10 participants in phenomenological studies, Kuzel (1999) – 5–8 participants in a homogeneous sample, Parse (1990) – 2-10 participants to attain saturation of data.
Boddy (2016) concluded that a sample size of one single case could be adequate. The saturation point shows when the data reveals no new properties or yields further theoretical insights (Charmaz, 2014). For the fifth participant, only minimal new information was obtained. For the sixth participant, no further new information was obtained.

Data for this research was collected using semi-structured interviews. The quality of the interview interaction in generating quality data was improved by engaging the interviewees in ways that provoke thought, establish collaborative relationships, and adopt culturally specific ethical protocols (Roulston et al. (2010). The quality of qualitative interviewing was further increased through the 'quality' of interview interaction and the 'quality' of the research design and analysis. Only reliable participants who met the inclusion criteria were selected. Thus, sufficient information was gathered through semi-structured interviews and further probing questions. Trustworthiness and credibility of the data were established by ensuring that the interviewees were identified and described accurately. Some level of data source triangulation was used by in-depth individual interviews (IDI) to understand better and explore the topics in-depth (Fontana and Frey, 2000). The interviewees were selected from different age groups and engaged in various businesses in the tourism sector.

All interviews were tape-recorded to ensure that everything was preserved and later transcribed for analysis. Manual thematic analysis was done to identify the codes, categories, and themes emerging from the data. This research adopted a six-step data analysis process (Clark and Cresswell, 2015). The first step was to sort and arrange the data into different types depending on the sources of information. The second step was to familiarise the data. The third step involved the coding of the data. The next step was to categorize the codes and identify the themes. The themes were given a name. After that, a report was written.

Lincoln and Guba (1985) defined four criteria for trustworthiness: credibility, transferability, dependability, and confirmability. The focus of the research is associated with its credibility. It is confidence in how clearly the data address the intended focus (Polit and Beck, 2012). Member checking was used to assess credibility in this study. The raw data transcript was supplied to the participants for confirmation (Saunders et al., 2016). Dependability is associated with data consistency over time and under many changes. All records and updates were kept and maintained to ensure data dependability. An audit trail was meticulously maintained (Koch, 1994). To achieve the requirement of confirmability, markers that offer justifications for analytical or methodological choices were utilized to ensure that readers could comprehend why and how decisions were made (Koch, 1994).

**Results.** In this research, six male participants were owners and managers of SMEs dependent on tourism in Seychelles. The participants had experience in business from 6 years to 46 years. The participants have been referred to as respondents 1 to respondent 6. Table 1 lists the participants' characteristics.

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<tr>
<th>Participants' role</th>
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<td>Respondent 1</td>
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<td>Respondent 3</td>
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<td>Respondent 4</td>
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<td>Respondent 5</td>
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<td>Respondent 6</td>
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Sources: developed by the authors.

Research Question 1. What were the effects of the pandemic on the tourism industry?
The first research question involved the major effects that participants have experienced from the COVID-19 crisis. Based on participants’ responses, the themes were formed and involved financial difficulties, forced business closure, business uncertainty, and changes in the market, most of which were negative impacts that caused business challenges.

Cash flow shortage. All the respondents somehow mentioned that their sales revenue had a sharp drop. It affected their working capital and cash flow shortages. Some had to continue paying salaries despite the cash flow shortages. That was evident by the following respondents who stated:

Respondent 1: «We rely on tourism 100% for all our earnings, which greatly affected our business. I still had to pay overhead expenses and salaries».

Respondent 2: «I rely 100% on the tourism industry for both of my businesses. The income I get from local customers is not enough to cover my expenses».

Respondent 4: «My company has lost over 92% of the revenue that we used to make in the past. My business totally depends on foreign income. With the cash flow problem, we are encountering difficulties in getting supplies».

Respondent 5: «The pandemic affected the tourism industry badly. My business has been affected because my customers to whom I am a supplier closed their business».

A major pandemic impact was on sales revenue, cash flow, and working capital. The findings are similar to findings in other countries. Bartik et al. (2021) reported the impact on small businesses’ liquidity and operating concerns. The study by Chowdhury et al. (2021) stated that the shortage of working capital during this crisis due to a drop in sales caused cash flow shortages.

Operational costs increase. Increased operational costs emerged as another problem that led to further financial difficulties. The respondents shared that cost has increased due to an increase in prices by suppliers. The additional cost was also incurred in paying employees’ salaries and handling employees’ health and safety issues during the pandemic. The following two respondents expressed saying:

Respondent 4: «We have to comply with the additional health and safety regulations, which led to additional overhead expenses. Our business spends a substantial amount every month to maintain a safe environment».

Respondent 5: «Many changes occurred with the COVID-19. It is now more costly to manage our business as the price of inputs become much more expensive».

It could be seen that increased operational costs have significantly impacted businesses’ liquidity and cash flow. That could be due to costs related to disruption of the supply chain or cost-related to regulatory compliance. UNCTAD reported that around two-thirds of the respondents encountered an increase in cost. Bhattacharyya and Thakre (2020) highlighted the impact of the pandemic on operational cost, profitability, and revenue.

High Uncertainty. The participants expressed that the COVID-19 crisis has caused uncertainty in their businesses’ current and future functioning. The changes in the environment are happening at a swift pace. It was pointed out by the respondents as follows:

Respondent 1: «I did not know where the business stands at that time. I am in a dilemma about whether to close my business and lose my employees».

Respondent 2: «In the beginning, we were all thinking that COVID would be around for a few months, but the pandemic has been around for quite some time with no certain end».

Respondent 4: «I told my management team, ‘we do not know what tomorrow will be, so let us seek our suppliers and negotiate for supplies».

High uncertainty emerged as one of the impacts of the pandemic in the tourism sector. McKinsey reported that the normal way of working becomes difficult when uncertainty is high. Bartik et al. (2020) stated that around 50% of the respondents were not certain how long the pandemic would last. Due to the uncertainty, some businesses have shut down either temporarily or permanently. The study by Bartik et
al. (2020) indicated that 43% of businesses had to temporarily close their businesses due to COVID-19.

Changes in customers. According to the respondents, there were changes in the tourist who normally visit Seychelles. Before the pandemic, most of the tourists were coming from Europe. There were changes in the time of the year when tourists normally visit Seychelles. The respondent comments as follows:

Respondent 1: «We came back positively, and we experienced some changes. It is very rare to get clients from UAE, but we got many tourists from UAE, Arabia, and Russia».

Respondent 2: «During June, there are not many tourists coming to Seychelles, but this has been different for this year as we have seen many clients, and we have been doing well since we came back».

That shows changes in customer behavior and customer needs that were caused by the pandemic. It could be supported based on research findings from Han et al. (2020), which found that customers' travel intentions are primarily driven by places that are considered safer in connection to the presented psychological risk.

Research Question 2. What are the strategies adopted to deal with the pandemic's impact on the tourism industry?

The second research question explored the strategies that participants of the research have adopted to overcome the impact of the pandemic on their business. Based on shared information from respondents, the following themes emerged.

Cost-cutting. Most of the respondents have shared about managing their cost-cutting strategy. Cost controls include approaches to minimize business costs. Some of the cost control measures stated by the respondents include laying off staff, salary cuts, and reducing operational activity. In addition, the management focus was changed from maximizing profit to control of cost. It was evident from the responses:

Respondent 1: «I took the approach to file for redundancy. I lost all my local workers and had to bear the cost of compensating the employees. The temporary closure was necessary as I did not know when the business would be back to normal».

Respondent 3: «First of all, it meant that many staff had to lose their job. It also meant that the management was forced to change their way of working where instead of managing revenue, we are now spending our time controlling cost».

Respondent 4: «Firstly, it was on the reduction of salaries. We gave two options to the employees: retrenchment with the package offered by the labor department or accept the package from us. They decided to take the offered package».

Respondent 5: «I had to slightly reduce the salary of my workers to reduce the cost when there was limited revenue being earned».

Deloitte report highlighted that reducing variable costs is a faster way to reduce cash outflows (Kilpatrick et al., 2020). Zheng (2020) stated that mild, moderate, and intense cost-cutting measures should be taken through descaling, employee layoffs, and other measures. Chowdhury et al. (2020) stressed that business operations must lower costs in the short run. The impact on profits and working capital placed more focus on cost-cutting measures.

Cash on hand. The respondents mentioned that maintaining a healthy cash flow and having adequate cash reserves helped them overcome the issue of the drop in profits and revenue. That was pointed out in the following respondent's conversation:

Respondent 2: «I would say maintaining a good cash flow helped with my business during such time, in terms of coverage for the ongoing expenses».

Respondent 3: «We had efficient funds to maintain utilities right up until July. By July, the government decided that they would refund us for all our expenses regarding utilities and staff wages».

Respondent 4: «Now things are changing slightly, but we have been going deep into our reserves to keep the company floated».
Respondent 5: «A steady cash flow and relying on my reserves also helped overcome the challenges as there were times when demand was still very low».

Cash management has been regarded as an essential component of a firm's success. Bhattacharyya and Takere (2020) also highlighted the need to respond to the drop in sales with cash flow management. Chowdhury et al. (2020) stated that business firms need to take initiatives to increase cash flow to offset the working capital reduction. Deloitte highlighted that business firms with low cash reserves or unstable cash flows would be highly vulnerable (Kilpatrick et al., 2020). Therefore, business firms should evaluate their cash flow requirements and develop appropriate actions to assess the potential risks.

Flexible pricing strategy. Flexible pricing involves altering the price of products or services being offered, and based on the challenges that the COVID crisis brought, many businesses had to reduce their price. Two respondents had identified this as a strategy to stimulate some customers' demands when income was very limited, and gaining profit was the least of the respondents' concerns. It was evident by the following respondents who stated:

Respondent 2: «We are getting some tourists around, but we still have to reduce the price charged. At that time, I was thinking only about breaking even only to meet my operational expenses».

Respondent 5: «We were forced to lower the price to attract customers. The aim was to sustain and survive with limited profit».

A flexible pricing strategy is seen to be more commonly used in the service business, and it is used as an objective to stimulate demand. McKinsey stated that volatility in demand is creating pricing challenges (Abdelnour et al., 2020). Due to an increase in customers' sensitivity towards pricing, discounts or promotional pricing was adopted by business firms (Hoekstra and Leeflang, 2020). In addition, several customers seek discounts, and some competitors give lower pricing and make aggressive pricing decisions (Abdelnour et al., 2020). However, business firms need to focus on long-term value instead of short-term gains.

Corporate Social Responsibility (CSR) strategy. The respondents spoke about CSR participation during the pandemic. It includes donations to the government and other establishments. This strategy is useful in creating a good brand image and attracting customers back when the hotel resumes its normal business operation. The above was evident in the following statement:

Respondent 3: «The board of directors agreed to let the Ministry of Health use the hotel for COVID patients. The hotel was not operational, and it was donated to the government. We did provide meals to the patients».

Corporate Social Responsibility is a form of business self-willingness to be socially responsible and positively contribute to the public and the overall environment. That would improve the image of the business. Based on previous research performed in the United States, almost 90% of customers stated that they would purchase a product from a firm that has supported an important issue (Schooley, 2021). Similar findings have been founded, signifying that COVID-19 has increased attention toward CSR (Zhao, 2021). He and Harris (2020) also suggested that this pandemic has provided business firms greater opportunities to engage in CSR initiatives.

Intensive growth strategies. The respondents also mentioned market development, market penetration, and product development strategies. The strategy was to achieve growth in the existing market through promotion and advertising. The objective was to attract its competitors' local and foreign customers by giving attractive prices and advertising. Market development strategy was also mentioned. The strategy was to take the product into new markets in other regions. It was highlighted in the following conversation with the respective respondents:

Respondent 3: «We will continue advertising to our local clientele to attract new customers».

Respondent 4: «We have been intensively advertising our service worldwide, especially in Europe, giving them all the updates and expecting them to visit, which they have already started».
Respondent 5: «Tourism was a major source of revenue. Now we have to look for new channels such as selling directly to customers».

Respondent 5: «We also want to expand our business and venture into other businesses such as agro-tourism. There are several competitors, but we must find other ways to compete».

Through intensive growth strategy, business firms can penetrate further into existing markets, targeting their existing products to new markets or developing new products (David and David, 2017). Increasing the customer base in existing markets could be achieved by introducing discounts, price promotions, and advertising schemes. Business firms could develop new markets for the existing products by introducing new channels or partners. Some past studies have highlighted the usage of intensive strategies to sustain and grow their business (Hoekstra and Leeflang, 2020). Ranasinghe et al. (2020) emphasized the need for advertisement in marketing and promoting the Sri Lankan tourism and hospitality industry.

**Conclusion.** This paper presents an in-depth qualitative study with practical, theoretical, and academic implications. The key impact of the pandemic uncovered in this study encompasses increased uncertainty, a drop in sales leading to cash flow shortage, customer changes, and an increase in operating costs. The main strategies to deal with the effect of the pandemic include cost-cutting, managing cash on hand, CSR involvement, flexible pricing, and implementing intensive growth strategies. The results are expected to provide policymakers in Seychelles with additional information that could be useful in forming policies that would help ease the struggles that businesses are encountering. Practitioners in the tourism industry can implement the right strategies to deal with the impact of the pandemic. The results would provide the SMEs in the tourism industry with a better understanding of the impact of the pandemic and the strategies that they could utilize to mitigate risk and sustain their business. The impact of the pandemic on cash flow and working capital surfaced in this study. The strategies such as cost-cutting and better management of cash in hand would enable SMEs to continue operating and offset cash flow problems and working capital issues. Another impact highlighted was the high levels of uncertainty. Therefore, SMEs need to have short-term and long-term strategies to continue operating. The intensive growth strategies encompassing market penetration, product development, and market development should be considered to survive and continue operating. There were also some theoretical implications of this study. From the theoretical perspective, the research adds additional knowledge to the existing literature on the pandemic impact and the strategies to overcome the pandemic impact.

Additionally, it could help support and build theory in the aspect of crisis and change management. Lastly, the research results are useful to academicians who could replicate or extend this study in other locations or cultures. The contribution of this study could be considered remarkable because, to the researcher’s knowledge, it is the first study of its kind that explored in-depth the impact of the pandemic and strategies for dealing with it in the tourism sector.

Some limitations paved the way for future studies on a similar matter. Firstly, this study used in-depth interviews with open-ended questions and probing to collect rich data. Although the study collected some rich data, there is a lack of generalizability. Therefore, it is recommended that future studies use an exploratory sequential mixed method study to further verify the findings through a survey where questionnaires are distributed to many participants. This method could further improve the generalizability of the study. Secondly, the pandemic affected almost all industries across the globe, but in this study, data was collected from SMEs only. The impact of the pandemic and the strategies used to deal with the pandemic could vary across industries. Therefore, future studies should cover both small and large industries. Comparing the small and large industries could better picture the impact and strategies to deal with the impact. Thirdly, this study did not differentiate between the short-term and long-term pandemic impact and the strategies to deal with the pandemic. Therefore, it is recommended that future studies look at the short-term and long-term pandemic impact and strategies to deal with the pandemic.

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Innovative Activity in SMEs: Critical Success Factors to Achieve Sustainable Business Growth

Tourism on the Seychelles Islands is one of the economic sectors that have seen the most destructive impact from the COVID-19 pandemic. In response to the uncertain new conditions of life, small and medium-sized enterprises were forced to develop new strategies and tactics to preserve their businesses and get out of the crisis. Systematization of scientific studies on innovative activity in SMEs has shown an insufficient level of coverage of the above theme for the Seychelles Islands. The aim of this study is to determine the impact of the COVID-19 pandemic on the level of sustainable growth of small and medium-sized enterprises, the development of survival and growth strategies of the tourism sector of the Seychelles Islands. To achieve the set goal, a structured open-type interview of six owners of the tourism sector of the Seychelles Islands was conducted. For the formation of a representative group, the method of deterministic sampling was used. According to the results of interviewing respondents and processing their answers, the authors have determined the main determinants of sustainable business growth. It was established that the main consequences of the pandemic are the growth of uncertainty, reduction of sales, which leads to a deficit of financial resources, the loss of consumers, and the growth of operational costs. The results of the study were a series of recommendations for combating the negative consequences of the pandemic. It was determined that the main and effective strategies of combating the consequences of the pandemic are the reduction of costs, cash management, involvement in socially responsible projects, flexible pricing and implementation of intensive growth strategies. In addition, it was emphasized the need for innovation development of SMEs and searching for new opportunities for support and development of business activity. The conducted study is one of the first to try to determine the impact of COVID-19 on SMEs of the tourism sector of the Seychelles Islands. The results of the conducted study have practical significance and can serve as an information base for politicians of the Seychelles Islands to form policies of support and development of the business sector.

Keywords: pandemic, tourism, crisis, impact, strategies, growth, sustainable.