

## Exploring key factors sustaining micro and small food, wine, and hospitality firms through the COVID-19 crisis

### Abstract

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**Purpose** – The purpose of this study is to contribute to the understanding of how micro and small firm owners/managers cope with an extreme event, as this has implications on how firms make decisions. The study considers self-efficacy and stakeholder theory as tools to gain more in-depth knowledge.

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**Design/methodology/approach** – The perspectives of owners/managers of 308 micro and small firms operating in the food, wine, and hospitality industries in Italy, one of the most affected nations, were drawn through an online questionnaire.

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**Findings** – The importance of determination, passion, family support, and a sense of responsibility towards internal and external stakeholders emerged as fundamental factors helping firms confront the crisis. Five theoretical dimensions that help explain how firm owners/managers make decisions to safeguard their firms during the COVID-19 crisis are identified. Three of these, ‘motivational’, ‘stepping up’, and ‘firm-based’ are directly associated with tenets of self-efficacy theory, and two, ‘human-moral’ and ‘entity-based’, with stakeholder theory. Further complementing this second contribution, a theoretical framework underlining conceptual and practical implications is proposed.

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**Originality/value** – The study delves into the challenges and survival of a key group of firms facing an extreme crisis. The identified dimensions provide useful conceptual depth and practical insights that, together, form part of a proposed framework. For instance, the ‘human-moral’ dimension reflects upon aspects that have wider implications, notably, for firms’ employees, and the wider society.

## Introduction

### *Central argument*

As much of the world's economies seek to recover from COVID-19's aftershocks, smaller firms are particularly and significantly affected (see Bartik et al., 2020; Brown, Rocha, and Cowling, 2020; Duarte Alonso et al., 2020). Indeed, the COVID-19 crisis has exposed many small and medium enterprises (SMEs), threatening their existence (Bivona and Cruz, 2021).

In the European Union (EU), micro firms employ fewer than 10, small firms between 10 and 49, and medium-sized firms between 50 and 249 employees (European Commission, 2003).

While smaller firms have more flexibility than their larger counterparts in times of crisis, they are less resilient (Juergensen, Guimón, and Narula, 2020).

As they typically have limited resources, smaller firms can be more vulnerable and dependable on external and internal events (Bivona and Cruz, 2021). Demonstrations of these scenarios include customers reducing or discontinuing their patronage, or financial institutions becoming more careful with their investments (Eggers, 2020). Estimations resulting from the crisis for SMEs in different countries are pessimistic, particularly regarding their liquidity, job losses, and even business failure (Cowling, Brown, and Rocha, 2020; Gourinchas et al., 2020).

In the EU, SMEs contribute to 84 million jobs (Statista, 2022). In 2021, when COVID-19 was already a major threat, there were approximately 22.6 million SMEs; of these, 21.1 million were micro firms, 1.3 million small, and almost 200,000 medium-sized (Statista, 2022).

### *Purpose and Rationale*

According to Rodrigues et al. (2021), given SMEs' economic significance, it is important to examine how they navigate the extremely defying currents of the unparalleled COVID-19

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3 crisis. Furthermore, this crisis has crucial implications for firm owners/managers in decision-  
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5 making, adapting, or innovating to alleviate COVID-19's effects. Therefore, and against the  
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7 backdrop of turmoil and uncertainty, the present research will fulfil two main objectives, with  
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9 resulting empirical and theoretical contributions. First, the study seeks to gain an in-depth  
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11 understanding of how micro and small businesses mitigate the impacts of the unfolding crisis  
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13 in its initial months (March-September 2020). To achieve this objective, the following  
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15 overarching question will be investigated:  
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19 • How do micro and small business operating in three significant sectors manage a  
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21 crisis of such unprecedented magnitude as COVID-19?  
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24 A second objective of the study is to build a theoretical understanding of  
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26 owners/managers' entrepreneurial behaviour, notably, during a severe crisis.  
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28 Correspondingly, first, the study considers the tenets of self-efficacy (e.g., Bandura, 1994)  
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30 and stakeholder theory (Donaldson and Preston, 1995; Freeman et al., 2004). Second, in  
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32 considering an inductive paradigm, complemented with the adoption of the Gioia  
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34 methodology (Gioia, Corley, and Hamilton, 2012).  
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### 39 *Contributions*

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41 Therefore, the study makes timely contributions. Empirically, and by addressing the above  
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43 overarching question, the findings could provide practical ways for businesses to consider  
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45 and learn from an unprecedented event. These practical findings could have important  
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47 ramifications; indeed, they could inform industry and government groups, as well as  
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49 consumers and researchers of key elements that enable firms' survival. The data gathered  
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51 could also illuminate links with other stakeholder groups, whereby firms' survival could  
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53 extend to supporting other entrepreneurs, as well as nurturing a stronger culture of  
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55 entrepreneurship.  
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3 Conceptually, the study's findings, supported by the above methodology depicted by the  
4 Gioia methodology and inductive approach, will build upon the gathered data, and propose a  
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6 theoretical framework. This outcome could provide insightful perspectives that enable a more  
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8 rigorous understanding of the complex journey of small firms experiencing an extreme event.  
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### 11 12 13 14 *The geographic and industry context*

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16 The research considers micro and small firms operating in three key sectors of Italy, a nation  
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18 which, in the initial months of the COVID-19 outbreak, was one of the most affected (Cozzi  
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20 et al., 2020). Moreover, all of Italy's economic sectors were severely affected by the spread  
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22 of COVID-19 (Food and Agriculture Organisation, FAO, 2020).  
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26 The first, agri-food production, comprises agriculture, forestry, fisheries, and food  
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28 production; it is one of Italy's most important sectors, accounting for 4.1% of its value-added  
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30 gross domestic product (GDP) and employing 1.4 million people (ISMEA, 2019a; ISTAT,  
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32 2019). Furthermore, the agri-food sector encompasses 56,750 firms, of which 53,360 operate  
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34 in food production; 98% of these firms are micro and small in size (Caroli, Brunetta, and  
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36 Valentino, 2019). With a 5.8 percent share of the global market, Italy occupies the fourth  
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38 position in the ranking of largest exporters in the world of agri-food products (ICE, 2018). In  
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40 2018, the nation's agri-food exports totalled 41.6 billion euros (ICE, 2018); overall, the sector  
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42 represents 11% of Italy's total exports of goods and services (ISMEA, 2020). While this  
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44 sector showed significant resilience, and guaranteed foods to consumers during the crisis,  
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46 shortages of seasonal workers, disruption of rural tourism activities, as well as supply chain  
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48 disruptions posed serious challenges (FAO, 2020; Mastronardi, Cavallo, and Romagnoli,  
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50 2021).  
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55 The second sector, wine production, consists of approximately 310,000 firms that produce  
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57 a combined 55 million hectolitres, positioning Italy among the world's leading wine  
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3 producers (ISMEA, 2019b). Through a variety of activities, including vineyard tasks,  
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5 distribution, and production, the wine sector employs approximately 1.2 million individuals  
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7 (Coldiretti National Confederation, 2018). Wine production and exports are worth  
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9 approximately 13 billion euros, or 8% of the nation's turnover in the food and beverage  
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11 sector (ISTAT, 2019). COVID-19 strongly affected Italy's wine sector, with a 20 percent  
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13 drop in consumption of Italian wines internationally, and some neighbouring markets, such as  
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15 France, declining 35 percent (Coldiretti National Confederation, 2021).  
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19 The third chosen sector, HORECA, or the amalgamation of the hotel, restaurant, and café  
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21 industries, employs about 30% of Italy's workforce (FIPE-Federalberghi, 2020), or around  
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23 seven million people, according to workforce estimates (Statista, 2020). HORECA  
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25 encompasses over 400,000 businesses, predominantly cafes, and restaurants (FIPE-  
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27 Federalberghi, 2020). In addition, HORECA significantly contributes to Italy's image as a  
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29 renowned tourism destination (Garibaldi and Pozzi, 2018). With Italy's borders closed soon  
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31 after COVID-19's impacts on Italy, airlines interrupting flights, and foreign governments  
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33 forbidding travel to Italy, the hotel industry was severely affected (Del Chiappa, Bregoli, and  
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35 Fotiadis, 2021). The restaurant industry also experienced significant impacts. A survey  
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37 conducted by Italy's Public Federation of Public Businesses (FIPE, 2021) revealed an overall  
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39 revenue fall of nearly 40 percent. In addition, 28 percent of the surveyed restaurant operators  
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41 acknowledged losing some of their staff, with 21.5 percent having to lay off employees with  
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43 substantial training and experience (FIPE, 2021). Unsurprisingly, COVID-19 is deemed to be  
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45 the greatest disruption for many years to come (FIPE, 2021).  
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## 50 51 **Literature Review**

### 52 *Self-efficacy theory*

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54 The scenario created by an unprecedented event such as COVID-19 underlines the role that  
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56 resilience, motivation, and determination could play among micro and small firm  
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3 owners/managers, including those operating in the food/hospitality industries, to confront or  
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5 mitigate ensuing consequences. Moreover, small firms are particularly **susceptible** to severe  
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7 crises (e.g., Baker and Judge, 2020; Bartik et al., 2020; Eggers, 2020). This contextualisation  
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9 emphasises the merit of considering the underpinnings of self-efficacy theory to facilitate a  
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11 more rigorous understanding of how firms cope with a devastating event.  
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15 **Supporting the above contextualisation, contemporary research illustrates the value of**  
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17 **looking through the self-efficacy lens to understand how businesses, including small**  
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19 **businesses, seek to overcome a challenging environment, with two studies produced years**  
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21 **after the global financial crisis presenting appropriate evidence. First, Duarte Alonso et al.'s**  
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23 **(2019) investigation of Greek and Spanish micro firm entrepreneurs revealed the importance**  
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25 **of self-efficacy depicted in such forms as self-motivation, determination, passion, and**  
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27 **entrepreneurs' preparedness to take risks. In addition, Sharma and Rautela (2021) found that**  
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29 **both self-efficacy and resilience played key roles in supporting small Indian business owners**  
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31 **to manage their firms during the crisis.**  
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35 Perceived self-efficacy relates to individuals' "beliefs in their ability to influence events  
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37 that affect their lives" (Bandura, 1994, p. 71), and judgements about how well they can  
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39 organise and implement courses of action to deal with unpredictable, ambiguous, or stressful  
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41 situations (Bandura, 1981). Thus, as opposed to inherent skills/abilities, perceived self-  
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43 efficacy is associated more strongly with an individual's dogged perseverance and 'perceived  
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45 operative capability' (Bandura, 1986), and with the belief that people can make a difference  
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47 by their actions (Bandura, 1994). Moreover, experiences in which individuals overcome  
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49 challenges through persevering **conform to the basis** for the development of resilient efficacy  
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53 (Bandura, 1994).  
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56 Branicki, Sullivan-Taylor, and Livschitz (2018) suggest the links between self-efficacy,  
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58 entrepreneurial resilience, and resilient SMEs, notably, as key elements for firms to bounce  
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3 back from a crisis. Lee and Wang (2017) conclude that entrepreneurial resilience is a  
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5 fundamental tool to enable business sustainability and entrepreneurial achievement.  
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8 However, Korber and McNaughton (2017) go a step further, noting that entrepreneurial  
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10 resilience is associated with survival or success. Moreover, and importantly, entrepreneurial  
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12 resilience highlights the task of entrepreneurial actors in promoting and defining the practices  
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14 and processes that result in a positive trajectory (Korber and McNaughton, 2017).  
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### 17 18 *Bandura's efficacy-activated processes* 19

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21 Bandura (1994) proposes four major ways or 'efficacy-activated processes' that help explain  
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23 how self-efficacy beliefs have a regulating effect on human functioning and thus business  
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25 decisions:  
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31 *Cognitive processes* are conceptualised as "emergent brain activities that exert determinative  
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33 influence" (Bandura, 2001, p. 4). Behavioural paths are primarily shaped by thoughts;  
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35 individuals' beliefs regarding their efficacy exert an influence on "the types of anticipatory  
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37 scenarios they construct and rehearse" (Bandura, 1994, p. 71). Further, it enables individuals  
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39 to predict the manifestation of events that can affect their lives and develop ways to exercise  
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41 control over them (Bandura, 1994). This point can have important implications for  
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43 owners/managers facing an unprecedented event. Moreover, as Bandura (1989) observes,  
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45 individuals with higher assurance in their capabilities perceive complex tasks as challenges  
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47 that must be mastered rather than threats that need to be avoided.  
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53 *Motivational processes:* Bandura (1989) emphasises the significance of individuals' self-  
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55 efficacy beliefs as determinants of their level of motivation, which can be reflected in how  
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57 much effort and time they will invest in persevering when facing obstacles. Similarly,  
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3 individuals' motivational processes encompass the formation of beliefs about their ability to  
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5 anticipate probable outcomes or actions, and "set goals for themselves and plan courses of  
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7 actions..." (Bandura, 1994, p. 71). While motivational processes are crucial in supporting  
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9 business owners/managers in assimilating or responding to challenging situations, Bullough  
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11 and Renko (2013) caution that self-efficacy can act both ways depending on an individual's  
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13 self-belief. Moreover, if an individual's self-beliefs are self-enhancing, self-efficacy can act  
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15 in a motivational way, helping the individual to cope; in contrast, self-efficacy can be  
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17 demotivational if an individual's self-beliefs are self-deprecating (Bullough and Renko,  
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22 2013).

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25 *Affective processes:* In this context, Bandura (1994) draws comparisons between individuals  
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27 who possess a high and a low sense of efficacy. Importantly, individuals displaying a high  
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29 sense of efficacy are certain to maintain control over threats and do not invoke apprehensive  
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31 thoughts that could lead to distress (Bandura, 1994). Consequently, individuals in this group  
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33 can manage adverse emotional states, redirect their focus on more favourable aspects, and be  
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35 able to tolerate anxiety more easily than would individuals with a low sense of efficacy  
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37 (Bandura, 1994). Again, as with other processes, the focus is on an individual's more  
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39 constructive and self-motivational predisposition when confronting challenges, as opposed to  
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41 perceiving these in a fatalistic or self-defeating way.  
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49 *Selection processes:* The central notion is that, typically, individuals avoid situations or  
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51 activities where they feel their coping capabilities do not match those required in a situation  
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53 (Bandura, 1994). Instead, they take on activities or choose social environments that more  
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55 appropriately match how they judge their capabilities (Bandura, 1994). Thus, selection  
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57 processes also stress confidence and a realistic estimation of one's capabilities and potential.  
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Contemporary research further underscores specific forms in which self-efficacy is demonstrated among entrepreneurs. In examining 500 entrepreneurs operating in uncertain and adverse conditions, Bullough and Renko (2013) determined the significance of self-efficacy and resilience as strong influencers of entrepreneurial intentions and concluded that those entrepreneurs capable of developing self-efficacy skills are in a better position to cope. Dalborg and Wincent (2015) determined the fundamental role of self-efficacy “for turning entrepreneurial passion into reality” (p. 980). Moreover, these authors highlighted the strategically essential function of passion as a driver of various types of entrepreneurial behaviour, including absorption, persistence, and creative problem-solving. More recently, Santoro et al.’s (2020) quantitative research among Italian entrepreneurs revealed that both resilience and self-efficacy contributed to their success. However, while self-efficacy’s effect was stronger at both individual and business levels, resilience was more significant for individual success (Santoro et al., 2020).

### *Stakeholder theory*

The principles of stakeholder theory also align with the study’s purpose to identify factors that enable firm owners/managers to make decisions while coping with the severe COVID-19 crisis. These principles apply to small firms, many of which have experienced the extremely negative impacts of such an event (e.g., Bartik et al., 2020). Additionally, stakeholder theory has been considered to understand crisis settings (Alpaslan, Green, and Mitroff, 2009), firm turnaround performance among SMEs (Decker, 2018), or how they navigate the turbulent COVID-19 environment (Anwar and Clauß, 2021). Moreover, this study contends that internal and external stakeholders can play a vital role in shaping the decision-making process of firms when seeking to mitigate the effects of this unprecedented event. Thus, as

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3 with self-efficacy theory, there is merit and value in considering this conceptual lens to  
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5 investigate how firm owners/managers implement adaptive strategies to confront such a  
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8 challenging scenario.

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10 At the core of stakeholder theory is “the assumption that values are necessarily and  
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12 explicitly a part of doing business” (Freeman, Wicks, and Parmar, 2004, p. 364). The theory  
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14 is concerned with how a firm’s managers intend to conduct business and the type of  
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16 relationships they need and want to create with their stakeholders to deliver on their firm’s  
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18 objectives (Freeman et al., 2004). Overall, the theory seeks to address two fundamental  
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20 questions. One question concerns the purpose of a firm, including the articulation of “the  
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22 shared sense of the value” (Freeman et al., 2004, p. 364) the firm creates, and which aspects  
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24 bring stakeholders together. The second question examines the responsibility that the firm’s  
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27 managers have with their stakeholders (Freeman et al., 2004).

### 28 29 30 31 32 *Mapping stakeholder theory through theses*

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35 The seminal work of Donaldson and Preston (1995) proposes four essential theses to broaden  
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37 understanding of the theory:

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42 *Descriptive.* The descriptive thesis underpins the significance of the firm, and its intrinsic  
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44 value by being a constellation of competitive-cooperative interests. Referring to SMEs, the  
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46 focus of the owners/managers is on “how firms actually behave while dealing with their  
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48 stakeholders” (Ivy, 2013, p. 200). Thus, a strong sense of responsibility toward their  
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50 immediate stakeholders is more apparent among smaller firms’ management.

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53 *Instrumental.* This thesis emphasises the links between practicing stakeholder management  
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55 and achieving different performance objectives; furthermore, it stresses the notion that those  
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58 businesses practicing stakeholder management can also achieve certain successful  
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3 performance indicators, including growth, stability, or profitability (Donaldson and Preston,  
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5 1995). Within the realms of the descriptive and instrumental theses, there is value in framing  
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7 the SME-stakeholder relationship in the context of reciprocity, where each party might  
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9 contribute through different forms of value.  
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12 *Normative.* This thesis subscribes to two key ideas: 1) Stakeholders are groups or individuals  
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14 who have legitimate interests in substantive facets of corporate activity, 2) “The interests of  
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16 all stakeholders are of intrinsic value” (Donaldson and Preston, 1995, p. 67), and each  
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18 stakeholder merits consideration individually, “for its own sake” (Donaldson and Preston,  
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20 1995 p. 67). Ignoring these ideas or claims could threaten a firm’s survival (Talaucar, 2010).  
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22 In the domain of SMEs, studies have identified employees, customers, and suppliers as the  
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24 dominant stakeholder groups (e.g., Manzanque-Lizano, Alfaro-Cortés, and Priego de la  
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26 Cruz, 2019; Parker et al., 2015; Sen and Cowley, 2013).  
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31 *The managerial thesis*, which is associated with the normative thesis, sustains that a  
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33 fundamental expectation from a corporation’s stakeholder management is the “simultaneous  
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35 attention to the legitimate interests of all appropriate stakeholders” (Donaldson and Preston,  
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37 1995, p. 67). In this context, stakeholder management is organised around recommended  
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39 practices, attitudes, or structures (Donaldson and Preston, 1995).  
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42 The study will evaluate the usefulness of both self-efficacy and stakeholder theory to  
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44 examine micro and small firms’ journey in managing the unprecedented COVID-19  
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46 predicament. In doing so, the study will propose a conceptual framework that complements  
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48 and extends both frameworks to develop a more nuanced understanding of firm  
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50 owners’/managers’ experiences.  
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## Methodology

The study considers an inductive approach to examine micro and small businesses involved in the food and hospitality industries facing an unprecedented event. This approach enables the identification of similarities and differences in the data, and subsequently helps describe these in categories or themes with varying levels of abstraction and interpretation (Graneheim, Lindgren, and Lundman, 2017). Researchers, therefore, progress from data to theoretical understanding, “from the concrete and specific to the abstract and general” (Graneheim et al., 2017, p. 30), thus, following a ‘bottom-up, data-driven’ approach (McAbee, Landis, and Burke, 2017).

Associated with the inductive paradigm, purposeful sampling was chosen in the recruitment of participants. In subscribing to Patton’s (1999) notions of seeking to elicit information from knowledgeable and experienced individuals, the selection of firms in the present research entailed the following criteria:

- Businesses were micro or small-sized (with fewer than 50 full-time employees),
- Participants were owners/managers and had at least have three years of experience in their industry, and
- The participating businesses were still functioning at the time of the study.

Through online searches, the electronic addresses of 1,763 businesses (1,225 wineries, 321 agri-food producers, and 217 hospitality-tourism) were found. Once ethics approval was granted, electronic correspondence sent on behalf of businesses’ owners/managers provided an overview of the study, and its objectives, and asked recipients to complete an online survey. In this study, the survey, which was available as a link sent within the message, was composed of two sections, with the first seeking to gather demographic information (Table 1), and the second making participants the following request:

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5 “Please indicate the main factors helping this firm withstand the impacts of the ongoing  
6 COVID-19 crisis.”  
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10 The survey, translated by members of the research team who are proficient in Italian  
11 language, was active from June through September of 2020. In the process of developing the  
12 questionnaire, as well as translating the gathered data back into English, the research team  
13 sought the assistance of fellow academics to conduct ‘iterative and collaborative translation’  
14 (Douglas and Craig, 2007). As Douglas and Craig (2007) recognise, while time-consuming,  
15 the use of multiple iterations can “help ensure that the translated instrument is appropriate for  
16 the new context” (p. 41). Different contemporary studies were consulted during the  
17 development of the key theme of this study (Bartik et al., 2020; Branicki et al., 2018;  
18 Cowling et al., 2020; Humphries, Neilson, and Ulyseas, 2020; Iborra, Safón and Dolz, 2019;  
19 Etemad, 2020; Juergensen et al., 2020).  
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33 A statement in the survey instrument informed participants that completion implied their  
34 formal consent. By the cut-off date, 308 useable responses that adhered to the above criteria  
35 concerning participants and firms’ size were obtained, representing an overall 17.5%  
36 response rate. The breakdown by industry comprises 172 wineries, 85 agri-food producers,  
37 and 51 hospitality-restaurant businesses. While this number provided quality data that  
38 facilitated a bottom-up approach (McAbee et al., 2017), and numerous insightful verbatim  
39 comments, the number, nevertheless, is limited as compared to thousands of existing  
40 wineries, agri-food producers, and hospitality-restaurant firms across Italy. Thus, the results  
41 should be treated cautiously.  
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54 To analyse the data, qualitative content analysis was undertaken (Hsieh and Shannon,  
55 2005). This analysis encompasses “descriptions of the manifest content... as well as  
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3 interpretations of the latent content... still close to the participants' lived experiences"

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5 (Graneheim et al., 2017, p. 30).

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8 Aligned with this analysis, and with the data-driven emphasis of inductive reasoning that  
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10 facilitates theory development (McAbee et al., 2017), the study also incorporates theoretical  
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12 discourses proposed by Gioia et al. (2012). In discussing the conceptual significance of a data  
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14 structure, Gioia et al. (2012) recognise the importance of giving "extraordinary voice to  
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16 informants... as knowledgeable agents" (p. 26) during the data gathering processes. The first  
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18 step in the analysis concerns the development of first-order or informant-centric terms (Gioia  
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20 et al., 2012). Through further analysis and code sorting (Ferraris, Erhardt, and Bresciani,  
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22 2019), the second step entails organising the first thematic set "into second-order (theory-  
23  
24 centric) themes" (Gioia et al., 2012, p. 26). Here, more meaning can be created (Ferraris et  
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26 al., 2019), and a preamble for further conceptual depth can be developed. Moreover, the third  
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28 step involves the refinement of second-order themes into theoretical dimensions, which  
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30 strongly adheres to the aims of the inductive approach (Gioia et al., 2012).  
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### 38 *Demographic characteristics of participants and firms*

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40 Table 1 highlights the working experience of the large majority of participants in their  
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42 respective industries; this aspect further supports their selection and appropriateness as  
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44 'information-rich' cases (Patton, 1999). Over 80 percent indicated having worked in their  
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46 industry for over a decade and almost 60 percent for at least two decades. Almost three-  
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48 quarters of participants were owners, and more than 80 percent of their firms can be  
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50 categorised as micro-sized businesses. Furthermore, males completed most of the surveys,  
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52 while more than half of the responses were from wineries. In the next sections, participants'  
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54 responses are abbreviated as follows: wine industry (WI: WI1, WI2, etc.); agri-food  
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3 production (AF: AF1, AF2, etc.), and food service, hospitality and tourism: FHT (FHT1,  
4  
5 FHT2, etc.).  
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8 Table 1 Here  
9

## 10 Results

11 Adopting Gioia's methodology (Gioia et al., 2012) enabled the categorisation of as many as  
12  
13 18 different key factors (Figure 1) that emerged as essential contributors to sustaining  
14  
15 participants' firm during **the initial months** of the COVID-19 crisis. The first-order codes and  
16  
17 second-order themes derived from participants' observations resulted in the development of  
18  
19 five overarching theoretical dimensions. These dimensions align with and **complement**  
20  
21 several notions predicated by entrepreneurial self-efficacy, notably, the motivational,  
22  
23 stepping up, and firm-based dimensions, and stakeholder theory, specifically human-moral  
24  
25 dimensions, while the entity-based dimension is suggested to align with both theories.  
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30 Figure 1 Here  
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35 **The 'motivational, intuitive, survival drive' dimension (Figure 1) recognises**  
36  
37 **determination, perseverance, and passion as influential factors helping firms to confront**  
38  
39 **COVID-19.** From all comments, AF30's symbolises and captures the emotional rollercoaster  
40  
41 of sustaining the firm during the unprecedented crisis: "*It is like saving our own child.*"  
42  
43 Additional reflections further supported this symbolism of motivational strength. WI3, for  
44  
45 instance, verbalised tenacity and determination: "*As a firm owner, you can never surrender,*  
46  
47 *but instead find a solution in less than an hour*", while WI22's situation was much more  
48  
49 dramatic and urgent. In this case, determination meant trying to overcome the challenge of  
50  
51 single-handedly managing the entire business: "*Having to operate a firm without any external*  
52  
53 *or internal support, with extreme difficulties in finding staff, and an almost unilateral*  
54  
55 *stoppage of payments from my clients.*" Conversely, the following perceptions also suggest  
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1  
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3 the motivation to preserve what had already become an intrinsic part of participants'  
4  
5 existence and livelihood:

6  
7  
8 AF273: *Our strong passion, and the fact that our work is inevitably an extension*  
9  
10 *of our lives.*

11  
12 FHT51: *Perseverance, and the determination of not losing what we have built in*  
13  
14 *the last 15 years.*

15  
16  
17 The 'Stepping up' dimension refers to increasing hands-on involvement and execution of  
18  
19 strategies; it emerged as another fundamental factor facilitating the survival of their firms.

20  
21 Demonstrations of 'stepping up' ranged from increasing efforts in creating an online presence  
22  
23 to redoubling efforts such as working more hours and implementing diversification initiatives  
24  
25 (Figure 1). Among others, WI5 took advantage of existing ties within his firm's operating  
26  
27 environment to step up and exploit new business opportunities: "*We diversified our wine*  
28  
29 *sales markets, not only through hospitality industry networks but also through other business*  
30  
31 *partners.*"

32  
33  
34  
35 The 'Firm-based resources, advantages' dimension highlights the awareness and strategic  
36  
37 intention of owners/managers to anticipate economic downturns, and to embrace or  
38  
39 implement different options that would equip their firms with a vital financial cushion.  
40  
41 Accordingly, two links between respondents' entrepreneurial behaviour and self-efficacy  
42  
43 theory can be drawn. First, agility in anticipating actions or probable outcomes aligned with  
44  
45 notions of motivational processes. Second, is the intent to exert some form of control over  
46  
47 potential events that might affect their business and that are associated with cognitive  
48  
49 processes (Bandura, 1994). The following selected comments underline some firms'  
50  
51 advantageous position that enables them to mitigate the effects of the COVID-19 crisis:

52  
53  
54  
55 AF23: *Thanks to our financial reserves and a meticulous cost analysis...*  
56  
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1  
2  
3 AF35: *Having a large pool of private clients, and being able to ship our products*  
4  
5 *to their homes...*

6  
7  
8 FHT40: *We built a solid foundation in previous years, both financially and*  
9  
10 *professionally (networks with suppliers, clients, staff).*

11  
12  
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14  
15 The dimensions ‘*human-moral*’ and ‘*entity-based reliance*’ expand and complement  
16  
17 discourses of stakeholder theory and decision-making **during a crisis**. The following selected  
18  
19 comments, for instance, reveal participants’ desire to positively affect their stakeholders (e.g.,  
20  
21 employees) extending beyond their personal interests or demonstrations of genuine concern  
22  
23 towards others. Similarly, the comments emphasise the value that the firm places upon the  
24  
25 legitimate interests of its stakeholders (Donaldson and Preston, 1995), and the intention of the  
26  
27 firm to address and be forthcoming to such interests (normative thesis):  
28  
29  
30

31  
32  
33 WI186: [We survived] *thanks to the family members’ support, their passion, as*  
34  
35 *well as **the clients’ support**, and the strong wish to save jobs.*

36  
37  
38 AF46: [We survived thanks to] *our passion for this family activity, and the*  
39  
40 *respect we have towards our staff.*

41  
42 AF81: *The desire to keep this firm and save jobs.*

43  
44  
45  
46  
47 Further linkages between stakeholder theory and comments relating to the human-moral  
48  
49 dimension support notions of the instrumental thesis (Donaldson and Preston, 1995). Indeed,  
50  
51 on numerous occasions, participants’ reflections evoked a vital reciprocal relationship  
52  
53 between firms and their immediate stakeholders, namely, employees and in many cases loyal  
54  
55 clients, with clear implications for the immediate survival of the firm:  
56  
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2  
3 AF1: *The desire to preserve a family activity, which my parents started long ago*  
4  
5  
6 *in 1928.*

7 AF25: *Being a family business since 1870, I cannot give it up; in addition, I have*  
8  
9  
10 *the support from loyal clients...*

11 FHT25: *The support of our clients and their continuous loyalty.*

12 FHT28: *The constant support from family members and employees.*

## 13 14 15 16 17 18 19 **Discussion**

### 20 21 *Motivational, intuitive, survival drive*

22  
23 The findings associated with the ‘motivational, intuitive, and survival drive’ dimension  
24 strongly reflect and identify various tenets of self-efficacy theory. Indeed, Bandura (1994)  
25 suggests that unless individuals believe that through their actions they can produce the  
26 desired results, they will perceive little incentive to make certain decisions and thus carry out  
27 activities when facing challenges. More specifically, respondents’ observations relate to  
28 principles of cognitive and motivational processes, whereby through their confidence in their  
29 capabilities, they seek to anticipate potential outcomes and design courses of action (Bandura  
30 1989, 1994). In addition, participants’ predisposition and more constructive or positive state  
31 of mind to confront the crisis and continue their entrepreneurial journey despite the  
32 challenges are associated with affective processes (Bandura, 1994). Furthermore, these  
33 findings lend support to discourses concerning the established links between passion and self-  
34 efficacy, as well as determination and resilience (Bullough and Renko, 2013; Duarte Alonso  
35 et al., 2019), with potentially significant outcome variables for entrepreneurship behaviour  
36 and decision making (Dalborg and Wincent, 2015).  
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### *Stepping up dimension*

Participants' observations supporting the development of this dimension align with recent research (Bivona and Cruz, 2021; Eggers, 2020), where, through a proactive and innovative attitude, resilience could be developed, and market opportunities could also arise during the current severe crisis. Similarly, cutting costs emerged as a demonstration of stepping up reflected through swiftness and speed in undertaking savings to prevent the firm's further weakening through financial exposure. Furthermore, cutting costs requires determination in the decision-making process, and a thoughtful estimation of how the firm could realistically operate thereafter, which, in the context of self-efficacy theory, underlines the significance of selection processes (Bandura, 1994).

Associated with the above findings, research discussing immediate actions undertaken by SMEs in response to COVID-19 (Thorgren and Williams, 2020) identified the significance of cutting costs, negotiating terms and contracts, and reducing expenses.

### *Firm-based resources, advantages dimension*

Based on the findings, having an existing pool of savings for 'rainy days' (Cowling et al., 2020), or a solid and loyal customer base, has important implications for firms when facing such an unprecedented event. In this context, Eggers (2020) acknowledges potential advantages for SMEs due to closeness to their customer base and their flexible decision-making. Moreover, Kraus et al. (2020) ascertain the strategic value of liquidity for businesses during the COVID-19 crisis, while Bartik et al. (2020) recognise the importance of liquidity in generating confidence. Alternative forms to procure much-needed revenues and cash-flow during the crisis include e-commerce, online (e.g., Gössling, Scott, and Hall, 2020; Lim, Morse, and Yu 2020; Priyono, Moin, and Putri, 2020), or cyber entrepreneurship (Tajvidi and Tajvidi, 2021). However, Cowling et al. (2020) caution that as the crisis wears on, an over-

1  
2  
3 reliance on firm-generated funds could ensue, and many small businesses could face serious  
4  
5 liquidity risk.  
6  
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10 Extending from the above findings, the following proposition is suggested:

11  
12 Proposition 1: *Self-efficacy, manifested through individuals' beliefs in their own capabilities,*  
13  
14 *including through passion and determination, is instrumental in the decision-making process*  
15  
16 *for micro and small food/hospitality business owners/managers to navigate through the*  
17  
18 *unprecedented COVID-19 crisis.*  
19

#### 20 21 22 23 24 *Human moral dimension*

25 Numerous poignant reflections emphasise human and moral principles that participants and  
26  
27 their firms appeared to follow. The selected comments point to behavioural manifestations  
28  
29 that can lead to reciprocal relationships. As Bosse et al. (2009) posit, reciprocity can enable  
30  
31 firms to generate additional rent, which in this situation represents their lifeline. Likewise,  
32  
33 firm owners/managers paid attention to their stakeholders in various forms, notably, creating  
34  
35 or keeping jobs in exchange for employees' continuous efforts, and maintaining quality  
36  
37 standards towards customers in exchange for their loyal patronage. Together, these forms of  
38  
39 reciprocity subscribe to practices and attitudes predicated in the managerial thesis  
40  
41 (Donaldson and Preston, 1995) and further demonstrate firms' dependence on stakeholders  
42  
43 and moral commitment towards their stakeholders (Alpaslan et al., 2009).  
44  
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#### 51 52 *Entity-based reliance dimension*

53  
54 In times of an unprecedented event, micro and small firm owners/managers are motivated and  
55  
56 driven to consider and receive support from different stakeholders. This notion is in line with  
57  
58 discourses of self-efficacy theory (motivational and selective processes, Bandura 1994). As  
59  
60

1  
2  
3 stated in the following selected comments, and as also noted in recent research (Brown et al.  
4  
5 2020; Cowling et al., 2020; Juergensen et al., 2020; Lim et al., 2020). the support from the  
6  
7 government was perceived as complementing firms' already favourable financial position, or  
8  
9 singlehandedly facilitated the mitigation of the serious effects of the economic turmoil:  
10  
11

12  
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14  
15 *WI12: Fortunately, we have had a surplus in previous years to reinvest into the*  
16  
17 *business. The government has also helped us, contributing to offset recent revenue*  
18  
19 *declines.*

20  
21  
22 *AF13: We have benefitted from bank credits.*

23  
24  
25 *FHT44: We received state support through funds...*

26  
27  
28 Tenets of stakeholder theory also became apparent, in particular, those pertaining to the  
29  
30 instrumental thesis. Indeed, receiving external financial support enables the firm to extend its  
31  
32 life and reciprocate in various ways. Moreover, firm survival allows owners/managers to  
33  
34 fulfil such obligations as maintaining employment and paying taxes. Subsequently, the  
35  
36 impacts of these efforts can be felt in their region's economy, or in their surrounding  
37  
38 community (Lähdesmäki, Siltaoja, and Spence, 2019).  
39  
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45 Thus, the findings also support the merit of the following proposition:

46  
47 *Proposition 2: Key tenets of stakeholder theory, such as shared value and responsibility of the*  
48  
49 *firm towards stakeholders, with reciprocation and a sense of duty permeating relationships*  
50  
51 *between the two, are fundamental aspects sustaining micro and small food/hospitality firms*  
52  
53 *during an unprecedented crisis.*

54  
55  
56  
57  
58 *Theoretical implications*  
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3 The above discussion supports the usefulness of self-efficacy and stakeholder theory to  
4  
5 enable a more in-depth understanding of the fundamental factors enabling micro and small  
6  
7 firms to survive an unprecedented crisis. The present study extends these theories through the  
8  
9 development of the above-discussed dimensions, proposing a theoretical framework (Figure  
10  
11  
12 2), illustrating various implications.

13  
14  
15 As depicted, in the case of an unprecedented crisis, micro and small firms resort to a  
16  
17 variety of ways to mitigate the impacts, and overall to build resilience and make decisions.  
18  
19 First, the framework highlights the significance of four key dimensions representing  
20  
21 emerging conceptual foundations. These encapsulate motivational aspects, as well as strategic  
22  
23 steps and alternatives that include redoubling efforts, diversifying, and relying on an existing  
24  
25 financial cushion and customer-client base. Although much less prevalent, participants also  
26  
27 valued external, entity-based support from government and banks.  
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Figure 2 Here

Another critical dimension, human-moral, stresses the strong bonds that firms have developed with their employees, who, in numerous cases, are also members of their community, as well as with loyal clients. In both instances, there is a clear unwritten reciprocal exchange, whereby firms provide employment and consistency of product quality and delivery to both end consumers and other businesses that depend on these products (e.g., distributors, hotel-restaurant clients), while in exchange, firms recognise their loyalty and effort. Thus, reciprocity not only follows the stakeholder model (e.g., Bosse et al., 2009) but also represents a win-win situation for firms and stakeholders. Furthermore, entity-based reliance suggests ways to extend the firm's life, thus, further enabling the employment of people, and, to some extent, enhance the image of their region and industry.

1  
2  
3 Survival in the extreme COVID-19 situation has many lessons for both firms and their  
4 external stakeholders. In fact, the business community and their stakeholders have been  
5 confronted with multiple crises and phenomena in the last 15 years that have radically  
6 affected and changed how business is conducted and decisions are made (e.g., 2008-2009  
7 financial crisis, Brexit). Accordingly, the framework suggests the connection between the  
8 implications and future crises, where the identified dimensions could have practical and  
9 theoretical value, in seeking to mitigate future impacts of COVID-19 or similar crises, and in  
10 reflecting upon these to increase knowledge, respectively. In support of these points,  
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Korsgaard et al. (2020) observe that, following COVID-19, a radical transformation has become pervasive; in addition, for many entrepreneurs, the impacts of the crisis will not be fully obvious for a long time.

Furthermore, considering small firms' limited resources (Eggers, 2020), and the different key challenges they face because of COVID-19 (Cowling et al., 2020; Gourinchas et al., 2020), owners/managers must resort to creative means or swift courses of action. Thus, reflecting upon firm resilience and survival through the 'motivational, intuitive, survival drive' dimensions reveals the significance of various traits that, as in the case of passion or determination, enable owners/managers to react and help the business move forward. A related dimension, 'stepping up', complements the more hands-on, entrepreneurial drive of owners/managers, arguably filtering or converting behavioural traits (passion, determination) into specific, tangible deeds. These actions include diversifying and implementing new or more innovative mitigating alternatives (online, shipping/courier sales) with the element of time an essential and valuable component (Chesbrough, 2020) in executing available or alternative actions.

However, as businesses of other sizes, micro and small-sized firms are not silos within their business or community setting; undoubtedly, they support and rely upon other

1  
2  
3 stakeholders. Many are embedded within their community; their success is often linked to the  
4  
5 extent of 'approval' and engagement from employees, banks, or suppliers. Consequently,  
6  
7 consideration of the five dimensions revealed in this study helps emphasise notions and  
8  
9 underpinnings of self-efficacy and stakeholder theory. More importantly, these dimensions  
10  
11 and the associated framework provide a more nuanced and, at the same time, holistic  
12  
13 reflection of factors facilitating micro and small businesses' survival. Given the still little-  
14  
15 known long-term impacts of COVID-19 and the radical transformation it has caused  
16  
17 (Korsgaard et al., 2020), there is merit in establishing the usefulness of the proposed  
18  
19 framework in other business or geographic contexts, as well as in further delving into self-  
20  
21 efficacy and stakeholder theory to examine factors enabling firms' survival.  
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### 28 *Practical Implications*

29  
30 The development of first-order codes and the organisation of second-order themes (Gioia et  
31  
32 al., 2012) in the present research illustrates practical implications, highlighting how firm  
33  
34 owners/managers must make decisions promptly and embrace a wide repertoire of options  
35  
36 and avenues to cope with the unprecedented scenario. Moreover, while the afore-mentioned  
37  
38 perseverance, determination, or passion for one's industry can act as vital motivational  
39  
40 drivers, the defying nature of future crises demands much more versatility and consideration  
41  
42 of other options.  
43  
44

45  
46 Therefore, considering their perennial limitations in resources or sheer critical mass, micro  
47  
48 and small firm entrepreneurs need to build strengths, skills, and capabilities continuously and  
49  
50 consistently. As demonstrated in the findings, alongside business acumen, stepping up to  
51  
52 embrace and propose creative solutions, improve efficiency, increase firm agility, and  
53  
54 develop strong ties with internal and external stakeholders can become crucial survival tools.  
55  
56  
57 Entrepreneurs, especially future owners/managers, will have to be much more prepared as  
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1  
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3 well as forthcoming in building relationships, including within their communities. Clearly,  
4  
5 there is a strong element of reciprocity, which could be beneficial to both parties. COVID-19  
6  
7 will most likely act as a strong persuading force for both firms and their surrounding  
8  
9 stakeholders to work alongside each other.  
10

11  
12 Furthermore, micro and small firm entrepreneurs will need to become much more astute  
13  
14 regarding ‘internally controlled aspects’ of their business, including developing or sharpening  
15  
16 their financial skills in anticipation of ‘rainy days’ (Cowling et al., 2020). Focusing on and  
17  
18 improving key internal aspects and strengths, including marketing knowledge, as well as  
19  
20 building and consolidating brand image, could also help firms post COVID-19, and increase  
21  
22 their chances of survival. Support from lending or financial entities and the government can  
23  
24 positively complement other firm-initiated actions and initiatives. Finally, the role of  
25  
26 educational institutions cannot be ignored, notably, in training, skill/knowledge development,  
27  
28 and in overall preparing future business owners/managers to increase their odds of  
29  
30 successfully navigating through the turbulent currents of an extreme crisis.  
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### 38 **Conclusion**

39  
40 This study pursued two fundamental objectives that led to various empirical and theoretical  
41  
42 contributions. First, choosing a sample of firms involved in three key industries, and  
43  
44 operating in one of the most affected nations by COVID-19 (Italy), the study ascertained key  
45  
46 factors helping sustain firms through the devastating disruptions of the crisis. Second, by  
47  
48 selecting an inductive approach, the study develops a theoretical framework that through the  
49  
50 theoretical insights of self-efficacy and stakeholder theory, advances the broader conceptual  
51  
52 understanding in the context of small and micro firms facing an unprecedented event. In  
53  
54 addition, two conceptual propositions are also presented.  
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3 Overall, the 18 factors identified through participants' responses, and the associated five  
4 key dimensions illustrate their different strengths and degrees of resourcefulness. In addition,  
5 while self-efficacy, namely, determination, passion, or business acumen and  
6 entrepreneurship, helps explain firms' survival, their reciprocal relationships with  
7 stakeholders may affect the decision-making process. Firms' resources, such as an existing  
8 financial cushion, continuous demand for their products, and an established brand image, also  
9 contributed to mitigating the effects of the crisis, while to a much lesser extent, there was  
10 recognition of government or banks' support.  
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### 20 21 22 23 *Limitations and Future Research*

24 While the present study discusses a timely subject and proposes in-depth theoretical and  
25 practical insights related to factors contributing to the survival of micro and small businesses  
26 operating in one of COVID-19's most affected nations (Cozzi et al., 2020), various  
27 limitations must be recognised. The study focused on three industries, which, although  
28 significant for Italy's economy, limits the potential for broader comparative analyses.  
29 Furthermore, micro and small firms were chosen over medium and large-sized firms. Finally,  
30 the study was conducted in one single geographic setting. Consequently, various  
31 opportunities for addressing or offsetting these limitations exist.  
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45 Future research could examine other relevant industries, such as manufacturing,  
46 construction, or telecommunications, of different sizes, and in different nations. This type of  
47 research based upon comparative analyses conducted across industries or geographic-national  
48 settings could generate industry- and business-centric data that would enhance knowledge  
49 and understanding among practitioners, policy-makers, and members of the research  
50 community. Theoretically, future studies could evaluate the usefulness of this study's  
51 proposed framework (Figure 2), including the various dimensions revealed. At the same time,  
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3 studies could consider self-efficacy and stakeholder theory, or incorporate other theoretical  
4  
5 underpinnings. In both cases, such efforts could lead to a richer and more rigorous theoretical  
6  
7 understanding of the firms' journey in seeking to survive an extreme macroeconomic event.  
8  
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10 Note: No conflict of interest is identified in this research; there is no funding allocated to this  
11  
12 research.  
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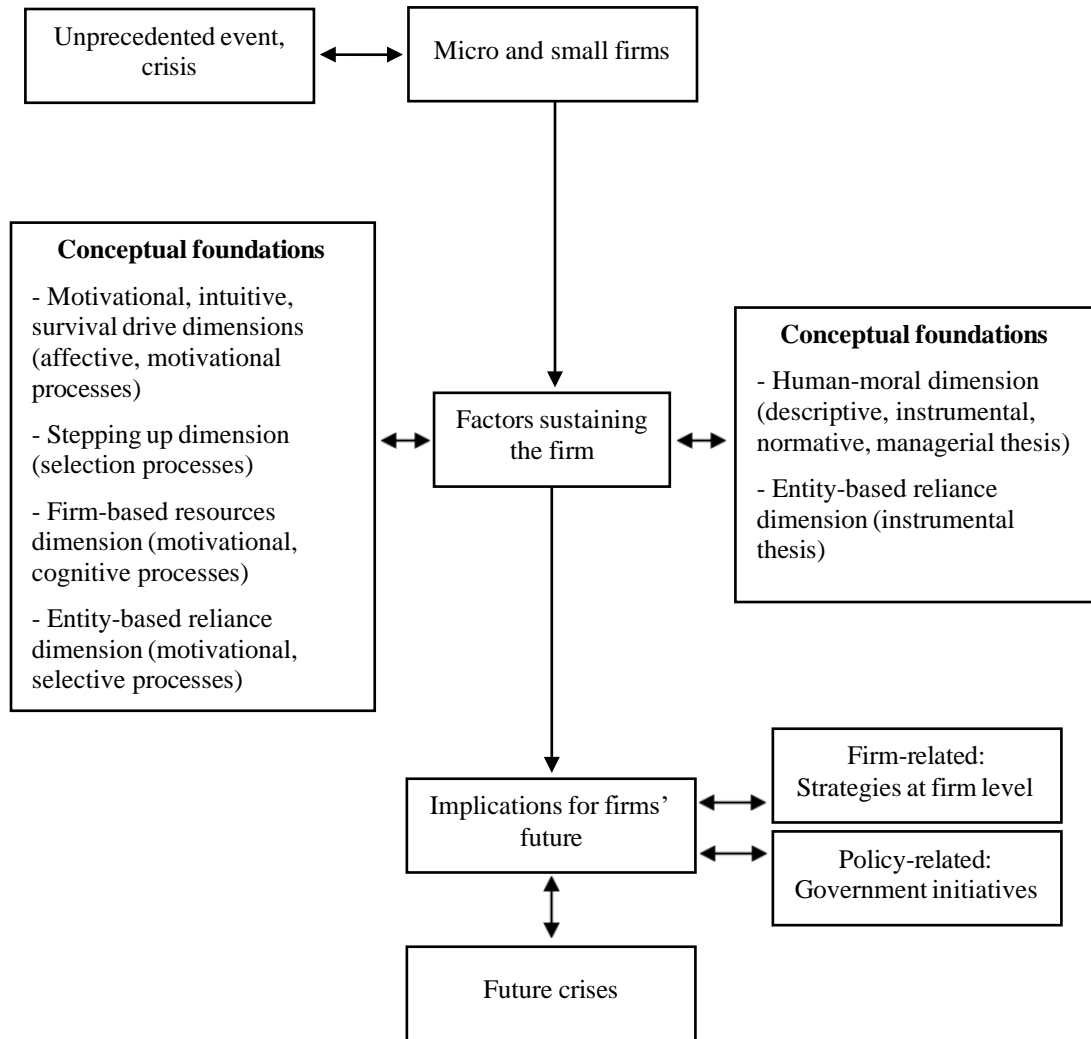
**Table 1: Demographic characteristics – Participants and firms**

<b>Years of experience</b>	<b>n=308</b>	<b>%*</b>
3-5 years	20	6.5
6-10 years	37	12.0
11-20 years	67	21.8
20+ years	184	59.7
<b>Role of the participant</b>		
Owner	229	74.4
Manager / Director	79	25.6
<b>Size of the firm (in full-time employees)</b>		
0	48	15.6
1-9	208	67.6
10-49	52	16.8
<b>Gender of the participant</b>		
Male	196	63.6
Female	112	36.4
<b>Industries participants are involved in</b>		
Wine industry (coded as WI)	172	55.8
Agri-food production (coded as AF)	85	27.6
Food service, hospitality and tourism (coded as FHT)	51	16.6

\* Where applicable, percentages were rounded off



**Figure 2:** Proposed theoretical framework: Micro and small firms facing an unprecedented event  
 Sources: Bandura (1989; 1994); Donaldson and Preston (1995); Gioia et al. (2012).



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