

Entrepreneurial decision-making and tourism resilience: Organisational crisis responses



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Orientation: By drawing on chaos theory and resilience theory, this study aims to identify entrepreneurial decision-making strategies in response to crises in Lalibela, Ethiopia.

Research purpose: The present study aims to examine the complex entrepreneurial decision-making processes in the tourism industry, particularly in the context of economic and political crises within Ethiopia.

Motivation for the study: This study was motivated by the need to understand how entrepreneurs in Ethiopia's tourism industry navigate the challenges posed by ongoing economic and political crises.

Research design, approach and method: The study drew on responses from 43 semi-structured interviews with entrepreneurs in the tourism industry. The research employed thematic qualitative analysis to investigate adaptive resilience, negotiation power in entrepreneurship, decision-making considerations in tourism and the impacts of crises.

Main findings: The findings of this study highlight the key aspects of adaptive resilience in the Ethiopian tourism industry, including human resource management, cash flow management and exploring new business opportunities. The study identifies three key pathways for entrepreneurial decision-making during crises: crisis conditions, enterprising operations and focus, and enterprising capabilities.

Practical/managerial implications: The study focuses on resilience, emphasising crucial strategies that promote business continuity and growth. It highlights the vital importance of entrepreneurial decision-making at both the organisational and operational levels during crises. Moreover, it demonstrates how tourism entrepreneurs base their decisions on their organisation's specific characteristics and market orientation.

Contribution/value-add: The study advances theoretical understanding by uncovering organisational-level adaptive resilience during crises. It contributes to theory by enhancing the comprehension of entrepreneurial decision-making in times of crisis.

Keywords: adaptive resilience; crisis management; decision-making; entrepreneurs; tourism business.

Introduction

Owing to its rich cultural and natural heritage resources, Ethiopia stands as one of Africa's premier tourist destinations. In addition to its diverse culture, which attracts numerous tourists from around the globe, Ethiopia boasts 13 heritage sites, including nine cultural heritage sites and four types of intangible cultural heritage recognised by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) (Zewdu 2024). Despite the challenges in adequately conserving and managing these world heritage assets and other abundant natural and cultural resources, Ethiopia still possesses the potential to leverage these heritage resources to drive tourism development (Worku 2023; Zewdu 2024). However, Ethiopia's tourism growth has been minimal and inconsistent over the last quarter of the 20th century because of political instabilities and recurring civil wars.

One of the most popular tourist destinations in Ethiopia is Lalibela, an ancient town known for its rock-hewn cathedrals that are classified as a UNESCO World Heritage Site. Yet in recent years, the tourism industry has encountered difficulties that have been unseen before. Travel restrictions, border closures and health concerns because of coronavirus disease 2019 (COVID-19) pandemic caused a substantial fall in tourism activities and created a serious impact on tourism worldwide (Gössling, Scott & Hall 2020). This led to bankruptcies, business closures, job interruptions and

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significant financial losses resulted from this. The industry was also negatively impacted by decreased cross-cultural interactions, disruptions to community activities and the loss of cultural assets (Akamavi, Ibrahim & Swaray 2023).

In addition to those common pandemic-related global issues, Ethiopia's tourism industry has faced problems because of political conflict in recent years. In November 2020, as the industry was starting to recover, the Federal Democratic Republic of Ethiopia (FDRE) and the Tigray regional government engaged in violent combat in northern Ethiopia. By late 2022, it seemed like this fight had ended, but a new war sprang up between the Amhara Fano and the FDRE administration, which is still becoming worse. Ethiopia's tourism industry has been severely damaged by these continuous conflicts, exacerbating the financial difficulties that the epidemic first caused (Ayal, Dubale & Bishaw 2025; Demissie 2023).

Unresolved internal conflicts can lead to violent confrontations that undermine political legitimacy and deter visitors, exacerbating socio-economic instability and safety concerns. Lalibela has faced repeated serious violent conflicts that have exacerbated existing issues. In the tourism industry, crises have a profound impact because of the industry's inherent volatility. Most businesses are small and medium enterprises, and many individuals are self-employed, striving to sustain their livelihoods (Khan et al. 2020). In addition, the industry involves numerous interconnected activities and entities that are highly susceptible to crises (Sharma, Thomas & Paul 2021), as its products and services are often considered luxury items with high consumption elasticity (Pappas & Brown 2021). Despite this, there is a notable gap in the literature concerning entrepreneurial decision-making in the industry during the COVID-19 pandemic and violent conflicts.

To fill these gaps, this study examines the complex entrepreneurial decision-making processes in the tourism industry, using the economic and political crisis in Lalibela as a case study. It draws on the results of 43 in-depth interviews conducted with entrepreneurs in Lalibela, exploring the implications of trust, negotiating power and decision-making considerations. The study enhances the comprehension of the tourism industry's adaptive resilience in the face of the COVID-19 pandemic and ongoing violent conflicts. Furthermore, the study investigates business resilience in the context of the variations in leadership and entrepreneurial traits. Theoretically, it advances the understanding of the entrepreneurial decision-making environment, adaptive resilience and the implications of the latter for the tourism industry. Practically, the study provides insights into adaptive resilience strategies as directly experienced by stakeholders in the tourism industry.

Theoretical background

Chaos and complexity

Chaos theory, first introduced in 1963 (Oestreicher 2007), seeks to understand how chaos and order arise, leading to

changes within organisations and their environments (Farazmand 2003). The theory posits that organisational structure and actions influence both the company and its environment (Levy 1994). Although it is possible to identify patterns leading to instability, arriving at standardised answers is challenging because of the variability in organisations and their human capacities (Canteiro, Córdova-Tapia & Brazeiro 2018). Emerging from chaos theory (Pappas & Brown 2021), complexity theory acknowledges that many events cannot be explained by cause-and-effect linkages as certain effects might arise from random interactions that have no deterministic cause (Canteiro et al. 2018). According to Dedeoğlu et al. (2023), this theory describes how components of a complex system interact with one another and their surroundings and form collective behaviours.

Complexity and chaos theories both concentrate on nonlinear systems that are extremely sensitive to their starting conditions (Farmaki et al. 2022). The main distinction between the two theories is with regard to the predictability of events; chaos theory contends that occurrences are unpredictable, whereas complexity theory argues that this unpredictability may be encapsulated in a somewhat stable pattern (Olmedo & Mateos 2015).

Given the current economic challenges, many countries aim to gain a competitive edge and revitalise their economies by encouraging entrepreneurship. In the tourism industry, company performance is influenced by a complex interplay of internal and external factors (Kallmuenzer et al. 2019). Tourism products and services, such as service packages, product bundles and unique customer relationships, are characterised by considerable complexity. Consequently, entrepreneurial activity in tourism depends on the business environment's complexity, dynamism and available resources, which represent the uncertainty that organisations face (Liao & Chuang 2020).

Complexity in entrepreneurial decision-making

Entrepreneurial decision-making occurs in fast-changing and uncertain environments, like economics and finance, where sudden disruptions can signal deeper systemic issues (Ruppenthal & Rückert-John 2024; Wang et al. 2020). Such volatility undermines forecasts, pushing entrepreneurs to adopt decision logics grounded in flexibility and adaptability (Stroe, Parida & Wincent 2018). Shared leadership, characterised by collaboration, distributed responsibilities and effective use of human capital, further enhances responsiveness (Wang, Kim & Tran 2024). At the individual level, traits such as internal locus of control, risk-taking, tolerance of ambiguity and overconfidence strongly shape entrepreneurial choices (Kerr, Kerr & Xu 2018). Decision-making is thus considered a core entrepreneurial competency, enabling entrepreneurs to identify and act on opportunities despite uncertainty (Busenitz & Barney 1997; Cowden et al. 2024; Zayadin et al. 2023). Crises, however, heighten complexity by reshaping stakeholder interactions and amplifying environmental sensitivity (Sharma et al. 2024). In such contexts, entrepreneurs often prioritise immediate threats,

display loss aversion and adopt risk-seeking behaviours that accelerate structural change (Saebi, Foss & Linder 2019). Hence, effective decision-making under crisis requires adaptability and resilience.

These dynamics are particularly evident in Ethiopia's tourism industry, where economic and political crises have intensified uncertainty. Tourism decision-making is inherently complex, involving diverse stakeholders, rapid change and imperfect information (Olmedo & Mateos 2015; Salas-Olmedo et al. 2018). The industry, already weakened by COVID-19, was further destabilised by the 2020 northern conflict and the ongoing Amhara-FDRE clashes. These armed conflicts have suppressed tourism demand, created occupational instability and further complicated consumer and entrepreneurial decision-making (Ahmed & Oumer 2023).

Crises and business resilience

Crisis management and resilience are closely interconnected concepts in organisational studies. Crisis management seeks to minimise the effects of extraordinary events, while resilience emphasises an organisation's capacity to adapt, survive and thrive during and after crises (Zhang, Gong & Wang 2024). Their relationship suggests that resilience strengthens the integration of crisis management with long-term strategic planning (Ruppenthal & Rückert-John 2024). While crisis management addresses immediate disruptions, resilience highlights adaptation and growth, making it a more effective lens for understanding organisational responses to adversity (Prayag 2018). Despite its significance, evidence on the reliability of resilience measures for survival and performance in the tourism industry remains limited (Hall & Naderi Koupaie 2024).

Research underscores the need to investigate resilience at the organisational level to better understand crisis management and recovery in tourism (Trupp et al. 2024). The increasing importance of resilience stems from global uncertainties such as financial crises, geopolitical tensions, natural hazards and global health challenges such as COVID-19 (Aidoo et al. 2021; Chowdhury, Audretsch & Belitski 2019). The COVID-19, in particular, tested organisational preparedness, underscoring the role of adaptive resilience – where businesses take quick, decisive actions, adjust direction and use available resources to overcome challenges and foster innovation (Gan et al. 2024).

Tourism resilience research has largely concentrated on industry-level responses to catastrophic events. Examples include post-earthquake recovery in Christchurch, New Zealand (Chowdhury et al. 2019), post-tsunami and post-war tourism resilience in Sri Lanka (Buultjens, Ratnayake & Gnanapala 2017) and resilience frameworks for climate-affected destinations (Wang et al. 2022). However, organisational-level studies remain limited, although they are essential to understanding leadership and business strategies that foster resilience. The pandemic has highlighted tourism's vulnerability, reinforcing the need

for adaptability and flexible responses (Munawar & Choudhry 2021; Munawar et al. 2022).

In South Africa, Rogerson and Rogerson (2021) found that adaptability was critical for tourism businesses to overcome pandemic-related challenges. Their work also highlighted the influence of national government support and leaders' non-cognitive qualities in shaping crisis responses and business survival. This perspective shifts the focus towards organisational-level resilience, linking it directly with entrepreneurial decision-making. As crisis management, entrepreneurial decision-making and resilience are tightly connected, understanding how entrepreneurs strategically respond to shocks provides insights into firms' recovery capacities.

Despite the centrality of entrepreneurship in tourism, research on entrepreneurial decision-making within this industry remains underexplored. While entrepreneurship is increasingly recognised as a driver of adaptive capacity in complex systems (Roundy, Bradshaw & Brockman 2018), theoretical analyses of entrepreneurial decision-making remain scarce (Motoyama & Knowlton 2017). Existing studies notice that the tourism industry, dominated by small, entrepreneurial organisations, still lacks comprehensive research on how entrepreneurs navigate crises (Madawala, Foroudi & Palazzo 2023; Trupp et al. 2024). This research gap highlights the need for deeper investigations into entrepreneurial strategies for resilience in tourism, particularly under external uncertainties and crises.

Research method and design

This study adopted an interpretivist research paradigm, which emphasises that individuals' perceptions, motives and lived experiences shape their understanding of social phenomena (Alharahsheh & Pius 2020). Within this framework, the professional experiences and roles of tourism stakeholders were central to interpreting how entrepreneurial actors navigated crises. To capture these perspectives, qualitative interviews were conducted with business owners, managers and entrepreneurs in Lalibela's tourism industry, focusing on their decision-making and resilience strategies.

The research targeted stakeholders directly or indirectly engaged in tourism-related activities, including hotel owners, church administrators, tour operators, local guides, souvenir shop owners, mule transport providers, tourism officers and residents. Participants were purposefully selected for their extensive experience and contextual knowledge, which enabled them to provide rich insights. A purposive sampling approach was employed, consistent with qualitative principles of selecting information-rich cases (Palinkas et al. 2015). Selection also considered participants' availability, willingness and ability to reflect on personal experiences (Etikan 2016), ensuring diverse perspectives and enhancing conceptual depth (Shaheen & Pradhan 2019).

The number of interviews was guided by theoretical saturation, referring to the point at which no new themes

emerged. Recognising the challenge of pinpointing this moment, the study relied on the researchers' professional judgement to determine sufficiency (Guest, Namey & Chen 2020). A total of 43 in-depth interviews were conducted with key informants such as tourism officers, church administrators, hotel managers, souvenir shop owners, tour operators, mule providers, guides and residents. Their narratives revealed complex challenges and adaptive strategies, offering valuable insights into entrepreneurial decision-making and business resilience in crisis-affected tourism contexts.

Data for this study were collected through face-to-face semi-structured interviews conducted in Lalibela between May and August 2024, using a discussion framework informed by prior literature on crisis management, business resilience and entrepreneurial decision-making. The framework addressed four main areas: (1) business resilience and crisis responses, drawing on research on preparedness and adaptive capacity (Jamal & Budke 2020; Prayag et al. 2024); (2) government interventions and institutional support, based on studies of state effectiveness during crises (Félix, García Reinoso & Vera 2020; Turner 2023); (3) entrepreneurial decision-making under uncertainty, with attention to flexibility, partnerships and strategic adaptation (Joel & Oguanobi 2024; Mitchell 2023); and (4) individual and non-cognitive traits such as grit and perseverance, which are recognised as essential for sustaining entrepreneurial activity in turbulent contexts (Bangwayo-Skeete & Skeete 2022). This structure ensured that the interviews captured organisational strategies and contextual influences, linking organisational-level experiences to broader theoretical debates on crisis, resilience and complexity.

A pilot interview was conducted prior to the main data collection and included in the final dataset, as only minor adjustments were required. All interviews were conducted in Amharic, Ethiopia's official language, to minimise linguistic bias and ensure clarity. The interviews were audio-recorded, transcribed verbatim and cross-checked for accuracy. Transcripts were translated into English and back-translated by an independent expert to ensure conceptual equivalence.

To ensure reliability and validity, a systematic coding process guided the thematic analysis. The process began with open coding, followed by axial and selective coding to identify and refine key themes. Multiple researchers independently coded the data, discussing discrepancies to strengthen consistency. Triangulation was also applied by comparing findings with secondary data and participant feedback, which enhanced the credibility of the analysis.

Alongside primary data, an extensive literature review was undertaken, drawing on books, peer-reviewed journals and academic sources on tourism, the COVID-19 pandemic and violent conflict. Secondary data from the Lalibela Tourism Office and records of the Rock-Hewn Churches were also

used to support trend analysis and highlight the crises' adverse impacts on the tourism industry. These materials were systematically reviewed and integrated with the interview data to strengthen the study's conclusions.

Thematic analysis was chosen for its flexibility, capacity to capture diverse perspectives and ability to summarise complex datasets (Kiger & Varpio 2020; Nowell & Albrecht 2019). After transcription and open coding, themes were reviewed, refined and organised into main themes and sub-themes. Selective coding was facilitated using Excel templates, while tables in Word and Excel supported manual analysis, providing contextual control and deep engagement with the data (Berbekova, Uysal & Assaf 2021).

Guided by deductive reasoning, the interview framework focused on three themes: (1) the effects of violent conflict and COVID-19 on businesses; (2) lessons learned from crisis experiences; and (3) preparedness for post-crisis recovery and resilience.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of Johannesburg's Department of Business Management Research Ethics Committee on 25 April 2025. The clearance number is 25SOM/BM12.

Findings and discussion

Economic impact

The emergence of multifaceted economic drawbacks because of the onset of the pandemic and conflict was one of the key themes of this research. Among the economic effects found were the cancellation of reservations, a decline in tourist flow, a decline in tourism revenue and the inability to repay scheduled debt. These findings are presented under sub-themes in the sections that follow.

Cancellation of reservations

The findings of the study revealed that the effects of the pandemic and violent conflict on Lalibela's tourism development included the cancellation of various hospitality service reservations by different tourism service consumers. These cancellations were attributed to the occurrence of the pandemic and violent conflict in the research area.

The COVID-19 had an unprecedented impact on the Ethiopian tourism industry. The full fallout is unknown, as the ultimate toll of the outbreak is yet to be determined. Travel restrictions and social distancing policies had a dramatic effect on the industry (Goshu et al. 2020). Goshu et al. (2020) found that countries enforced safety measures and restrictions to control the spread of a pandemic when there was a threat to public health and safety. Furthermore, restrictions notwithstanding tourists may choose to avoid visiting specific areas because of concerns about their health and safety, leading them to cancel their previously arranged

tour programmes. This was widely perceived to have significantly affected the socio-economic development of destinations such as Lalibela. Like these arguments, findings from in-depth interviews with participants of the study confirmed that the pandemic resulted in the cancellation of tour programmes in Lalibela. According to accounts provided by several participants in the research area, these cancellations significantly impacted the incomes of all tourism beneficiaries in the town. For example, a hotel manager emphasised the effects of reservation cancellations:

'Although there were two budgets for the calendar year 2019/20, over five meetings had to be postponed, and between February and June 2020, almost five hundred hotel nights were cancelled.' (P8)

The participants reported that during the COVID-19 outbreak, travel to and from Ethiopia and Lalibela was prohibited. They also indicated that numerous national and international authorities recommended that their citizens postpone their planned travel to Lalibela, describing it as one of the most dangerous tourist destinations for health and safety reasons. The tourism industry was severely affected, with airlines cutting flights and tourists cancelling business trips and holidays (Abodunrin, Oloye & Adesola 2020). Governments around the world introduced travel restrictions to try to control the virus. Several countries from which tourists commonly originate, such as the UK, New Zealand, the US, Ireland, Canada, and Australia, issued warnings to their respective citizens regarding travel to Ethiopia (Goshu et al. 2020).

The embassies of the aforementioned countries advised outbound tour and travel companies that had made reservations through various Ethiopian inbound agencies to cancel all bookings, particularly for destinations affected by armed conflict, such as Lalibela. Confirming this, the findings from the accounts of the in-depth interviews further showed that, after the occurrence of fierce violence in August 2020, several embassies released a travel alert restricting all journeys to Lalibela. This led to confirmed upcoming tourists to Lalibela cancelling their reserved programmes because of the intense violence that occurred in and around the town.

The results showed that a considerable number of planned international tourist arrivals from Addis Ababa to Lalibela were cancelled because of the travel alerts. Wide-ranging socio-economic repercussions resulted from this drop in tourism, including lower revenue for local enterprises, job losses among those employed in the tourism industry, lower revenue for historical and cultural institutions, and financial hardship on small businesses that depend on visitor spending. The region's economic volatility was further exacerbated by the economic downturn's effects on regional artists, transit companies and community-based tourism projects. In an in-depth interview, a male local guide and private tour operator in Lalibela stated that the start of political upheaval in the study region led to several cancellations: This participant provided the following explanation:

'It's truly disheartening. I had eight different confirmed upcoming groups of tourists, but they all cancelled their pre-booked programs out of fear of the violent conflict in Lalibela.' (P31)

Furthermore, a thorough interview with a tourist hotel association representative disclosed:

'Three hundred reserved rooms were cancelled during the 2020 violent conflict in the research area.' (P8)

The participant indicated that the crisis had persisted from 2020 to 2024, impacting not only major tourism institutions but also threatening the very survival of small tourism businesses, such as owners of tourist transport mules and small private tourist facilities, as confirmed during the interview. One participant who owned a hotel reported that since 2020, the violent fighting in Lalibela had caused their hotel to lose approximately 40 million Birr (approximately 670000 USD) in revenue because of the discontinuation of various services. Therefore, the above findings support the proposition that the pandemic outbreak and violent conflict caused the research area's hospitality services and other scheduled tour programmes to be cancelled. This, in turn, greatly impacted the study area's tourism industry's economic significance.

Decline in tourist flow

To explicitly understand whether the COVID-19 pandemic and violent conflicts impacted the flow of tourists to Lalibela, data gathered from government and private tourism stakeholders were analysed. The main data sources included tourist flow and revenue reports provided by the Lalibela Town Administration Culture and Tourism Office and the St. Lalibela Rock-Hewn Church Administration Office. In addition, data from private tourism stakeholders, such as the Hotel Owners Association, were analysed.

The dataset, spanning 10 years of tourist flows, revealed that the onset of the COVID-19 pandemic and violent conflicts had a significant negative impact on tourist inflows to the study area. In 2019/2020, the total number of tourists visiting Lalibela was 60210. However, in 2020/2021, this number plummeted to only 9277, a staggering 99.85% decrease, indicating the severe impact of the pandemic on tourist arrivals. Furthermore, in 2021/2022, tourist flow to Lalibela declined by 99.83% compared to 2019/2020, demonstrating how violent conflicts further disrupted tourist arrivals in the following year (Figure 1).

Furthermore, an analysis of the Lalibela Rock-Hewn Church Administration Office's 8-year record of tourist flow data revealed a significant decline. According to these data, the total tourist flow to Lalibela came to a complete halt in the 2020/2021 Ethiopian fiscal year, marking a 100% decrease from 2019/2020. This highlights the severe impact of the COVID-19 pandemic on the influx of tourists. Similarly, in

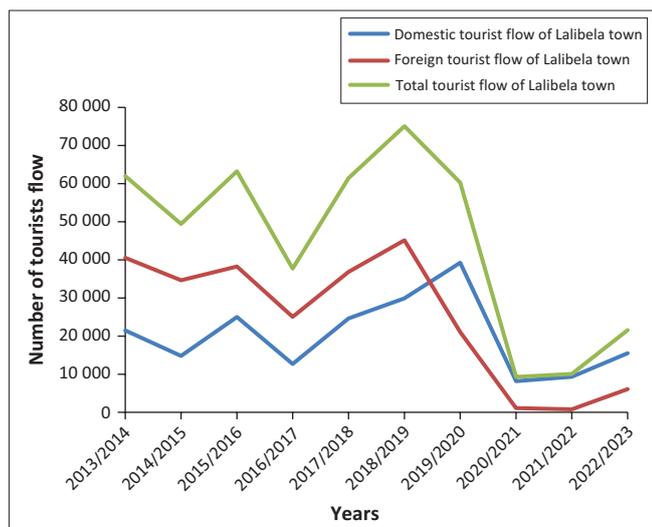


FIGURE 1: Annual flow of tourists to Lalibela town from 2013/2014 to 2022/2023.

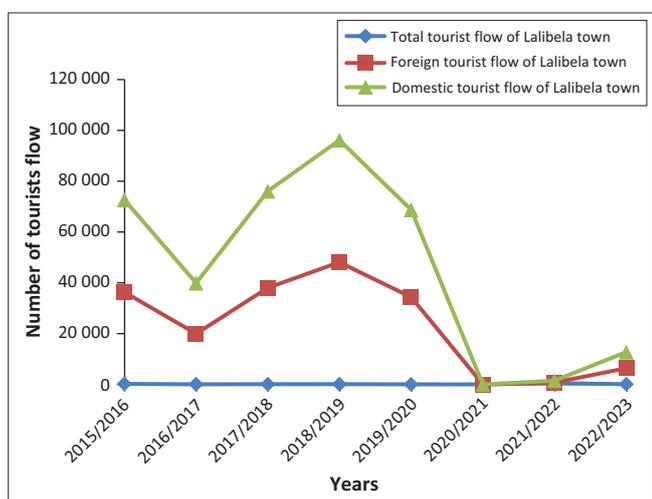


FIGURE 2: Annual flow of tourists to Lalibela town from 2015/2016 to 2022/2023.

2021/2022, the flow of tourists to Lalibela decreased by 99.98% compared to 2019/2020, demonstrating how the onset of political conflict from 2020/2021 onwards severely affected tourism in the study area (Figure 2).

Decline in tourism revenue

When the number of tourists decreases, tourism revenue inevitably declines. The data show that the COVID-19 pandemic and violent conflicts have led to a significant drop in tourists visiting Lalibela over the past few years (see Figure 1 and Figure 2), which has, in turn, adversely affected the overall revenues of the tourism industry, as well as the incomes of various tourism stakeholders and individual beneficiaries. To gain a deeper understanding of these effects on tourism in Lalibela, we analysed the revenue from the entire tourism industry, various stakeholders and small-scale individual beneficiaries. This analysis utilised data collected from different tourism stakeholders, including tourist hotels, the Rock-Hewn Churches of Lalibela, local tour guide associations, souvenir shops, supporters of local guide associations and tourist transport mule owners.

The study's findings revealed that the COVID-19 pandemic and violent conflicts significantly affected the revenue generated from the tourism sector in the research area. To gain a better understanding of these impacts on the overall tourism revenue in Lalibela, data collected from Lalibela Town Administration Culture and Tourism Office were analysed. The analysis showed that, compared to the annual tourism revenue for 2019/2020, the total revenue from Lalibela's tourism industry decreased by 92% in 2020/2021 and by 93% in 2021/2022 (see Figure 3).

Revenue data collected from the Rock-Hewn Churches of Lalibela serve as a key indicator of the impact of the COVID-19 pandemic and violent conflicts in the area. As noted earlier in this study, the Rock-Hewn Churches of Lalibela became a fierce battleground between armed anti-government forces and government soldiers, leading to a complete halt in tourist activity for some time because of the intense fighting. Eight years of data from the Rock-Hewn Churches of Lalibela administration report show that revenue dropped to zero in 2020/2021 and recovered only slightly in 2021/2022, reaching just 2% of the 2019/2020 level (see Figure 4).

As illustrated in Figure 4, the total revenue from tourism in Lalibela declined because of the COVID-19 pandemic and violent conflicts. To further substantiate this, revenue data from various tourism stakeholders in Lalibela, such as tourist hotels, were analysed. The findings revealed significant revenue decreases among major tourism stakeholders during the COVID-19 pandemic and violent conflicts in Lalibela.

Inability to repay scheduled debt

The COVID-19 pandemic, combined with the ongoing war in the Amhara region, has severely intensified financial pressures on Lalibela's hotel industry. Tourism decline and economic disruption left many hotels unable to generate sufficient revenue, placing them at risk of foreclosure because of unpaid bank loans. This crisis deepened the vulnerability of local businesses, with owners struggling to sustain operations under prolonged instability.

In response, the Lalibela Hotel Association played a crucial role in advocating for its members. Recognising the severity of the situation, the Association appealed for government support. Consequently, the Amhara National Regional State negotiated with the National Bank of Ethiopia to introduce relief measures. These included postponing repayment schedules for conflict-affected hotels and offering additional low-interest loans to ease immediate financial burdens. According to hotel owners, this intervention provided temporary stability and prevented widespread business collapse.

Despite these measures, the long-term viability of Lalibela's hotel sector remains uncertain. The ongoing conflict continues to discourage tourist arrivals and reduce revenue streams, leaving businesses unable to fully recover. Hotel owners

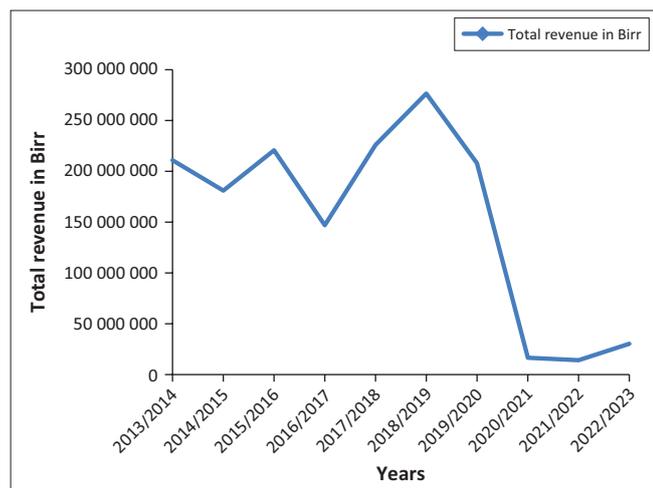


FIGURE 3: Revenue collected from the tourism industry in Lalibela from 2013/2014 to 2022/2023.

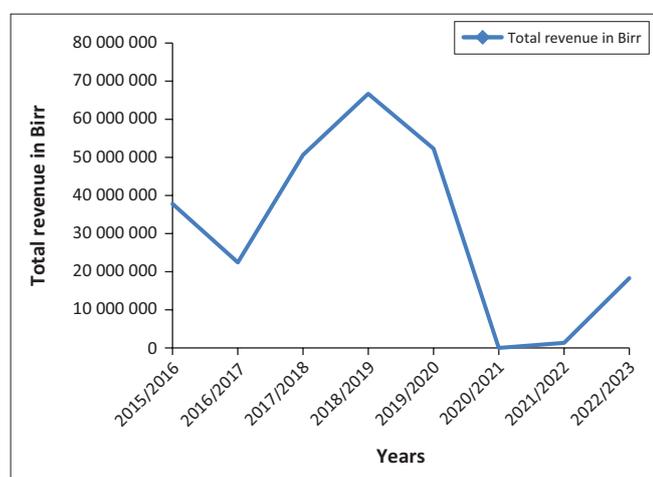


FIGURE 4: Revenue collected from the Rock-Hewn Churches of Lalibela from 2015/2016 to 2022/2023.

remain at risk of defaulting on deferred loans and accumulating interest, highlighting the fragility of the sector. P9, a hotel owner noticed, temporary relief cannot substitute for lasting stability and sustainable recovery:

‘Tourists who visit our hotel have unexpectedly declined over time. As a result, we are unable to repay our loan on schedule, and the bank is charging interest on the interest. It’s a headache. I don’t know what to do unless the government and responsible bodies take corrective actions.’ (P9)

Another a hotel owner echoed this sentiment:

‘Since we haven’t paid our loan, the bank is treating the interest as the main loan. Overall, we are in a significant financial crisis.’ (P25)

The findings indicate that the COVID-19 pandemic outbreak and violent conflicts severely weakened the financial capabilities of hotel owners, rendering them unable to pay their bank debts on schedule. This financial incapacitation, as reported by the participants, has had a significant negative impact on the development of tourism in Lalibela. According to the accounts of the participants, these events have not only hindered individual hotel businesses but also affected the

overall tourism industry in the area. The inability to meet financial obligations has led to a cascade of economic challenges, stalling potential growth and development within the tourism industry.

Forms of business resilience

Human resource management

The findings on human resource management show how tourism organisations navigated the turbulence of the COVID-19 pandemic and violent conflicts by adopting flexible and creative workforce strategies. Viewed through the chaos and complexity theory lens, organisations responded to nonlinear shocks with adaptive measures such as wage reductions, unpaid leave and profit-sharing, while striving to retain full-time staff. These practices highlight resilience as a dynamic adjustment process rather than a fixed capacity (Duchek 2020). Decisions to streamline operations, reassign employees to multiple roles and support side-income opportunities demonstrate the industry’s self-organising capacity under volatile conditions.

Drawing on the crisis and business resilience literature, the findings further show that resilience in human resource management was achieved through a balance of economic pragmatism and benevolence. Participants recognised that layoffs were unavoidable but sought to implement them with fairness and empathy, reflecting the importance of social capital and trust during crises (Prayag et al. 2024). Managers built long-term adaptive capacity beyond immediate survival by introducing multitasking and redesigning job descriptions. This resonates with adaptive leadership, which emphasises mobilising people to tackle tough challenges by fostering flexibility, learning and shared responsibility (Madi Odeh et al. 2023). For example, P8’s decision not to return to a pre-crisis workforce of 200 employees but to focus instead on ‘smart working practices’ illustrates how crises can act as catalysts for organisational transformation rather than merely temporary disruptions.

Overall, the evidence highlights that tourism organisations’ human resource strategies during crises exemplify resilience as a dynamic and iterative process shaped by external shocks and internal agency. By applying principles of agility, experimentation and adaptive restructuring, firms demonstrated how entrepreneurial decision-making aligns with theories of complexity and resilience, as well as with crisis-oriented HRM approaches that position organisations to not only endure crises but also emerge leaner and more strategically prepared for future uncertainties (Kuntz, Malinen & Näswall 2017).

Cash flow management

To maintain cash flow, several participants re-evaluated their organisational framework for cost-reduction measures and simplified their operations to adopt a leaner model. They enhanced innovation and improved communication among

workers, as reported by P2, P8 and P18. This adaptability boosted their continuous resilience; the transition to digital communication, remote work and increased tech-savvy prepared them for other disruptions such as severe weather events and periodic floods. Disposing of assets was another strategy to improve cash flow and reduce ongoing expenses. For instance, P23's travel agency sold some of their tourist vehicles, whereas P12's operations redirected surplus cash flow to a different fund or account to ease the burden. Furthermore, several participants injected their own funds into their businesses as shareholder loans, as noticed by P25, who mentioned using personal savings and taking out a loan to continue operations for a year.

Small family-owned businesses quickly conserved resources by having family members forgo salaries. A participant, who runs a gift and souvenir shop, attempted to obtain donations and support, bolstering the business's survival during the pandemic. She opined:

'I leveraged my status as a social enterprise with tax exemptions to accept donations, thereby diversifying my revenue sources beyond tourism.' (P28)

Planned resilience greatly enhanced adaptability (Filimonau & De Coteau 2020). P30 utilised first-hand information from customers to gauge the influence of the COVID-19 pandemic and violent conflicts accurately. She secured overdrafts to maintain cash flow during extended lockdowns, ensuring the business could endure the prolonged crisis.

The management of current liabilities

Some participants found the loan moratorium beneficial, while others were still subject to demands for debt recovery from creditors. Flexibility involves examining debt renewals to better manage current liabilities. One's capacity to persuade creditors of future business continuity will determine one's level of success in this area. A business owner's prospects of renegotiating their debt are greatly increased by planned resilience because a well-run business is more likely to win over creditors. Goodwill is earned by prior kindness and ethical business practices (Biddle 2021). With 25 years of experience in the hotel and travel sectors, a participant secured advantageous terms for debt repayment. He shared:

'Oh, we did explain to them, and they were all okay. Sometimes they become your business associate and then friends. So they understood. It's also the image of the company; they know who they are dealing with, and then they'll come back. It's like that in any business, not just the travel business.' (P8)

In addition, P21's business's environmental preservation efforts earned him the trust of numerous partners, and his track record of commercial success gave him an outstanding credit status.

Investigating other business opportunities

The results showed that acknowledging mistakes played a crucial role in responsiveness. Participants such as P2, P4 and P19 admitted that their companies were vulnerable

because of a narrow focus on a specific area or areas. In response, they expanded their business activities beyond the travel industry. They demonstrated adaptive resilience by developing new skills, leveraging technology and repurposing facilities to adjust to changing conditions. Their agility was evident as they took advantage of regulatory changes, such as using quarantine facilities to support travel operations.

Local guides transitioned to online training and events, while some organisations expanded into hotel and hospitality services for local customers. One participant (P6) noticed that as the demand from local customers increased over time, shifting the focus to them led to a rise in hotel revenue from domestic sources, reaching 80% of total revenue. Hotels with short-term leases near oil and gas sites and similar businesses offered packages for essential workers and introduced day-use rooms for remote work, capitalising on the increased demand driven by travel restrictions and work-from-home fatigue.

Entrepreneurial decision-making

The trait approach explores key personality characteristics that influence individual behaviour and decision-making, such as internal locus of control, risk-taking, need for achievement, tolerance of ambiguity and overconfidence (Kerr et al. 2018). This perspective is not exclusive to entrepreneurs but is often used to understand their unique decision-making processes. Research suggests that entrepreneurs tend to rely on intuition and cognitive biases more than managers (Williams, Rodriguez Sanchez & Škokić 2021). Given their frequent exposure to risk and uncertainty, entrepreneurs spend relatively little time managing routine tasks, focusing instead on navigating complex and unpredictable challenges (Wei & Duan 2024). Cowden et al. (2024) highlight decision-making as a crucial skill for pure entrepreneurs, and Busenitz and Barney (1997) view entrepreneurs as skilled decision-makers. Good judgement is vital for identifying opportunities amid uncertainty (Zayadin et al. 2023). Experienced entrepreneurs tend to use causal logic when high-stakes decisions affect their business's survival; they carefully evaluate options and seek advice from trusted network members before or after making decisions. These decisions shape their business and their ability to recover from crises (Netz, Svensson & Brundin 2020).

Crises profoundly impact entrepreneurial decision-making by altering interactions with internal and external stakeholders (Sharma et al. 2024). During crises, immediate external threats can shift decision-making towards potential losses, often leading to less risk-averse choices and driving structural and organisational changes (Saebi et al. 2019). In addition, the operational mode of a business – whether annual or seasonal – affects decision-making. Seasonal tourism businesses, having less negotiation power and greater dependency on tour operators and mass tourism, face different challenges compared to year-round operations (Rantala et al. 2019).

According to the informants, some tourism business owners and local guides experienced a significant decline in tourist flow for nearly 6 to 7 months every year. A member of a tourist guide association described the severe seasonal and ongoing conflict crisis by stating:

'Before the COVID-19 pandemic and the ongoing violent conflict in the area, we used to generate substantial revenue from December to April. However, due to the current conflict, there are no foreign tourists even during the peak season, leaving us with no income and struggling to survive.' (P35)

The COVID-19 pandemic and related conflicts have heightened the need for precise financial data to evaluate business performance and sector position (Liu et al. 2022). Entrepreneurs' cognitive, motivational and emotional responses to such crises play a critical role in shaping their decisions. Proactive enterprises that anticipate and adapt to market changes are better positioned to navigate instability and enhance their exploratory capabilities (Zighan et al. 2022).

The in-depth interviews with souvenir shop owners revealed that their businesses were severely impacted by the COVID-19 pandemic outbreak and violent conflicts, as the enforced 'stay-at-home' measures led to a significant downturn in tourist activity. Many of their stocked cotton- and leather-made handicrafts decayed and rotted because of prolonged storage during the total shutdown caused by the pandemic and conflicts. According to these participants, this exacerbated their already precarious livelihoods, leading to further financial strain. However, 'life must go on', and for the survival of the business, coping mechanisms are necessary. A souvenir shop owner elaborated on the situation:

'After contemplating the situation for an extended period and carefully evaluating the ongoing conflict, I made the decision to launch a new business—a small restaurant aimed at serving the local community. This choice was made after thorough consideration of the environment and the challenges at hand. Thankfully, the restaurant has been thriving and is performing well, providing a steady source of income and stability amidst the turmoil. This venture has not only helped sustain my livelihood but has also created a sense of normalcy and support within the community.' (P29)

The decision-making process is also influenced by the company's negotiation power, operational mode and type of business (e.g. travel agencies and tour operators, hotels, resorts, guesthouses, food and beverage, souvenirs and handicrafts). Efficient management of customer and supplier relationships, as well as negotiation strategies, significantly impacts decision-making and overall performance (Rahimnia & Molavi 2021). Consequently, a company's capabilities and management skills are crucial factors in effective entrepreneurial decision-making during crises.

The findings of this study underscore that entrepreneurial decision-making in crisis contexts is a dynamic, multidimensional process shaped by both individual traits and environmental complexity. Drawing on the trait approach, entrepreneurs'

cognitive, motivational and emotional characteristics, such as risk tolerance, perseverance and intuition, guided their responses to uncertainty (Salisu et al. 2020). At the same time, chaos and complexity theory highlight that decision-making unfolds within non-linear, unpredictable environments, requiring adaptive experimentation and iterative learning, as evidenced by entrepreneurs pivoting to new business models or restructuring operations during the COVID-19 pandemic and ongoing conflicts. The crisis and business resilience literature further contextualises these actions by framing decision-making as a mechanism for sustaining operations, navigating resource constraints and generating long-term adaptive capacity (Saebi et al. 2019; Ho, Lam & Law 2023). Collectively, these theoretical perspectives illuminate how entrepreneurs in Lalibela combined personal agency, strategic flexibility and contextual awareness to make informed, resilience-driven decisions, demonstrating that effective entrepreneurial decision-making emerges from the interaction between traits, environmental turbulence and adaptive organisational strategies.

Implications

Theoretical implications

This study advances theoretical understanding by extending chaos and complexity theory and the crisis and business resilience literature. Firstly, drawing on chaos and complexity perspectives, the findings demonstrate how firms in the tourism industry navigated highly turbulent environments created by the COVID-19 outbreak and violent conflicts. Chaos and complexity theory emphasises non-linearity, unpredictability and the capacity of systems to adapt under turbulent conditions. The evidence from this study illustrates how organisations engaged in adaptive experimentation, flexible decision-making and iterative learning, thereby reinforcing the argument that resilience emerges from dynamic interactions between organisations and their external environments rather than from static capacities alone.

Secondly, the study enriches the crisis and business resilience literature by moving beyond macro-level analyses of economic and societal impacts (Chowdhury et al. 2019; Turner 2023) and focusing on organisational-level responses. By documenting how tourism entrepreneurs combined grit, defined as sustained passion and perseverance (Salisu et al. 2020), with context-sensitive strategies, the research highlights the interplay between non-cognitive traits and external constraints. This finding extends resilience theory by showing that resilience is not merely an outcome of organisational resources or leadership traits but is co-constructed through interactions with shifting political and economic conditions (Bangwayo-Skeete & Skeete 2022; Prayag et al. 2024).

Thirdly, the study contributes to theoretical debates on government intervention in crisis contexts. While resilience studies often privilege internal organisational or psychological characteristics, this research shows how external policy

measures, institutional support and perceived government effectiveness shaped organisations' strategies. By integrating external interventions into models of entrepreneurial resilience, the findings offer a more comprehensive framework that connects individual agency, organisational adaptability and systemic influences (Félix et al. 2020).

In addition, this study strengthens theoretical perspectives on entrepreneurial decision-making under conditions of uncertainty. It shows how entrepreneurs in the tourism industry employed flexible tactics, critical reasoning and adaptive experimentation to safeguard operations, recover from disruptions and pursue long-term growth. These insights expand complexity-based theorising by illustrating how resilience emerges as recovery and transformation, where crisis becomes a catalyst for new pathways of strategic adaptation. Collectively, the study deepens theoretical accounts of resilience by integrating chaos and complexity thinking with crisis and resilience research. It positions resilience as an evolving, interactive process shaped by the nexus of individual grit, entrepreneurial decision-making, government interventions and turbulent environments, offering a richer explanation of how organisations navigate and thrive amid crises.

Practical implications

This study provides important insights for tourism practitioners, policymakers and industry stakeholders. For practitioners, the findings offer evidence-based strategies to ensure business continuity during crises, such as diversification, flexible decision-making and strong partnerships with similar organisations (Mitchell 2023). The results also emphasise the importance of fostering innovation at both operational and organisational levels to address sustainability challenges and strengthen competitiveness, particularly during disruptive events (Yñiguez-Ovando et al. 2024). In addition, the study underscores the role of grit and perseverance in shaping recovery strategies, suggesting that entrepreneurs should combine these personal qualities with careful assessments of market, strategic and financial factors specific to their organisations when making decisions (Joel & Oguanobi 2024).

For policymakers, the study highlights the importance of creating enabling environments that support resilience through clear policy frameworks, targeted financial support and responsive institutional interventions. The findings show that government effectiveness and credibility are critical in shaping organisational-level strategies during crises, reinforcing the need for transparent, consistent and inclusive state engagement with the tourism industry (Jamal & Budke 2020). Recovery programmes should provide immediate relief and promote innovation, capacity building and long-term transformation, ensuring that tourism organisations emerge stronger from crises.

Finally, the study offers practical lessons for industry stakeholders and associations. By facilitating collaboration and knowledge-sharing across organisations, associations

can strengthen collective preparedness and improve the resilience of smaller businesses that often face resource constraints. Building networks and platforms for shared learning enhances the capacity of the sector to withstand shocks while advancing sustainability objectives. In this way, crises can be leveraged as opportunities to reorient tourism towards more resilient and sustainable models that secure continuity and long-term growth.

Limitations

Despite this study's theoretical, methodological, and practical advances, it is essential to recognise several limitations. Firstly, the study provides valuable insights into the tourism sector in Lalibela; however, its findings may have limited generalisability beyond this specific context. The sociocultural, economic, and institutional factors unique to Lalibela and Ethiopia may not directly apply to other regions or countries. Therefore, one should exercise caution when using these findings in broader tourism settings, especially those with distinct structural and contextual conditions. Secondly, different regulatory regimes and intervention strategies may mean that the findings are not generalisable to other countries. Future research could address these limitations by conducting comparative studies across multiple tourism destinations in Ethiopia and other countries with varying socio-economic and cultural contexts. Employing larger and more diverse samples, as well as mixed-method approaches, would enhance the robustness and generalisability of the findings. Thirdly, business recovery and growth beyond the specified analysis period (March 2020 – April 2024) are not recorded. Longitudinal studies could provide more detailed insights into how contextual factors evolve and influence tourism dynamics.

Recommendations

Based on the findings, this study recommends that policymakers and practitioners adopt targeted measures to enhance the resilience of tourism businesses in crisis-prone regions such as Lalibela. Policymakers should prioritise the establishment of emergency financial support mechanisms, investment in security and infrastructure, and the promotion of digital transformation to ensure business continuity. In addition, inclusive policy frameworks that engage local stakeholders are essential for context-sensitive recovery strategies. For practitioners, building financial reserves, diversifying income streams and adopting flexible workforce and digital strategies are vital for navigating future uncertainties. Strengthening collaborative networks and investing in capacity-building initiatives can further empower businesses to respond adaptively and sustainably to external shocks.

Conclusion

This study highlights the severe disruptions caused by the COVID-19 pandemic and violent conflicts to Lalibela's tourism industry, generating acute safety, security and

socio-economic challenges. Instability led to widespread service cancellations that undermined the region's appeal and disrupted key sectors such as transport, accommodation and tour operations. The sharp decline in tourist arrivals placed businesses under intense financial strain, making it difficult to cover operating costs, retain employees and meet financial obligations such as loan repayments. Prolonged uncertainty further discouraged new investments, deepened economic instability and hindered long-term recovery efforts.

In response, tourism businesses adopted diverse resilience strategies to withstand the downturn and minimise losses. Resource management and workforce restructuring were central, with measures such as side jobs, unpaid leave and tiered wage reductions used to retain critical staff. The rapid adoption of online platforms enabled continuity through digital communication and remote work. Businesses also relied on emergency and personal savings to manage cash flows, while some initiated renovations to sustain employee morale or sold idle assets, such as tourist vehicles, to protect more essential resources. These adaptive practices supported short-term survival and positioned organisations for quicker recovery once conditions improved.

The findings of this study underscore that entrepreneurial decision-making in crises is heavily shaped by external factors, including market dynamics, societal shifts and economic conditions. Entrepreneurs must evaluate their specific contexts, resources, market demands and risks to design strategies suited to their operational realities. Tailored decision-making, grounded in flexibility and resilience, enables entrepreneurs to leverage strengths, mitigate vulnerabilities and maintain business continuity amid persistent uncertainty.

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Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

Y.M.Y. was responsible for the theoretical background, research design, interview implementation, data evaluation and discussion, and he wrote the first draft of the manuscript. Z.F. performed the critical assessment and manuscript edits. Both authors, Y.M.Y. and Z.F., read and approved the submitted version. Z.F. has given her formal permission for the manuscript to be submitted in this format. Y.M.Y. has taken on the role of informing Z.F. about the progress of the editorial review process, the content of reviews and any revisions made.

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Data availability

Datasets for the study are available, and the same can be obtained from the corresponding author, Y.M.Y., on reasonable request.

Disclaimer

The views and opinions expressed in this article are those of the authors and are the product of professional research. They do not necessarily reflect the official policy or position of any affiliated institution, funder, agency or publisher. The authors are responsible for this study's results, findings and content.

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