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Entrepreneur Mindset, Social Capital and Adaptive Capacity for Tourism SME Resilience and Transformation during the COVID-19 Pandemic

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Abstract: Although many studies have explored business resilience during crisis, most subjects are large companies with abundant resources. Hardly any research has explored how small and medium companies with limited resources overcome crisis. This study aims to fill this void by investigating the process of resilience and transformation of small firms during and post-COVID-19. The multiple case study method was applied under the framework of entrepreneur mindset, adaptive capacity and social capital. Small hostels in Thailand and their reaction towards COVID-19 are explored as they were hugely impacted by the pandemic. Four hostels were selected as representative cases of business resilience during September 2020–2021. The results show that these hostels managed to utilize bonding social capital to reshape the business in the short term. In response to the prolonging of the COVID-19 pandemic, bridging social capital was employed to develop a new business model and business sustainability. The entrepreneur mindset is essential for succeeding in the proposed business and helping the owner to be aware of and engage with specific social capital. The entrepreneur mindset also helped to create trust between owner and staff, which enhances adaptive capacity in the firm for resilience and transformation of the business. The findings can guide SMEs to become aware of having a good entrepreneur mindset as well as to utilize their social capital and create business innovation and sustainability to survive the crisis.

Keywords: bonding social capital; bridging social capital; entrepreneur mindset; adaptive capacity; resilience; transformation; post-COVID-19



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1. Introduction

Past studies extensively explored how firms coped with unexpected significant crises, including natural disasters such as earthquakes [1,2] and hurricanes [3]. Some studies explored sudden and unpredictable crises that occurred to specific organizations, such as school shootings [4] and fire accidents [5].

The coronavirus disease (COVID-19) generated a crisis that no company had experienced before. Firstly, no one can foresee when the crisis will end. Companies need to face COVID-19's viral evolution and the multiple occurrences of lockdowns. The effect was prolonged and national recovery was slow. Secondly, the sharp drop in demand in both domestic and global markets generated a cash flow shortage. Thirdly, the COVID-19 pandemic was not only related to financial issues, but also engaged with multifaceted issues, such as employees' welfare, a hybrid workplace, vaccine procurement and the following of government policy.

Amid this long and unpredictable crisis, it is worth exploring how some companies can sustainably maintain their business. The focus of this study is small and medium size companies as they are particularly susceptible to this unexpected threat due to the limitations in financial and human resources.

Existing studies on SMEs attempted to explore how SMEs reacted towards crises and most papers discovered SME reactive strategies, crisis management processes and

operations. Thorgren and Williams identified deferred investments, layoffs and reduced labor costs and expenses as SMEs' immediate actions in anticipation of the negative long-term impacts of external shocks [6]. Zutshi et al. suggested the key factors to enhance SME resilience were collaboration with stakeholders, transparency and communication with internal and external stakeholders, business innovation, systematic analysis and identifying opportunities within the crisis [7].

Durst and Henschel proposed both short- and long-term advice [8]. First, SMEs have to react quickly to the crisis so that they can stabilize their operations in the short term. Then, they have to adapt themselves to changes by innovation through entrepreneurial responses, learning and improvement of products, and upgrading employees' skills. Finally, firms have to mobilize and strengthen their old and new capacities to increase the chance of emerging from the crisis.

Some studies attempted to identify the key factors that enhance SME resilience for COVID-19. Zutshi et al. suggested that the collaboration with stakeholders, the transparency and communication to internal and external stakeholders are significant [7]. Thukral proposed that creativity, innovation and entrepreneurship are the crucial factors for SME resilience, but government intervention is also needed to create a supportive ecosystem. However, what lies beneath these actions is still unclear [9].

This study aims to explore the mechanism and factors that successfully drive specific small companies to transform themselves despite their limited resources. The findings will benefit SMEs by providing recommendations for business resilience and post-COVID-19 recovery.

The tourism industry in Thailand is examined because the industry vastly contributes to Thailand economy and was largely impacted by COVID-19. The Thai tourism sector created 36 million jobs between 2014 and 2019. The tourism sector contributes to 15 percent of Thailand's GDP [10]. Since March 2020, the COVID-19 pandemic and its related restrictions have almost ceased all international tourist arrivals. Passengers on international flights to Thailand dropped by 95 percent in September 2021, compared to the previous year [11]. The Thai Hotels Association conducted a survey with 128 responses in March 2021. The occupancy rate decreased from 30% to 5%, and 80% of the hotels temporarily shut down [12].

The object of this study is a small hostel in Thailand. This is because of two reasons. Firstly, the business size of most hostels is small and medium. The number of rooms is between 4 and 50 rooms and the majority are run by one business owner. Secondly, hostels were highly impacted by both COVID-19 and adaptation strategies of hotels. Losing revenue from foreign tourists, most hotels lowered the price to a level that was close to the hostel price to attract local people. It could be said that hostels in Thailand were small companies with a limited budget that struggled considerably because of the pandemic and rising number of competitors. Thus, the surviving hostels and their resilience mechanism are worth exploring.

The paper is structured as follows. The next section presents the theoretical background and the research framework, focusing on business resilience towards crises and the COVID-19 crisis. The second section describes the methodology in this study. Then, the case description section shows four hostel cases that successfully survived during and after COVID-19. Finally, the results of this study, the discussion and the contributions are presented.

2. Literature Review

2.1. Resilience during Crises

Resilience is defined as the ability of a system to absorb disrupting changes and to sense and seize the opportunities [2]. Norris et al. conceptualized the term, defining it as 'a process linking a set of adaptive capacities to a positive trajectory of functioning and adaptation after a disturbance' [13]. They asserted that resilience itself is not the outcome, but it is the process that links resources (adaptive capacity) to outcomes (adaptation) [13]. Thus, firms' resource or adaptive capacity is one of the essential factors that determine firms' resilience in a crisis. Folke et al. clarified the concepts of resilience and transformability [14]. For them, resilience is the capacity to adapt to external change with an existing ecosystem.

Recent academic studies have investigated how firms respond to COVID-19 and have determined the practices adopted by firms to survive the COVID-19 crisis. Chesbrough found that open innovation plays an important role in recovering from the COVID-19 crisis [15]. Crick and Crick introduced cooperation strategies. For example, British supermarkets shared resources and capabilities to respond to customers more efficiently [16]. Pharmaceutical companies shared their knowledge and equipment to develop vaccines [16].

Based on the motivation and level of collaborative innovations, Wang et al. presented four marketing innovation strategies that Chinese firms (e.g., a gasoline station, a fashion brand, a bank and a real estate company) implemented in response to COVID-19, including responsive, proactive, collective and partnership strategies [17]. They suggested that the choice of strategy depended on the external environment, internal advantages (e.g., dynamic capabilities and resource dependence) and characteristics of the firms.

Cortez and Johnson conducted a qualitative survey with 10 managers and suggested a model for firms to manage the COVID-19 crisis [18]. The model includes four key elements. The first element is digital transformation to cope with the lockdown and social distancing policies, such as digital showrooms setting and in-house data analytic development. The second is the decision-making process to be more decentralized so that firms can achieve a higher flexibility, agility and engagement from employees. The third is the leadership of top management that initiates structural change, makes timely decisive actions and enhances organizational morale to create a sense of belonging. The last element is emotions and stress management for employees and their families that occurred from the insecure business situation and policies of COVID-19.

Mckinsey presented a 5R model for firms to respond to the pandemic, consisting of resolve, resilience, return, reimagination and reform [19]. The model suggested that, in the short run, firms should create a program to resolve the immediate problems that occurred after the outbreak of COVID-19, such as managing material and inventory and launching work from home programs, so that firms can maintain operations. After that, in the resilience stage, the firm moves to a further step to improve the efficiency and productivity of work during the crisis. They may have to adjust the work process, upskill or reskill their staff, or invest in some facilities, such as online meeting applications and e-commerce channels. If the crisis starts to subside, firms may return to the operating environments that existed before the crisis. However, if the situation continues or the business environment has changed permanently due to consumers' new normal lifestyle, then firms have to reimagine their business and think of new ways to reform their business to fit with the changing environment.

From the studies mentioned above, it can be observed that, during the crisis, large companies adopted new technology, conducted process transformation, initiated employees' training or started a collaboration among their partners and stakeholders. These actions are rarely seen in SME resilience towards unexpected crises.

2.2. SME Resilience

SMEs exploit market niches and are less reliant on debt. This makes them more flexible to adapt their resources, processes, prices and products to survive the crisis [20]. However, SMEs may face difficulties in maintaining their activities due to the limited financial resources; restricted technological, managerial and human capabilities; a narrow base of customers and product lines; and less bargaining power with customers and suppliers [21].

Thus, to overcome unpredictable crisis, the extant literature suggested cost-efficient methods that utilize SME's existing resources, such as relationship and organizational agility. SMEs may openly and directly communicate with customers and business partners about the crisis, seeking to promote understanding or minimize the impacts. They can engage with staff members and other stakeholders with passion and vigor [22]. When encountering with crisis, some SMEs become more innovative and resilient, while others provide cheaper products to restrict expenditures, cut operation costs and downsize the workforce [23].

This study investigates how small hostels' resilience to the threats from COVID-19. With a lack of resources, these hostels had different resilience mechanisms compared to major corporations. By investigating the past literature, we found that the factors behind the resilience mechanisms of SMEs were adaptive capacity, social capital and the entrepreneur mindset. The literature relating to these factors is discussed and explained in following subsections.

2.3. Adaptive Capacity

Adaptive capacity was found to be one of the essential factors facilitating firms' resilience and transformation. Carpenter et al. defined adaptive capacity as the ability to cope with unknown future circumstances [24]. Rather than relying on existing demands and resources, firms with adaptive capacity can easily respond to changes in the environment [25].

Recent research related to COVID-19 found that adaptive capacity was the result of entrepreneurial orientation, and it is one of the key sources of resilience capability [26]. The COVID-19 pandemic created dramatic changes in the business environment, especially the hospitality business, which relies heavily on tourists. The sharp drop in demand highly affected firm performance. Some firms can effectively confront changes. This study examines the adaptive capacity of these firms. The sources of firms' adaptive capacity and how adaptive capacity leads to firms' resilience.

2.4. Social Capital

In terms of SMEs, Martinelli et al. suggested that, in addition to adaptive capacity, social capital is also an essential factor that supports firms' resilience in a crisis [2]. Social capital is defined as "networks and resources available to people through their connections to others" [27]. In the entrepreneurship literature, social capital is considered a key asset for SMEs that helps entrepreneurs to access information, opportunities and resources [28]. It was a source of firms' adaptive capacity [27].

Social capital can be classified into bonding, bridging and linking social capital. Bonding social capital is the strong ties network that provides firms with an initial recovery assistance [29]. Bridging social capital is the weak ties network that facilitates new information and resources that lead to new opportunities for long-term adaptation [29]. Linking social capital is considered as the players that do not have a direct relationship but facilitate firms' activities, such as government authorities.

In the context of COVID-19, Zutshi et al. proposed that the collaboration and transparency relationship with both internal and external stakeholders were important factors for SME resilience [7]. Dias et al. reported the positive impact of personal network on SME tourism's resilience and innovation [30]. Ozanne empirically showed that social capital has a positive impact on SMEs' dynamic capability and resilience [31]. This study examines the role of a network among stakeholders in terms of bonding and bridging social capital. The key objective is to investigate how these networks can help SMEs to be resilient and transform their business in the COVID-19 pandemic.

2.5. Entrepreneur Mindset

The entrepreneur mindset is an essential condition that is the source of innovation and dynamism that helps a firm to survive a crisis [32–34]. It is the source of adaptability and resilience [35]. SME managers' proactive personalities can improve employee creativity, firm innovation and efficiency [36]. Sulistyono and Ayuni found that entrepreneurial orientation and social capital are the influential factors for SMEs' innovation and performance capabilities [37]. Giones et al. concluded three main entrepreneurial actions for responding to crises, consisting of activities and resources planning, adoption of a frugal culture in resource management and managing human and social capital with emotional openness and sharing feelings [38].

Zafari et al. suggested that crises create resource limitations such that firms have to form new relationships to access resources and develop adequate capabilities [39].

Kuckertz et al. found that German entrepreneurs can restructure and adapt their business model by relying on relational capabilities derived from partners, financial capability and support from governments [40].

During COVID-19, Alonso et al.'s empirical research showed that entrepreneurial self-efficacy and mindset are fundamental to entrepreneurial bricolage and improvisation, which will then impact MSMEs' future survival [41]. Khan et al. showed the positive impact of entrepreneurs' emotional intelligence on their resilience in the COVID-19, especially, the interpersonal emotional intelligence that represents positive attitudes, trust and understanding of employees' situations during the crisis, which lead to a better employee performance [42].

This study proposes that the mindset of entrepreneurs is fundamental to SMEs' resilience and transformation. It affects the firms' adaptive capacity and dynamic capability. At the same time, the entrepreneur mindset determines the quality of the relationship between the players in the network of social capital. As a result, firms' resilience and transformation strategies are designed.

2.6. Research Framework

According to the literature review, this study proposes a research framework indicating the key factors that lead to the resilience of SMEs in crises, including entrepreneur mindset, adaptive capacity and social capital (Figure 1). Based on a case study research approach, this study investigates the interplay of these factors and how they guide small hostels' resilience and transform their business during the COVID-19 pandemic.

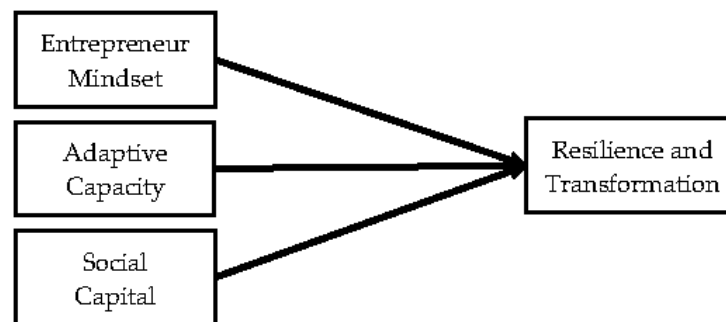


Figure 1. Research framework.

3. Methodology

The objective of this study was to examine how small companies with limited resources overcome unexpected crises. As entrepreneur's mindset and the relationship among stakeholders were analyzed. The nature of this study was exploratory, and a qualitative methodological approach was applied. The COVID-19 pandemic is a unique and complex phenomenon, so a case study approach was considered appropriated.

3.1. Preliminary Cases Survey and Case Selection

To investigate a representative case, firstly, the secondary data related with tourism industry, such as government publications and economic news, were collected. Hostels that maintained their business were listed. Their business transformation strategies were explored. Sixteen hostels and one new online hostel platform were gathered, and eight hostel owners were contacted for preliminary interviews for further information (Table 1).

According to Table 1, there are four patterns of hostel reactions to COVID-19. The first strategy observed is the exit strategy. Some hostels could not maintain their business and temporarily closed their operation during the pandemic (e.g., Phuphaman Homestay) or exited from the industry and started a new business that is unconnected to the hostel business (e.g., Yim Bangkok).

Table 1. Summary of Thai hostels' adaptation during COVID-19.

Hostels	Location	Maximum Occupancy Rate (No. of Persons)	Average Price per Night (USD)	Type of Resilience	New Business
Phuphaman Homestay	Khon Kaen	54	48	No	-
If you want hostel	Sukhothai	52	15	Exit	Exited a hostel business and started a Café service and a product design service to help local people.
Yim Bangkok	Bangkok	32	15	Exit	Exited a hostel business and developed an anti-aging wellness for in a new location.
Mutual+	Online	-	-	Exit	Platform launched during COVID-19 to connect hostels and guests, but the business was terminated after the COVID-19 situation recovered.
Siamaze Hostel	Bangkok	164	10	Re-targeting	Rooms offered to Thai people for a special price. Snack online store.
The Quarter Bangkok Ratchathewi	Bangkok	57	50	Re-targeting	Juice bar (Lobby area) Lunchbox stall Short stay for medical staff
Bed Station	Bangkok	54	27	Re-targeting	Located near a train station, the hostel changed their audience to local Thai commuters.
Bed one block	Bangkok	20	18	Re-targeting	Located near a train station, the hostel changed their audience to local Thai commuters.
Yaks House Hostel	Bangkok	60	19	Re-targeting	Located near a public hospital, the hostel changed their audience to local Thai patients and relatives. Café and Food delivery.
TALES Khaosan	Bangkok	22	10	Re-targeting	Rest area for bus passengers.
Wander Wonder	Bangkok	8	43	Re-targeting	Located near a train station, the hostel changed their audience to local Thai commuters.
Luk Hostel	Bangkok	54	16	Re-targeting	Changed their audience to local Thai workers who seek for a work-from-home place.
Suneta Hostel Chang Moi	Chiang Mai	21	21	Diversification (Temporary)	Hostel was temporary closed. Staff cooked and sold lunchboxes for a short period. Conducted a layoff. Returned to normal business after lockdown policy was over.
Baan Rai I Arun Farmstay	Ranong	34	40	Diversification (Temporary)	Hostel was temporary closed. Produced products and sold online for a short period, then returned to normal business after lockdown policy was over.
Hom Hostel	Bangkok	9	23	Diversification	Hostel was temporary closed, but used a part of the facility to create a Cloud Kitchen.
Once Again Hostel	Bangkok	106	14	Diversification	Hostel was temporary closed, but expanded the business to a Food Delivery platform.
The Yard Hostel	Bangkok	60	27	Diversification	Hostel was temporary closed, and transformed the facility to be a grocery store and, then, a rental space.

Some hostels applied a retargeting strategy, which required a minor adjustment of their operations. This type of business resilience is considered as a short-term tactic to confront the crisis during a drastic drop in demand from foreign tourists. After COVID-19, they re-opened the hostels and welcomed foreign tourists again.

The last strategy found from the survey is the diversification strategy. Among the fifteen cases found, there are four hostels that outstandingly created a new business model or innovation, i.e., Baan Rai I Arun Farmstay, Hom Hostel, Once Again Hostel and The Yard Hostel. They chose to diversify their business to a new business opportunity while

still employing their current staff. The new businesses were also sustainable even in the post COVID-19, as observed from September 2020 to September 2021. Their motivation and execution strategies are considered worthy of exploration in this paper.

Past studies on crisis management and business resilience applied a single case study method, such as the study of a textile plant encountering a fire accident [5], Taiwan tourism after an earthquake [1] and Swedish firms in a city hit by a hurricane [3].

One single case can be highly informative and meaningful as demonstrated in examples for management research [43]. However, more than two cases are superior in terms of replication logic, i.e., literal replication and theoretical replication [44]. Thus, in this study, a multiple case study design was applied as a comprehensive understanding of a particular phenomenon is needed, and different models of business adaptation were observed. Each hostel represents different sizes of hostels, ranging from tiny ones (number of guests: less than 10), small hostels (number of guests: 11–50) and medium-sized hostels (number of guests: more than 50). One is a hostel in a suburban area, and the other three hostels are located in the capital city.

3.2. Survey Method

Accordingly, we chose four hostels for further in-depth analysis. The semi-structured interviews with four business owners and six staff members were conducted using the following questions as a guideline.

- (1) What is your current situation after COVID-19?
- (2) How has the COVID-19 pandemic affected your business?
- (3) How did you respond to COVID-19 at the beginning, the first lockdown in March 2020, the second lockdown in December 2020, and the third lockdown in April 2021?
- (4) What were you concerned about when you made decisions?
- (5) How did you develop the solutions? Who were the sources of the business ideas?

To gain a holistic view, additional six hostel staff members (one from each hostel and two from Baan Rai I Arun Farmstay and Once Again hostel) were also interviewed. The questions were about how the owners took care of them, their challenges during business transformation and their current lives. The average time of the owner interviews was 1 h, and the average time of staff interviews was 30 min. Two business owners were interviewed twice.

A laddering interview technique was applied to investigate in depth the reasons behind the answers to all interview questions. The answers were then correlated to the factors according to the research framework (Table 2). The laddering technique can help to identify the causal relationship between the factors. This enabled us to have a wider understanding of the mechanism of how the hostel confronted and was resilient during the COVID-19 pandemic.

Table 2. Interpretations of the interview data and factors.

Factors	Criteria	Interview Data
Entrepreneur mindset	<ul style="list-style-type: none"> - The owner can spot threats/opportunities. - The owner can find creative solutions. - The owner cares about their employees and stakeholders. - The owner motivates their employees/stakeholders. The owner trusts their employees/has positive attitude towards employees.	“Before the government announced the lockdown, I decided to assemble the team and prepared the strategy” (Baan Rai I arun) “Our customers are our friends” (The Yard) “Even though there are only six staffs, I wanted to protect them. I wanted to keep hiring them.” (Hom Hostel)
Bonding social capital	<ul style="list-style-type: none"> - Stakeholders that related with the hostel owner’s source of idea or influenced the business transformation. - The owner has a close relationship with such as employees and customers/Belong to the same group/community as the owner. 	“We got new ideas from hostel chef. She suggested that we should make spicy paste and sell to our facebook fanpage followers” (Baan Rai I Arun)

Table 2. Cont.

Factors	Criteria	Interview Data
Bridging social capital	<ul style="list-style-type: none"> - Stakeholders that related with the hostel owner's source of idea or influenced the business transformation. - The connection is beyond the owner's current social circle. - A person/company that is introduced to the owner by a third party/intermediary. 	"I contacted Ari community members in Facebook group to promote the rental space business. Surprisingly, people were so friendly and happy to help spreading the words and give advice." (The Yard)
Employee engagement	<ul style="list-style-type: none"> - A high level of enthusiasm and dedication of a worker. - Employees' care/concern about the company. - Employees feel connected to their teams. <p>Employees enthusiastically share their ideas.</p>	<p>"The ideas came from my staffs. They were very active and we did have fun when discussing about transforming our business." (Once Again)</p> <p>"Before COVID-19, we eat together, live together every day. That is why my staffs and I have an extremely good relationship. We are families alike. Additionally, they are willing to share their ideas with me." (The Yard)</p>
Adaptive capacity	<ul style="list-style-type: none"> - The speed that the hostel could adapt to the changing environment. - The ability of the hostel teams to adapt with the changing environment. <p>The ability of the employees to handle changing situations/threats.</p>	<p>"Our staffs were willing to try new things, even though they have never done that before." (Baan Rai I Arun)</p> <p>"When I came up with the food truck idea, I told my team. We went to buy a mini truck and contacted potential suppliers. We managed to do this in three days!" (The Yard)</p>

3.3. Coding and Interpreting Interview Data

From the in-depth interviews with the founders and employees of four cases, we identified the factors and the mechanisms behind the resilience process of the cases during the COVID-19 pandemic. All the interviews were transcribed and analyzed by two researchers. Each researcher coded the transcripts separately based on the guideline and they were discussed until both agreed with the coding results. Examples of how to interpret the interview data according to the factors in the research framework are summarized in Table 2.

The basic information of the four case studies is as follows.

3.4. Case Description

3.4.1. Baan Rai I Arun Farmstay

(No. of Rooms: 15, Maximum Occupancy: 34, Average Price per Room per Night: USD 40)

After graduation, Mr. Wirod Chimmee worked as an architect in Bangkok for almost four years. He returned to his hometown in Kapoe city in Ranong Province because he wanted to live with his family and make a contribution to his hometown. In the beginning, Wiroj planted a vegetable farm and earned his living from selling fruits and vegetables. At the same time, he built a house for his family and three small lodges for hostel guests without taking a loan from any bank. This is because Kapoe was not considered a tourist destination, and none of the tourists would come to the hostel. Thus, Wirod had to spend his savings on building the hostel and used local materials to save costs.

While building the hostel, Wirod took photos and updated progress on his Facebook account. He shared his daily life, the scenery of the hostel, the decoration and sometimes his failures. It could be concluded that the followers felt connected with Wirod and the in-progress hostel via his stories on Facebook. When his number of followers grew, he decided to open a Facebook Fanpage. Wirod named his hostel "Baan Rai I Arun". Baan in Thai means home, Rai is a farm, I is fog, Arun is dawn.

The hostel became popular after Wirod sent the portfolio of one house to a design competition and won first prize. He used the prize to expand the hostel. The unique and attractive lodge design and decoration made the hostel a destination in itself. This made the hostel gain more awareness in the media and it became well known even before the official opening in December 2015. There are 797,127 people who follow the hostel Facebook fan page (by 1 July 2021).

When the Thai government declared the first state of emergency on 26 March 2020, Wirod discussed their survival plan with hostel staff. They came up with the plan to produce and sell spicy paste and fruit snacks via his Facebook fan page as recommended

by his chef. He received support from his followers and reached the target of THB 1 million (USD 30,000) within two months. This amount of money was enough to cover the hostel expenditures, especially the salaries of 40 employees for a few months. In June 2020, the hostel opened again. Wirod stopped the food business and again mainly focused on the hostel business.

However, in the second lockdown announcement on 3 January 2021, Ranong was labeled a red zone because there were COVID-19 cases found among Myanmar workers, and Ranong is a border province between Thailand and Myanmar. Even though the government did not announce a lockdown, the airport was closed, and almost all guests canceled their reservations. At this time, the hostel could be operated, but no customers came. Wirod retargeted his customers to focus more on local customers and those from nearby provinces by offering a 50 percent discount for a stay. Additionally, to gain more income to cover operation costs, he modified a mini-truck that was used to transport guests into a moving market. He and his staff loaded vegetables produced from hostel farms and sold them at the market and on the roadside.

Wirod said that he did not sell food online in the second lockdown because of the lack of experience and the concern of employees' satisfaction. Previously, his team was unable to handle the overwhelming orders within a short period. They encountered several problems that they had never experienced before, such as damage to the products during delivery and order mistakes. Even though the sales went well, his staff were very stressed. Hence, Wirod decided to target local people during the second outbreak.

On 25 April 2021, the local government announced that people from outside Ranong Province needed to self-quarantine if they entered Ranong. Almost all rooms were canceled. Wirod and his team did maintenance work and cleaned the rooms. Two weeks later, the hostel reopened again. Currently, the hostel still operates and welcomes guests as usual.

3.4.2. The Yard Hostel

(No. of Rooms: 18, Maximum Occupancy: 60, Average Price per Night: USD 27)

Ms. Atiporn Sangcharoen was happy to communicate with people from all over the world. This led her to register her house as a homestay destination for tourists in 2014 as a hobby. Then, in January 2015, Atiporn decided to open her hostel in the Ari area of Bangkok. More than half of the 720 square-meter area was an open-air garden surrounded by large trees. She named the hostel "The Yard", which means "relatives" in Thai. She was dedicated to treating guests as if they were at home and treating them as if they were her relatives. Ninety percent of guests were from foreign countries. Several guests told her that her place made them feel at home.

At the beginning of the COVID-19 pandemic, the number of reservations decreased from January 2019. After the Thai government declared the first state of emergency in March 2019, there were only two foreign guests who made long stays. At that time, Atiporn did not have any connections with Thai customers. She attempted to find a new source of revenue to take care of her hostel staff. Atiporn had a friend who operated an organic farm and suffered from COVID-19 as well. She decided to start "The Yard Grocery". Atiporn bought a bright red tricycle to carry products. Her staff drove this tricycle around the Ari area and sold the products directly to consumers.

Regarding suppliers, Atiporn contacted various organic farms and selected organic groceries. She noticed that there were many expats living in this area. Therefore, she decided to order meat, sausages and organic cheese to serve customers' needs better. Initially, Atiporn did not have contact with meat and cheese suppliers. She simply looked for organic and homemade products, so she searched on the internet, asked her chef friends and contacted these new suppliers.

Atiporn promoted The Yard Grocery in the Ari community group on social media. Customers could order online in advance or stop the tricycle when it passed by. Some local and national media promoted The Yard Grocery because of its uniqueness. The Yard Grocery was able to make enough revenue for staff payrolls. After The Yard Grocery

gained greater recognition, Atiporn expanded its product lines by inviting other cafés and restaurants for Ari to sell snacks and beverages through the grocery store. On the weekend, she also opened a small market in front of the hostel. Atiporn said that The Yard Grocery connected people and was aligned with her beliefs since the first day of starting the hostel.

The lockdown policy ended in June 2019. Consumers were allowed to go out to shop at groceries on their own. Atiporn had to stop the grocery business, but the hostel business was still unable to operate because foreigners were not traveling. She had to transform the hostel business into a small rental office space. She promoted the new business model on her Facebook page and the community groups that she belonged to.

The hostel rooms were renovated and rented to a nail salon shop, a suit master shop, a music studio and a café. The garden space was turned into a multifunctional space for organizing private parties, outdoor yoga classes and movie nights. Atiporn holds a barbecue party every week. She contacted the suppliers that she ordered from during the grocery project and ordered vegetables and meat. She even contacted her farmer friends and ordered local mint from them. She said that “We have been in a hard situation during COVID. I want to help as many people as possible. It is still our motto—Everyone is our relative and family has no boundary.”

3.4.3. Hom Hostel

(No. of Rooms: 7, Maximum Occupancy: 9, Average Price per Night: USD 23)

In September 2016, Ms. Pavalin Limthongchai, a former engineer, decided to open a hostel named Hom, which in Thai means good smell, matched with the concept that the hostel wants to connect lives by cooking. The hostel contained two single rooms and five dormitory rooms. The main feature is a large kitchen with a full supply of kitchen appliances. Guests can cook food here or learn how to cook Thai food. This made Hom Hostel to be considered as one of the top ten best hotels by The Telegraph.

After the Thai government declared the first state of emergency on 26 March 2020, Hom Hostel was no longer able to welcome overseas guests. Pavalin’s major concern was her staff. At that time, she had six employees. Pavalin initiated a 3-month charity project while thinking about the solution to save the hostel. She limited the time of the project to three months, as she expected that the COVID-19 impact would be most severe during that period.

Regarding the charity project, donors could support meals at THB 25 per box for nonprofit foundations. Hom Hostel would distribute 150 lunchboxes to the foundations every day. Pavalin managed to raise enough funds by contacting her friends and posting on social media. When the project was launched, there were donors who sent rice, seasoning sauces and groceries to further support this activity. Some donors had never met Pavalin before, but they heard about the initiative through social media and their friends. Pavalin continuously updated Hom Hostel activities, so there were several fans who wanted to support her, both monetarily and with physical support.

After three months, COVID-19 was prolonged, and the hostel was not expected to recover in the short run. Pavalin had to make the decision to renovate her hostel into a cloud kitchen. At that time, Pavalin’s father, who was a civil engineer, helped her with the construction and interior design and managed to finish the renovation in one month. The location of Hom Hostel is in the middle of the city of Bangkok, which is well suited to a cloud kitchen business. Pavalin managed to find nine clients who rented her space. The revenue from the cloud kitchen is donated to the House of Blessing Foundation and a group that helps children who commit crimes. Of every THB 100 of income, THB 1 is donated. She said that, in the future, room fees would not be a main source of revenue. Hom Hostel might become Hom Cloud Kitchen, but their belief will never change, connecting lives through cooking.

3.4.4. Once Again Hostel

(No. of Rooms: 13, Maximum Occupancy: 106, Average Price per Night: USD 14)

On 16 April 2020, the Once Again Hostel sent the following message to their Facebook followers:

“Dear beloved guests,

It is about a month now since we decided to temporarily close our hostel operation. In the meantime, it is the same period we started our new business where it is aiming to achieve the same vision that we set 5 years back then—Reviving neighborhood and long-lost communities back to life. (Abbreviation) To survive and pass through this crisis, one strong mindset that we truly believe is an “inclusive mindset”. In the midst of this crisis, we believe that we could only survive when collaborating and helping each other. It is not the time we think only self, only us, only the company, but it is a time for togetherness in the community. Thus, we are pioneering a new social business initiative called “Locall.bkk”, the food delivery service from local vendors, by locals. We pulled all amazing food vendors around our hostel and initiated the delivery service system to send to an individual’s home, with the slogan—Save you, save locals.”

The Once Again Hostel was established in December 2015 by two partners, Mr. Pattakorn Thanasanakorn and Mr. Sanon Wangsrangboon. It is located in the Phra Nakorn area in the old town district. The hostel owners adopted an inclusive business approach, in which they let people from the nearby communities work closely with the hostel. Some people do laundry and children in the community work as receptionists or local guides. The hostel created a gourmet map so guests could explore nearby local food stores.

When COVID-19 broke out and the government announced the first lockdown, the hostel had to stop its operations. The first survival idea was to utilize the hostel kitchen and deliver food boxes. However, the hostel staff realized that not only their hostel, but also nearby local food stalls, were in difficulty. Relying on its core value of being inclusive business, the hostel decided to establish a food delivery platform.

This platform was named “Locall.bkk”. The system is simple. Customers order food via @LINE, Thailand’s main social media tool. Then, staff gather orders and send them to each restaurant. The food is delivered by motorbike taxis in the area. One key differentiating point from other food delivery services is that customers can order food at one time from several restaurants as the restaurants are located near one another. Customers must order at least THB 300 (approximately USD 10) from any number of restaurants on its list. Initially, THB 30 (approximately USD 1) was charged for delivery, plus a THB 7 fee for each kilometer. Locall.bkk serves 15 districts in Bangkok.

The hostel staff spent only seven days thinking about and designing the new business. They contacted restaurants in the community. Some were already famous; some were very local. In the beginning, approximately 20 restaurants joined. They took photos of their restaurants and their food, posted them on their social media, collected orders and delivered them to customers. Various media outlets promoted this platform due to its uniqueness and goodheartedness. The Locall.bkk team did not spend any money on the marketing budget.

The platform gained more popularity and was contacted by other community leaders who wanted to do similar things. The Locall.bkk staff worked as consultants to set up a food delivery platform in those communities. To date, there are 12 communities that have duplicated the platform Locall.bkk and developed their sub-brands, which stand for the name of the community, such as Locall.bkk-Pratupee, Local.bkk-Nanglerk and Locall.bkk Nanglinchee. Additionally, the platform was not limited to restaurants, but was also extended to cover souvenir shops and handicraft shops in the local community. The hostel successfully encourages communities to operate and generate revenue on their own.

4. Results

In this section, a cross-case analysis was conducted to capture the resilience mechanisms of the small hostels. The results are as follows.

4.1. *Entrepreneur Mindset Made Differences*

When businesses were facing problems from the COVID-19 pandemic due to the lack of demand from foreign tourists, most SMEs in the tourism industry were forced to stop their operations, lay off employees and wait for support from the government. However, some SMEs tried to find another way to deal with the crisis.

In our case studies, we found that these SMEs struggling to find new solutions shared similar grounds, that is, the mindset of entrepreneurs. All of the owners were concerned about their stakeholders. The employees were the key stakeholders that Ban-Rai-I-Arun, The Yard and Hom Hostel were deeply concerned about. The owners did not want to forsake their employees. This guided their attempt to develop other businesses as a source of income that would keep their staff employed, even in the short term.

The Once Again Hostel extended their concerns to other street food SMEs in the surrounding communities as a result of the absence of foreign tourists because of the lockdown policy. Not only their businesses and employees but also those of the surrounding street food SMEs that used to generate income from foreign hostel guests were suffering. The more stakeholders that the hostel was concerned with, the more complicated the business solutions would be.

4.2. *Make Things Happen with Adaptive Capacity from Good Relationships and Trust*

When the current business environment does not support traditional business practices, SMEs require the ability to adapt to new businesses. Adaptability is not only required by entrepreneurs; employees must also be ready to adapt. The question is what drives both entrepreneurs and their employees to be ready and willing to adapt.

According to case studies, the good relationship, care and trust between entrepreneurs and employees were the sources of passion and power that enabled them to adapt. Trust and good relationships have long been cultivated by entrepreneurs' mindsets. Mr. Wirod explicitly said that his staff members were like his family. The Once Again hostel owner emphasized that his team members were his partners. He encouraged his staff to perform social responsibility activities, such as helping redesign bus stops in Bangkok. The Once Again team had shared the same goal and had a strong bond and good teamwork since before the crisis.

During the crisis, the owner's concern for his employees led them to try their best to find a solution in various ways. In turn, the entrepreneur's efforts were well received by their employees, resulting in their eagerness to adapt, learn and try new things.

As a result, Ban Rai I Arun's employees proposed making chili paste for selling online and trying to learn how to sell products online. The Yard's employees transformed themselves from hoteliers to grocery retailers. The Hom Hostel's employees were willing to change their jobs to help to cook and deliver food boxes. The Once Again hostel's employees learned to operate online food delivery platforms and changed their work to a food delivery hub provider.

4.3. *Resolve Immediate Short-Term Problems with Bonding Social Capital*

The lessons learned from case studies show that bonds or strong ties of social capital were fully utilized and made SMEs able to resolve a sudden and unexpected problem during a crisis. One of the major challenges during the COVID-19 pandemic was the cash flow shortage.

In these cases, hostel staff were considered the bonding social capital for the hostel entrepreneurs. Each case resolved the cash flow problem quickly by working closely with their staff, especially in the case of Ban Rai I Arun and Hom Hostel. Mr. Wirod brainstormed with his staff, and one of Ban Rai I Arun staff members knew a good recipe

for chili paste, so the hostel decided to sell homemade chili paste during the lockdown. Hom Hostel utilized its staff to help to cook and distribute food to charity organizations.

However, there was bonding social capital among the people who experienced the same environmental background. Two hostel owners acknowledged that the new business ideas would not be sustainable in the long term. Hom Hostel owners set a three-month period for the charity project. Ban Rai I Arun stopped the business once it hit the targeted sales. After the government eased the lockdown, Ban Rai I Arun turned to its hostel business and continued to focus on domestic tourists.

4.4. Remodeling Business with Bridging Social Capital

The bonding social capital was fully utilized to solve a short-term problem. However, when the pandemic was longer than expected, the use of bonding social capital encountered limitations. The capability of employees and the number of existing customers were insufficient to maintain the business in the long run. Large companies can overcome these challenges by investing money and leveraging resources from their group companies. SMEs could not follow the same path. They have limited resources and know-how. To maintain their business, it is crucial for SMEs to acquire new knowledge from outsiders.

In these case studies, bridging social capital played an important role for the SMEs to transform their businesses into more sustainable businesses, especially for the hostels that were influenced by the long lockdown. As most of Ban Rai I Arun customers are domestic tourists, they barely suffered an effect once the government ended the lockdown. The number of reservations gradually increased.

However, for The Yard Hostel, Hom Hostel and Once Again Hostel, most of their guests are foreign tourists. The hostels' selling points are Thainess and a homey atmosphere. During the COVID-19 pandemic, when foreigners were unable to travel to Thailand, it was challenging to attract local people by using the same selling points. These three hostels transformed their business models by bridging social capital.

The Yard connected with other businesses in the same area and started selling mobile vendor carts. They are also linked with organic food suppliers and farmers. When the Yard provided a rental space, they contacted local communities and SME communities to recruit new tenants. Hom Hostel turned into a cloud kitchen hub. The owner's father helped with the construction. In addition, they linked with cloud kitchen customers as well as logistic companies.

Of the three hostels, the Once Again hostel transformed its business the most. They operated a food delivery hub and consulting service to communities. First, they engaged with local food vendors. Then, they expanded the scope of the area and increased the number of restaurant partners. They also contacted local taxi riders, other community leaders and volunteer staff. The amount of bridging social capital and the variety of weak ties are reflected in their business model transformation.

5. Discussion

Due to limited resources, a number of SMEs ended their businesses during the COVID-19 pandemic. It was found that business model innovation is the key success path for SMEs to cope with constraints and capture new business opportunities during crises [45,46]. This study illustrates four cases of small and medium hostels that attempted to transform their businesses during the COVID-19 crisis. Ban Rai I Arun relied heavily on domestic demand, and their online business was temporary and helped the hostel to resolve the temporary shock in demand. Once the situation recovered, the hostel was able to return to the former business model.

However, for all the other hostels, the majority of their revenues came from foreign customers. The length of the crisis period changed their business environment so that the hostels had to transform their business models and shift to a new sustainable business. The Yard Hostel became a coworking and rental space for events. Hom Hostel turned into a

cloud kitchen hub. The Once Again hostel operated as a food delivery hub and consulting service to communities.

Past studies have found that the essential factors for business model adaptation are social capital [47–49] and the entrepreneur mindset [35,46]. The findings in this study extend beyond past studies by providing more insight into the mechanism of how the mindset of small hostel owners determines their social capital, which enhances firms' adaptive capacity and thus the resilience and transformation of their business.

5.1. Types of Social Capital and the Effects on Business Resilience and Transformation

Past studies regarding the COVID-19 pandemic defined social capital as a general network of owners [47–49], and confirmed that social capital can help SMEs resilience to the pandemic [7,30,31]. In this study, social capital was categorized into bonding social capital and bridging social capital. This distinguishes the hostels' resilience and transformation process into short- and long-term periods.

The authors found one significant difference between Baan Rai I Arun hostel and the others: the utilization of social capital. The owner of Baan Rai I Arun utilized bonding capital, which is his staff and social media followers. In contrast, in the other three cases, the business transformation occurred when bridging social capital was utilized to acquire new knowledge and resources to establish a new business ecosystem. The greater the number of bridges or weak ties in which they engage, the greater the possibility that their business will change. The Yard Hostel engaged with friends, farmers, local restaurants and local residents. The owner even built a new relationship with suppliers that shared similar values. The Hom Hostel utilized personal networks and social media for fundraising. The Once Again Hostel involved local restaurants, local taxi riders and other community leaders.

The findings coincided with the past literature that bonding social capital can help firm resilience with the crisis in the short term. However, the bridge social capital can provide the new business ideas that help to transform businesses into new opportunities [29].

5.2. Impact of the Entrepreneur Mindset on Engagement with Social Capital

Although social capital is essential to business resilience and transformation, the entrepreneur's mindset is the key determinant of the type of social capital the owner can notice and engage with. A strong entrepreneur mindset was the key characteristic that made the hostels in this study different from other small businesses. The owners of all hostel cases kept their employees and stakeholders in mind when they were thinking of the way to maintain the businesses. It is fundamental to their business purpose. Ban Rai I Arun was created to provide local people with secure jobs. The Yard hostel believed in connecting people together. Hom Hostel's purpose is to connect living with cooking. The Once Again hostel has a strong ambition to be an inclusive business. These missions drive the hostel owners to run businesses for reasons that extend beyond simply making a profit. The purpose has broadened the owners' perspectives to not only care about themselves but also about their staff, their staff's families, consumers, suppliers and communities.

The business purpose also played an important role when the owners looked for new social capital. The purpose helped to broaden the owners' and their employees' views of social capital. The Once Again hostel staff were eager to engage with local restaurants and local taxi drivers based on their strong belief in the power of the inclusive model. The Yard hostel owner attempted to help not only their hostel business but also the neighborhood shops and organic food suppliers.

5.3. Entrepreneur Mindset, Trust and Adaptive Capacity

Gao et al. suggested that trust, shared vision and obligation are the key qualities of social capital that can help to manage risk [50]. Additionally, Khan et al.'s empirical research showed that entrepreneurs' trust and good attitudes on employees enhanced employee performance during COVID-19 [42].

In the case studies, when the purpose that stemmed from the entrepreneur mindset was well marinated among employees, the sense of being part of something larger than themselves led to high levels of engagement and a willingness to overcome challenges. The good relationship and trust between employees and owners since the precrisis generated an adaptive capacity. The hostel staff members were willing to acquire new skill sets and to adapt themselves to the changing business environment and roles. Immediately after the COVID-19 outbreak, all the hostels utilized this bonding social capital, i.e., hostel staff, to resume their business and secure their cash flow.

Moreover, the purpose helped the owners to be flexible with business formats and to not restrict themselves to the hostel businesses. The Yard Hostel owner stated that the rental space business was still aligned with her core value of connecting people. Hom Hostel owners shared similar thoughts. The hostel's purpose was to connect people by cooking. Its new business, the cloud kitchen business, still links chefs and consumers. Figure 2 summarizes the findings above.

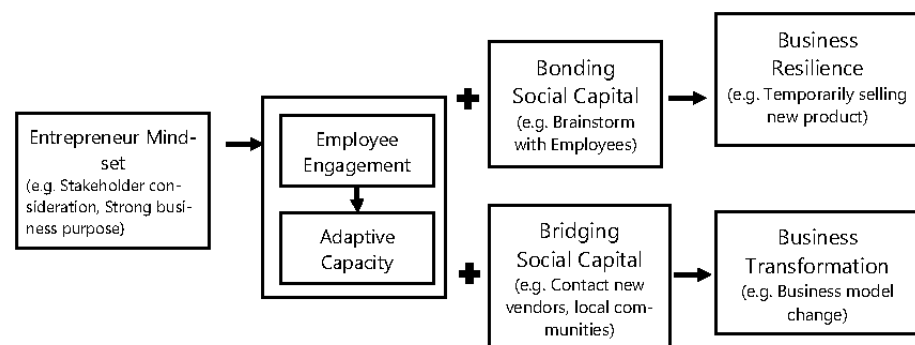


Figure 2. Flow of successful business resilience of SMEs.

6. Contribution

We began this paper with one simple question: “How can SMEs that have limited resources survive during an unexpected and uncertain crisis?” What lies behind the business model transformation and vast operational changes? This study showed that SMEs can overcome a crisis if the owner possesses an entrepreneur mindset and a clear business purpose. Bonding social capital can be used in resolving short-term challenges. For long-term solutions, employing social bridge capital can help SMEs to transform their business models.

6.1. Theoretical Contribution

This study theoretically contributes to the past literature relating to SMEs’ resilience and transformation during the COVID-19 crisis. Past studies demonstrate how large companies generated an adaptive capacity. Some investigated small and medium companies’ reaction but mainly from a strategic and operational point of view. This paper revealed the mechanism behind the resilience of SMEs that lacked resources. Categorizing social capital into bonding and bridging social capital, we specified the mechanism by which SMEs attempted to survive in the crisis. Bonding social capital helps SMEs to resume their business and secure a cash flow in the short term, while bridging social capital helps SMEs to transform their business model to fit with the changing environment in the long term.

Furthermore, we found that the mindset of entrepreneurs concerned with others was a crucial factor that helped owners to recognize and try to utilize their social capital and create an adaptive capacity for the firms.

6.2. Practical Contribution

Our findings have important practical implications. First, it was confirmed that the adaptive capacity of the staff is essential for SMEs’ resilience in the crises. It is the result of strong employee engagement, which created an entrepreneur mindset that concerns their

staff and stakeholders. Both adaptive capacity and employee engagement cannot be built shortly during crisis. Since the precrisis, entrepreneurs should proactively communicate their business purpose and care their employees. Trust from employees is significant when firms need to largely transform their business models.

Secondly, though good entrepreneur mindset can create an adaptive capacity, it is still not enough to survive in the crisis. SMEs generally lacked new business ideas and resources. However, the surviving hostels case in this study showed the utilization of different types of social capital in generating new ideas. Bonding social capital can help business resilience in a short term while bridging social capital enable SMEs transform to a new business model in a long run. Entrepreneurs should utilize their social capital, especially bridging social capital, when encountering with crisis. Some entrepreneurs, found in our secondary data research, had a good mindset, and attempted to help their employees by paying a stipend. However, they could not transform their business during a long crisis such as COVID-19 and went bankrupted. Social capital can be gained in various ways, such as contacting school circles, attending seminars and participating in volunteer activities.

7. Conclusions

Based on multi case study method, this study investigated the resilience mechanism of small hostels in Thailand during the COVID-19 pandemic. It was found that an entrepreneurial mindset that is concerned of the well-being of key stakeholders is the foundation of business model innovation. The mindful entrepreneurship created a strong engagement with employees, which results in the adaptive capacity of the firm. Then, social capital, especially bridging social capital, can fulfil the resource limitation of small hostels. It supported small hostels to access to new ideas as well as other resources.

However, there remains a limitation to this study. Theoretically, this study applied a case study approach to investigate the resilience mechanism of SMEs in the crises. Further study with empirical quantitative research was recommended to confirm the relationship between factors.

In terms of practical implication, this study focused on clarifying the mechanism of SMEs' resilience and transformation. The effectiveness of the new business model is beyond the scope of this study. A longitudinal study to confirm the key antecedents that lead to the effectiveness and sustainability of the new business model is recommended for future research.

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