

Peruvian small and medium-sized enterprises and COVID-19: Time for a new start!

Peruvian small
and medium-
sized
enterprises

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Abstract

Purpose – Crises of any type have become an integral part of business activity and responses to them could make the difference between survival and failure. This applies in particular to small and medium-sized enterprises (SMEs). Taking the coronavirus (COVID-19) pandemic as a starting point, this study aims to investigate how Peruvian SMEs have been coping with COVID-19 so far. Based on that a conceptual framework is proposed which highlights the practice of SMEs trying to deal with a new type of crisis.

Design/methodology/approach – The study is based on an exploratory qualitative research design involving 25 semi-structured interviews conducted in Peruvian SMEs.

Findings – The findings demonstrate how the Peruvian firms studied to adapt to the new situation and initiate responses to increasing the chance of survival. Furthermore, the role of the companies' decision-makers, as well as the role of crisis management and other related approaches in the companies are shown.

Research limitations/implications – The paper expands the underdeveloped body of knowledge regarding crisis management in Latin America in general and crisis management in SMEs by providing insight into how Peruvian SMEs perceive and adapt to the COVID-19 pandemic.

Practical implications – The findings presented in this paper have implications for both managers and managerial staff of SMEs but also for the people in charge of the curricula at universities and other teaching-focused institutes.

Originality/value – To the authors' knowledge, this is the first empirical study of crisis management on the impacts of COVID-19 with a dedicated focus on SMEs from Latin America. It provides fresh insight into current reactions to the Pandemic.

Keywords Crisis, Latin America, Crisis management, Small and medium-sized enterprises, COVID-19, Corona, Peru

Paper type Research paper

Introduction

Coronavirus (COVID-19) has underlined, once more, that a crisis requires immediate and decisive action by organizations (Smith and Riley, 2012) regardless of their size. Although research on crisis management (CM) represents an area of immense research interest (Bundy *et al.*, 2017), the opposite is true when small and medium-sized enterprises (SMEs) are considered: research is still only in its beginning (Herbane, 2010; Schoenberg *et al.*, 2013; Trahms *et al.*, 2013; Kücher and Feldbauer-Durstmüller, 2019). Then, only a few studies have had dedicated research focus on CM in SMEs so far (Herbane, 2010; Hong *et al.*, 2012; Herbane, 2013; Kraus *et al.*, 2013; Faghfoury *et al.*, 2015; Kuckertz *et al.*, 2020; Kraus *et al.*, 2020). The majority of CM research is still conducted in large organizations (Herbane, 2010; Parnell, 2015; Lacerda, 2019) or multinational ones (Dai *et al.*, 2017) which typically have both at their disposal significant resources and dedicated CM teams (Doern, 2016). This



stage of development is unsatisfactory and calls for more rigorous research given the importance of SMEs to most economies. SMEs are important drivers of economic growth, employment, technological development and structural change. At the same time, they are highly sensitive to external threats because of the “liability of smallness.” This also means that the probability of failure among such firms, specifically the younger and “smaller” SMEs, i.e. the micro-companies, is much higher compared with larger and established firms (Davidson and Gordon, 2016). Furthermore, when an economic shock is coupled with other types of disruptions such as the recent global pandemic due to the COVID-19 virus, firm-specific resources are likely to be further dispersed based on the industry sector, geographic location or legislative regime in a particular institutional context (Osiyevskyy *et al.*, 2020). Finally, as small firms are not little big firms (Welsh *et al.*, 1982), one cannot transfer the findings from studies on CM conducted in large organizations to this category of firms.

Consequently, an understanding of how CM is practiced in SMEs should be a key issue in the development and support of this entrepreneurial segment of the economy. Compared with the study of entrepreneurship in normal situations, the study of entrepreneurship in times of crisis is still of a recent development (Aldairany *et al.*, 2018). Ratten (2020) has recently called for more efforts to bring in entrepreneurial thinking in the research on COVID-19.

Extant research on CM in general and CM in SMEs has primarily been carried out in the Western World with a focus on advanced countries (Herbane, 2010; Parnell, 2015; Doern, 2016; Lai *et al.*, 2016; Kuckertz *et al.*, 2020; Kraus *et al.*, 2020); other regions of the world/other countries are underrepresented. Finally, by taking into consideration that the world is suffering from a pandemic, a crisis that is different from previous ones (Rapaccini *et al.*, 2020; Ratten, 2020), our understanding of handling such a type of external crisis is limited in general, with the 1918 flu pandemic being the most recent and severe pandemic in past history. Thus, the literature on CM, in general, would benefit from rigorous research as well. COVID-19 has clarified that many organizations have been ill-prepared as their approach to CM had not cover infectious disease outbreaks (Institute for Public Relations, 2020). Given the dynamic nature of the current crisis, new approaches to CM are required too.

As a response to the above-presented, this paper examines how Peruvian SMEs cope with the COVID-19 pandemic. Considering that crises follow different phases (Coombs, 2007), this paper aims to address several issues that will help us to develop our understanding of how crisis management is being practiced in SMEs. Thus, the following broad research questions were formulated: First, how have the decision-makers, i.e. managers and managerial staff, perceived the pandemic and based on that handled the crisis in the respective companies? Second, which approaches and measures have been taken to respond to the pandemic? Finally, how do the managers and managerial staff expect the firm after COVID-19? Based on the empirical findings a conceptual framework is proposed which highlights the practice of CM in SMEs in the context of this new type of crisis. This framework also represents the main contribution of the paper. In this study, the SME definition of the European Union covering micro, SMEs is followed (Commission of the European Communities, 2005).

It is believed that the present study does not only contribute to the emerging field of research on CM in SMEs. It also contributes to CM in emerging economies (Parnell, 2015). Even though emerging markets account for more than half of the world’s population, current research on CM does not picture this fact. Moreover, CM conducted in advanced economies that have access to more funds, support and new technologies is likely to differ from CM in less-developed environments which, in turn, requires other measures (Aldairany *et al.*, 2018). Finally, given the different business, institutional and cultural contexts between countries (Kiss *et al.*, 2012; Wang and Laufer, 2020), one should go beyond a Western focus and try to take a broader and more diverse perspective of CM.

The paper is organized as follows. In the next section, the relevant literature is outlined. This is followed by a section that presents and describes the methodology chosen. Then the findings are presented and after that discussed. The paper terminates with a conclusion section.

Literature background

Crisis and crisis management

A crisis has been defined as “a low-probability situation with significant consequences for the organization, a high degree of uncertainty and a sense of decision-making urgency” (Cater and Beal, 2014, p. 65). Crises have been divided into two different types of crises: sudden and smoldering (The Institute for Crisis Management, 2004). Sudden crises refer to unexpected events; that are events in which an organization has virtually no control and perceives limited fault or responsibility. Examples are natural disasters or terrorist attacks. Smoldering crises, on the other hand, are those events that start out as small, internal problems within a firm, become public at some point and, over time, escalate as a result of inattention by management. Examples are scandals, bribery or sexual harassment. There is also research on transboundary crises that revolve around threats that easily cut across geographic and/or policy boundaries (e.g. the refugee crisis). Those crises have in common that they do not fall within the boundaries of a country or the defined bureaucratic boundaries of a policy sector (Boin and Lodge, 2016).

Typically no two crises are the same, extant research, however, suggests that there are three common elements in a crisis which are: surprise, threat and short response time (Williams *et al.*, 2017). As crises of any type have become an integral part of business activity and responses to them could make the difference between survival and failure (Smallbone *et al.*, 1999). Thus, crises call for immediate and decisive responses.

If one compares COVID-19 with previous external crises, one can see that the current pandemic has manifold facets or causes (external and internal). For example, production and economic activities have come partially or completely to a halt (Rapaccini *et al.*, 2020). This situation requires organizations’ multiple actions on both the strategic and operational levels. Given the situation that COVID-19 represents a dynamic crisis, i.e. one that develops quickly and that is not comparable with previous ones (Rapaccini *et al.*, 2020), Ratten (2020) calls for rapid actions rather than a bureaucratic approach. Thus, a wait-and-see approach should be avoided but the company should act upon the available information and knowledge. Finally, as COVID-19 is a worldwide challenge, it can be viewed as a transboundary crisis.

A crisis can be viewed as positive and negative. About the former, a crisis could be used to increase a firm’s adaptability to generate new knowledge and competencies to gain a competitive advantage and thus to sustain in the long run in its industry and markets (Osiyevskyy *et al.*, 2020). According to Doern *et al.* (2019), a crisis can provide the impetus for developing new opportunities and resource gains. Yet, a crisis may also mean the end of the company or at the personal level is associated with distress, fear, worry, etc (Bullough and Renko, 2013).

Crisis management, in turn, refers to the planning for and managing a realized risk, an unexpected disaster or a business disruption (Thomas and McNair-Connolly, 2017), while Gilstrap *et al.* (2016, p. 2790) argue that “crisis management unfolds from situational planning, crisis response and learning.” By emphasizing the role of stakeholders, Brumfield (2012, p. 45) defines CM as “the systematic way in which members of an organization, in conjunction with external stakeholders, work to avoid potential crises and to minimize and resolve those that do occur.”

If CM is done well, the company can quickly restore its functionality (Kuckertz *et al.*, 2020). Over the years, crisis management has become critical for organizations. This refers

to small businesses in particular, given the increasing number of threats they are exposed to, e.g. due to the increasing interconnectivity of systems or use of ICT. Also, the increasing need for complying with standards for crisis management requires SMEs to act (Herbane, 2010). Traditionally, research on CM has argued for a rational approach to crises, i.e. one that is based on logic and rationality (Liu *et al.*, 2017). Given the dynamic nature of COVID-19, Ratten (2020), however, sees a stronger need for rapid actions that are based on intuition and gut-feeling.

Doern *et al.* (2019) see some merit to examine a crisis from the perspective of the crisis event sequence. Following Coombs (2007), in this paper, a crisis is divided into three phases, namely, pre-crisis, crisis and post-crisis. In the first phase, early warning signals have to be detected. The emergence of a crisis creates a high degree of ambiguity as causes and effects are unclear. Thus, it leads to uncertainty and confusion among the people (Smith and Riley, 2012). When the crisis is there, immediate actions need to be taken to overcome the consequences. The last phase is typically about coming back to a normal situation as before the crisis (Hong *et al.*, 2012). It emphasizes learning from the crises and preparing for future crises (Bundy *et al.*, 2017). Compared with previous crises, COVID-19 takes another form of uncertainty; thus, it is hard to anticipate its end, which, in turn, hampers future planning options (Ratten, 2020).

Elements of crisis management

The particular role of leaders during the crisis has been emphasized in previous research (Herbane, 2019). Smith and Riley (2012, pp. 68–69), for instance, have proposed nine key attributes for crisis leadership, namely:

- (1) decisive decision-making capacity in the face of limited and unreliable information;
- (2) powerful two-way interpersonal communication skills;
- (3) procedural intelligence;
- (4) highly developed synthesizing skills;
- (5) the capacity to empathize with the feelings of others and to respect the legitimacy of their perspectives;
- (6) a capacity to continually remain optimistic in the face of adversity and to tenaciously battle on;
- (7) flexibility;
- (8) strong intuitive thinking capacity and the preparedness to use it; and
- (9) the ability to quickly develop new ideas and solutions and to turn problems into opportunities.

Being an entrepreneur (a leader) has been described as a stressful job (Stephan, 2018) and, recently, there has been increased research investigating well-being in the context of entrepreneurs. Research, for example, has found a positive relationship between happy entrepreneurs and persistence and better performance (Wincent *et al.*, 2008). As one can assume that the level of stress is even higher in times of crisis, the entrepreneurs' well-being should be studied in CM too for understanding their actions and motivation. The spread of COVID-19 has already formed the basis for recently started research projects that address the well-being of entrepreneurs in a pandemic (e.g. the Global Study of Entrepreneurs' Resilience and Well-being with Prof. Dr. Stephan of King's Business School as one of the principal investigators).

As mentioned above any crisis requires immediate and decisive responses, [Wenzel et al. \(2020\)](#) identified, based on a review of articles published in Strategic Management Society (SMS) journals, four strategic responses to a crisis, namely, retrenchment, persevering, innovating and exit. Retrenchment involves cost-cutting measures that may reduce the scope of a company's business activities. This strategy seems to support firms in surviving a crisis in the short run. Persevering is about the preservation of the status quo of a company's business activities. This may be realized through debt financing and seems to be a suitable response to the crisis in the medium run. Yet in the long-run, it may threaten the survival of the company. Innovating means that the company engages itself in strategic renewal in response to a crisis. It may be the inevitable solution for a company to survive in the long-run. Finally, exit means the discontinuation of a company's business activities. A strategy that is not limited to a crisis but which could be chosen at any time.

Eventually, having access to relevant and updated information and knowledge is relevant in any crisis. Giving the dynamic nature of COVID-19, there is an even greater need to acquire new knowledge as quickly as possible. Once this knowledge is gathered it must be assessed in terms of its significance for the company and its activities. If it is classified as significant, it must be shared at short notice with the relevant employees and partners so that they can adapt their activities accordingly ([Gilstrap et al., 2016](#)). This underlines the crucial role of knowledge management in crisis management in general and the crisis' pre-phase in particular. One knows from the study of knowledge management in SMEs, that compared to their larger counterparts, small firms focus more on informal and people-based approaches ([Durst and Edvardsson, 2012](#); [Durst and Wilhelm, 2011](#)). Additionally, most of the relevant knowledge is kept in the heads of the owners/owner-managers and some key employees rather than physically stored ([Wong and Aspinwall, 2004](#)). This also shows the close link between knowledge management and crisis communication. The latter refers to strategic thinking, relationship work and information sharing both within and beyond organizations. It is also viewed as an important skill set for organizational leaders ([Gilstrap et al., 2016](#)).

Crisis management in small and medium-sized enterprises

As mentioned before the rigorous study of CM in SMEs has been started only recently. [Herbane \(2010\)](#) collected data from four small firms in the UK to examine the understanding of and resourcing and support for CM. Findings suggest that a crisis is associated with a lack of control, lack of cash and compressed time to respond. In a later article, [Herbane \(2013\)](#) has shown that small firms' crisis management is more oriented toward single crisis events, e.g. an IT-related crisis, coupled with a strong belief in the firm's ability to plan for such crises. [Hong et al. \(2012\)](#) proposed a process model for CM in SMEs which includes four sequential steps, i.e. detection, occurrence, recovery and resolution. For making effective CM in SMEs possible, the authors stress the need for having a proactive business mindset. [Kraus et al. \(2013\)](#) conducted an explorative study to provide a deeper insight into how small companies from Germany deal with crises during their life cycles. Among others, the study highlights the role of personal contacts with stakeholders to address and overcome crises. [Faghfoury et al. \(2015\)](#) studied the role of supervisory boards on the use of formalized crisis procedures in small and medium-sized firms from Germany. By taking the London 2011 riots, [Doern \(2016\)](#) studied the experience of owner-managers as they responded to a crisis. It was concluded that the small company's tendency toward resilience or vulnerability depends on experience, mindset and resources.

Extant research ([Branicki et al., 2018](#)) assumes that the small firms' characteristics such as being flexible and disposing of adaptive capacity may help when a crisis unfold as

decision-making can be shorter and faster. This, in turn, can also make possible reduced response time.

By focusing on the COVID-19 pandemic, [Kuckertz et al. \(2020\)](#) aimed at explaining the crisis and its effects after the event on innovative start-ups from Germany. While [Kraus et al. \(2020\)](#) focused on family firms from five European countries to explore how and by what means these firms responded to the COVID-19 crisis. On the other hand, [Ratten \(2020\)](#) calls in her recent conceptual paper for a connection between the CM and the entrepreneurship literature.

Crisis management in Latin America

A review of research on CM in Latin America published in scientific journals suggests that this topic is underresearched in general and with regard to SMEs in particular. There is research on crises in Latin America, with a primary focus on economic crises ([Remmer, 1990](#); [John, 2019](#)); financial crises in particular ([Fischer, 1987](#); [Ito, 2004](#); [Batten et al., 2017](#)), social and ecological crises ([Galafassi, 2002](#); [Liodakis, 2018](#)) or political crises ([Melo, 2016](#)). As regards financial crises, this special attention in the literature is not surprising, considering that Latin America has experienced many financial crises ([Chin, 2010](#)). While [Fischer \(1987\)](#) primarily examined the role of banks, [Ito \(2004\)](#) looked at the mechanisms of currency crises in Asian and Latin American countries in the 1990s and 2000s. It found that in these crises, in Latin America, unlike in Asian countries, budget deficits played an important role. Also, he noted that the involvement of the private sector was particularly important in the crisis management of the international financial institutions over the past 10 years. According to [Cardona \(2008\)](#), Latin America understands crisis management as an approach that aims at preventing and reducing risks by introducing preventive policies. Risk management aims to articulate types of intervention. Prevention and mitigation matter without abandoning the intervention on the disaster. Preventive policies shall be developed that in the long term will decrease significantly the need to intervene in disasters that have already occurred. Thereby, the change in the risk conditions of society is associated with gradual or abrupt changes in both social practices and environmental conditions. Extant research has found that after the 2000s ([Quenan, 2013](#)), Latin America has strengthened its economic activity and reduced its vulnerability. This helped the continent to weather the financial crisis between 2007 and 2008 somewhat better. The extant body of research suggests that the focus of attention has primarily been on how prepared the public sector is for a crisis. Also, extant research shows that crises in Latin America tend to be discussed from the perspectives of economics and politics.

One of the few studies that focused on CM in SMEs covering countries from Latin America is the study by [Parnell \(2015\)](#). It investigated the link between crisis concern and business strategy in Peru, Mexico and the USA. Data were collected through surveys completed by managers from Peru, Mexico and the USA representing firms with 250 or fewer employees (unfortunately, the author did not provide more detailed information about the sample, as well as the chosen definition of SMEs). The respondents participated in a post-graduate management training program.

In sum, there are only a few studies that have explored either CM in Latin America or CM in SMEs. As regards the latter, the study of CM in SMEs seems to be lacking stressing the relevance of the present study. SMEs are the most common size of businesses wherever we are in the world ([Lejárraga et al., 2014](#)). At the same time, COVID-19 has particularly impacted this category of firms ([International Trade Centre, 2020](#)); and the SMEs in Latin America are among those firms suffering even more given the region's very high mortality rate ([European Centre for Disease Prevention and Control, 2020](#)).

Methodology

Given the existence of a relatively unexplored field of study, this paper is based on an exploratory qualitative approach to understanding how Peruvian SMEs cope with COVID-19. According to [Maykut and Morehouse \(1994\)](#), a qualitative research approach allows researchers to get close to participants and their thinking to scrutinize the entire research problem. Moreover, this approach has been viewed as suitable to produce rich data about the experiences, thoughts and behaviors of participants ([Short et al., 2010](#)).

The present study is part of a larger research project on crisis management in small organizations. More precisely, the present study is based on a multiple case approach ([Eisenhardt, 1989](#)). According to [Eisenhardt and Graebner \(2007\)](#), the use of multiple cases is effective for theory development because their replication logic increases the chance of producing a more robust, parsimonious and generalizable theory. Moreover, the case study approach is well-established in the study of both crisis management and small firm research ([Herbane, 2010](#); [Kraus et al., 2020](#)). The study design focussed on practices/activities initiated by the owners/founders so that the potential of reflecting on future operational consequences is offered.

Data were collected using semi-structured interviews. [Saunders et al. \(2009\)](#) view this type of interview as suitable when the planned study includes an exploratory element, which is the case in the present study. An interview guide supported the interview process. The focal topics of interest were specified at the outset of the study, that is they were derived from the extant literature ([Perry, 1998](#)). In line with the process focus taken in this study, the interview guide had three main sections representing the three phases of a crisis. In the first section, questions related to the emergence of the crisis are asked. The second section addresses the crisis *per se* while the third section focuses on the post-crisis, i.e. after COVID-19. The whole thing is rounded off by a series of demographic questions. Data were collected from managers and managerial staff. These individuals were considered suitable participants for the present study because they possessed the necessary knowledge and experience concerning the topic under investigation within a current real-life setting. These persons also know who is making CM-related decisions in companies. To be selected they had to fulfill the following criteria, namely, being a company that falls under the category micro, SMEs and should be hit to a certain extent by COVID-19. There were no limitations regarding start-ups or more mature small companies. Thus, a purposive sampling strategy was followed ([Patton, 2002](#)).

Suitable companies and interviewees were identified by taking advantage of one of the authors' business and personal contacts in Peru. Hence, this person approached possible Peruvian companies in advance to find out whether there would be interested in participating in the study. Thereby, the selection of interviewees/companies had to consider the quarantine, the social distance and all other health measures which were effective during the time of the study. The use of existing business and personal contacts replaced a formal approach to small firms that would not only have prevented a rapid investigation ([Kuckertz et al., 2020](#)) but also caused potential mistrust which could have influenced the data collection process. Thus, the existence of social capital made possible the execution of interviews in an environment that was based on trust and respect. With those companies that showed an interesting date for an interview was arranged. The firms were also briefly informed about the study, its aims and the execution of the interviews.

The above-mentioned approach resulted in 25 interviews that were conducted between April 22 and 30, 2020. As [Kvale and Brinkmann \(2009\)](#) suggested a range between 5 and 25 participants in interviews, the 25 interviews can be viewed as appropriate at the upper end. Each interview lasted between 30 and 45 min, took place via zoom and was recorded. The

interviews were conducted in Spanish and then translated into English by one of the authors.

Table 1 gives an overview of the firms and persons involved. The table illustrates that 13 companies are micro-companies, three are small firms and the remaining nine firms represent medium-sized; the ones following the SME definition of the EU. As regards the sector, different sectors were included which increases external validity (Gray, 2017). Yet, one also sees a predominance of companies operating in service sectors; only five companies are producing ones. As regards the interviewees and their positions, 12 persons are founders, owners or general managers and the other 13 persons are with management functions.

The information gathered from the participants also made it possible to assess the impact of the crisis at the time of the investigation. Accordingly, three companies benefited from the crisis, i.e. the producer of plastic bags (7), the cleaning company (9) and the psychological counseling company (20); as the crisis has led to an increased demand for these companies' services or goods. The crisis has had no impact on the security company (15), neither positive nor negative. As regards, the remaining 21 companies, COVID-19 has had a certain negative impact (more details will be provided in the sub-section "What have been the consequences of the crisis so far?").

The overall approach to data analysis followed the ideas of thematic analysis. Thematic analysis can be understood as a search for topics that appear to be important to the understanding of the phenomenon in focus (Fereday and Muir - Cochran, 2006). This analytical approach helps in data reduction by segmenting, categorizing and summarizing relevant concepts within the data set being examined (Ayres, 2008). The data analysis process began by transcribing the recorded interviews. One researcher conducted the transcriptions, which allowed this person to become familiar with the data. The researcher took notes during this process, these notes assisted with most of the initial data interpretations. Once the transcripts were produced, two authors deductively coded the data generated. Thus, the first step was to identify all data related to a list of predetermined topics that were derived from extant literature and covered in the interview guide. To increase the reliability of the codings (Miles and Huberman, 1994), they were discussed with all researchers in an iterative process and adjusted, as appropriate.

The overall research was based on the following ethical principals - taking into account that the respondents were not considered "vulnerable" - (Gray, 2017):

- The research avoided harm to the interviewees by having the interviews scheduled to avoid disruption to the participants. Additionally, the interviewees were offered a summary of the results so that they may learn from the overall findings;
- it ensured informed consent of the interviewees, that is, the participants were provided with sufficient information about the study, its aim and execution, as well as the data handling;
- it respected the privacy of the interviewees, that is, the participants were free to withdraw from the interview at any time or refuse to answer questions they may find intrusive; and
- it avoided deception, that is, the research was not presented as something which it was not.

Findings

Before the findings are presented short overviews of the COVID-19 situation in Peru at the time of study followed by Entrepreneurship in Peru are provided to inform about the

Interviewee	Size of company	Industry/sector	Year of foundation	Position in the company	Educational background	Gender	Age range	Impact of COVID-19 at time of study*
1	Micro	Poultry (eggs) production	2019	Founder and operations manager	Non-university degree	Female	25 to 30 years	-
2	Micro	Food/catering service	2014	Owner and commercial manager	University degree	Female	30 to 35 years	-
3	Micro	Sale of software and hardware telecommunication Service	2015	Owner	University degree	Male	35 to 40 years	-
4	Small	Coffee machine vending and maintenance service	2013	In charge of accounting	University degree	Female	25 to 30 years	-
5	Micro	Veterinary service	2019	Owner and general manager	University degree	Female	25 to 30 years	-
6	Micro	HR consulting service	2018	Owner	University degree	Female	40 to 45 years	-
7	Small	Plastic bags production	2000	In charge of creditors	University degree	Female	30 to 35 years	+
8	Micro	Accounting consulting service	2013	Owner	University degree	Male	35 to 40 years	-
9	Micro	Cleaning service	2018	Foreman	No-formal education	Male	35 to 40 years	+
10	Micro	Football classes service	2017	Owner	University degree	Male	35 to 40 years	-
11	Micro	Innovation consulting service	2015	Owner	University degree	Male	35 to 40 years	-
12	Micro	HR consulting service	2017	Owner	University degree	Female	45 to 50 years	-
13	Medium-sized	Production of additives for machines production	1901	Process manager	University degree	Female	35 to 40 years	-
14	Medium-sized	Temporary employment agency service	1963	Head of HR	University degree	Female	35 to 40 years	-

(continued)

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Table 1.
Overview of firms and persons involved in the study

Table 1.

Interviewee	Size of company	Industry/sector	Year of foundation	Position in the company	Educational background	Gender	Age range	Impact of COVID-19 at time of study*
15	Medium-sized	Security service	1968	Head of HR	University degree	Female	35 to 40 years	+/-
16	Micro	Wood toys production	2017	Founder	Non-university degree	Male	40 to 45 years	-
17	Medium-sized	Business and accounting service	2006	Key account manager	University degree	Female	40 to 45 years	-
18	Micro	HR consulting service	2010	Founder and general manager	University degree	Male	40 to 45 years	-
19	Medium-sized	Cargo transportation service	2010	Traffic controller	University degree	Male	35 to 40 years	-
20	Micro	Psychological counseling service	2014	Founder	University degree	Female	30 to 35 years	+
21	Small	Sale of HRM software service	2010	Purchasing manager	University degree	Female	35 to 40 years	-
22	Medium-sized	Sale of mining machines and maintenance service	1957	Head of maintenance	University degree	Male	35 to 40 years	-
23	Medium-sized	Engineering construction service	2008	Project coordinator	University degree	Female	30 to 35 years	-
24	Medium-sized	Fishery production	1950	Head of logistics	University degree	Female	45 to 50 years	-
25	Medium-sized	Sale of shoes and fashion service	2009	Head of HR	University degree	Female	30 to 35 years	-

Notes: * + = positive impact; +/- = neutral, no changes; - = negative impact

research setting. Then the findings are presented according to the structure of the interview guide.

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Peru and COVID-19

The first suspected CORONA-cases in Peru were reported on January 23, 2020. The patients were three Chinese citizens who came from Wuhan City and a Peruvian translator, the health of the four were stable and two of them did not show symptoms of any disease. Later on January 31, 2020, the genetic tests of the four patients were negative.

Phase 1 started with the first positive case (patient zero) of COVID-19 in Peruvian territory was officially confirmed on March 6, 2020. A 25-year-old patient was working as a pilot in a commercial airline who contracted the virus on his vacation trip to Spain, France and the Czech Republic. Once the case was known, phase 2 started, the Peruvian Government immediately activated the National Preparedness and Response Plan for the Risk of Introduction of the Coronavirus to strengthen surveillance, containment and response systems.

On March 17, 2020, the Peruvian President Martín Vizcarra, communicated in a government press media the official arrival of phase 3 (community contagion) to the country, two days after the social isolation and state of emergency decreed on March 15, 2020. Thus, the country had been one of the earliest coronavirus lockdowns in Latin America ([Ministerio de Salud del Perú, 2020](#)). As of August 20, 2020, Peru had 558 420 reported COVID cases and 26 834 deaths which made the country belong to the five countries in the Americas in both categories ([European Centre for Disease Prevention and Control, 2020](#)). The main reason for the country's difficulties with COVID-19 is attributed to the predominance of its shadow economy. More than half of Peru's non-agricultural workforce is assumed to be used "informally" which often involves a hand-to-mouth existence and lack of legal protections. At the same time, this shadow economy generates an estimated one-fifth of Peruvian gross domestic product ([World Economic Forum, 2020](#)).

Peru and entrepreneurship

Many Peruvians have carried out entrepreneurial activities, most probably as a response to the lack of employment in both the private and public sectors, thus missing alternate job options. The Global Entrepreneurship Monitor (GEM) 2018/2019 global report stated that Peru's total early-stage Entrepreneurial Activity (TEA) continues to be one of the highest among the GEM countries. "This is the result of a social environment that promotes entrepreneurship and a population with a high level of confidence in their capabilities to start a business." The report, however, also states that the majority of these early-stage entrepreneurial initiatives will not become established businesses. Moreover, the level of innovation of Peruvian companies is low. Consequently, entrepreneurial activity has only a limited impact on the country's development. The expert rating of the country in terms of its entrepreneurial framework conditions shows the considerable need for improvement in the areas of *entrepreneurial education at the school stage, government policies: taxes and bureaucracy, research and development transfer, government policies: support and relevance and entrepreneurial finance* ([Bosma and Kelley, 2019](#)).

First attempts to address the above-mentioned shortcomings have been undertaken, e.g. an increasing number of institutes and universities have developed Entrepreneurship Programs to develop more entrepreneurial skills among students ([Gamarra, 2020](#)). Compared with its Latin American peers, Peru has consistently placed below them in terms of the Infrastructure pillar of the Global Competitiveness Index ([WEF, 2020](#)). As regards entrepreneurial intention among students enrolled in Peruvian universities, the Global

Report of the University Entrepreneurial Spirit Students' Survey (GUESSS) 2018 ranked the country first as regards the share of intentional founders five years after the completion of studies. Peru came eight (out of 54 countries) about the share of nascent entrepreneurs (i.e. students who are in the process of creating their own business). The students' perception of how entrepreneurial the university environment is led to a global average of 4.4 (on a 1–7 scale), while for Peru it is 5.2. As regards, gender, despite the situation that Peru is having the highest female entrepreneurship rate in the Pacific Alliance with 22.9% there are only three state programs that directly support it (ASEP, 2018).

What also needs to be mentioned in this context is that in the country informal entrepreneurship is widespread which is attributed to an “overly complex legal framework, a poor quality of government services and a weak state presence” (Amésquita Cubillas *et al.*, 2018, p. 493).

As regards work practices in Peruvian SMEs, research seems to be underdeveloped. Huapaya (2007) stated that the degree of interdependence in the Peruvian society is very high due to the situation that leaders and employees typically know each other from the neighborhood in which they have lived together for a long time. Additionally, this author found missing planning in the small firms which are explained by a lack of experience of the owners/managers. The persons in charge seem to have experience with large businesses but not with small ones, so they do not know how to manage and develop this category of firms. At a more general level, Hofstede Insights (2020) reports for Peru the following: There are rather tall, centralised structural arrangements (Power Distance); managers have more traditional points of view and has only slowly started supporting employee initiative and group activity. The Peruvian people seem to prefer conformity and value the existence of security over having autonomy in their positions (Individualism). Moreover, Peruvians prefer human contacts and family over recognition or wealth (Masculinity). They also show a strong need for rules and elaborate legal systems to structure life. If rules cannot be kept, additional rules will be dictated (Uncertainty Avoidance). Finally, according to Hofstede Insights, Peruvians are normative in their thinking, exhibit great respect for traditions, show a relatively small propensity to save for the future and focus on achieving quick results (Long Term Orientation).

Interview findings

What were the early warning signs? The interviewees were asked to report about the first warning signs that indicated that something serious was approaching. As previous research has mentioned that to initiate proper crisis management activities businesses need to identify situations/events that may affect adversely not only the business, the industry but also the entire society (Doern, 2016).

Even though the interviewees listed a number of different aspects, the news was the dominant medium to learn about the coming crisis. Roughly two-thirds of all interviewees named the news. This was followed by delays or cancellation of orders (Interviewees 3,12,18,20), increased demand for cleaning-related products (Interviewees 9, 17), the report of first infections (Interviewees 22, 25). Additionally, shortage of material, stopped operations by suppliers, deferred receipt of payment, increasing closure of borders, business clients informed about the situation in their respective countries, ban of social events, employees did not show up at work, closure of schools and complaints by workers were named.

Not surprisingly, none of the interviewees had anticipated that the coronavirus spreading would turn into a pandemic. There was also a feeling that one could not be prepared for such a type of crisis.

How is the crisis perceived? To deal with any uncertainty caused by COVID-19, the findings suggest that it is important to keep the company, its members, updated regarding recent developments (Interviewees 1, 13, 14, 19, 24). Also, to do benchmarking (Interviewees 2, 3, 7), forecasts (Interviewees 9, 16), making plans on a daily basis (interviewee 11), thinking of tomorrow and finding responses to it (Interviewee 12), as well as searching for new business opportunities (Interviewees 2, 3, 16, 17, 18). Thus, regardless of the position taken in the company, i.e. manager or managerial staff, the persons search for information and start thinking about possible ways to go.

Interviewee 8 seems to take a wait-and-see approach, which might be explained by the sector, i.e. Accounting Consulting, which is highly dependent on customer demand. A service that could also be carried out internally again.

Interviewees 5 and 20 mentioned the feeling of anxiety while Interviewee 6 tries to address COVID-19 personally with care and communication. Trying to be positive matters for Interviewees 12 and 23 and Interviewee 21 wants to avoid that information is shared via WhatsApp. Interviewee 22 is very aware of remaining healthy. On the other hand, Interviewee 15 highlighted that there are no issues regarding uncertainty as the company continues to be relevant regardless of COVID-19.

The above-mentioned indicates that even though the crisis is perceived differently, it must be closely monitored.

What are they doing for personal well-being? Given the specific features of COVID-19, the interviewees were asked about their activities to remain optimistic and full of energy. The findings indicate that the interviewees use a number of different measures to do so. Most often talks with family and friends were named (Interviewees 4, 8, 9, 13, 15, 20, 24). Furthermore doing sport/exercises (Interviewees 3, 5, 6, 10, 11, 18, 21), reading books (Interviewees 5, 20, 22, 23, 24), playing table games (Interviewees 5, 8, 12, 13, 25), watching movies or series (Interviewees 1, 4, 8, 13, 14, 24), dancing (Interviewees 10, 19, 20, 21). Also, cooking (Interviewees 2,5), supporting friends and family (Interviewee 2), working (Interviewee 3), taking virtual courses (Interviewee 4), listen to music (Interviewees 10, 14), having dates with the husband (Interviewee 12), use of social media such as Facebook (Interviewees 1, 3) and doing a master (Interviewee 25). It becomes clear that proactive measures have the upper hand to have a good balance to work-life, regardless of the position taken.

Interviewee 16 said that to him it is difficult to keep himself in a good mood yet toward his staff he tries to give a confident appearance; thus highlighting the conflict between one's own well-being and the responsibility toward the employees.

Based on the findings one can conclude that well-being is closely related to satisfaction with life, family and self. The interviewees involved seem to pay attention to it. Previous research has suggested that well-being is positively related to physical health and health maintenance behavior (e.g. in the form of exercises), the study's findings appear to confirm that (Stephan, 2018).

What are they doing for the staff's well-being? The same question was asked about what the interviewees do to keep the staff in a good mood. Most often, the interviewees reported making (i.e. sending) jokes (Interviewees 3, 5, 6, 9, 13, 24, 25). Talking to and keeping communication with the employees seems to matter as well (Interviewees 1, 5, 13, 14, 15, 21). The intentions are to enable stability (Interviewee 1), being transparent (Interviewees 2, 4) and calming (Interviewee 4). Also, keep paying the salaries was named as a measure to keep up the mood (Interviewees 5, 7). Additionally, having informal communications (Interviewee 11), sending tips on how to improve telecommunication and having active breaks (Interviewee 23), sharing information about free online courses to improve skills

(Interviewee 18), creating a good working environment (Interviewee 7), keeping the staff busy by developing and introducing new work approaches (Interviewee 19) were listed.

Many interviewees stressed the importance of being there for the employees in this period, by taking care of, supporting and calming them (Interviewees 4, 5, 7, 11, 14, 18, 21, 25).

Only one interviewee (8) mentioned that he does not know how the staff is doing.

About the well-being of staff, the findings indicate that an emphasis is put on activities that are aimed at providing a form of stability – as best it can be. This is done in the form of being there, being a contact partner, keeping up the communication but also through the provision of distractions; underlining the additional role of managers and managerial staff in times of crisis.

What have been the consequences of the crisis so far?

The interviews showed that COVID-19 had already led to a number of tangible consequences. As negative consequences, the decline in demand or even stop (Interviewees 11, 19, 21, 25), increased problems regarding transportation and logistics (Interviewees 1, 5), no income (Interviewees 2, 3) or the stop of projects by clients (Interviewees 2, 8) were named. Interviewee 5 named reduced sales and rising prices (here for medicine), while Interviewee 7 noticed fear among the staff. Payment difficulties were reported by Interviewees 18 and 22, while Interviewees 10 and 23 were suffering from sector lock-down.

On the positive side, the interviewees 7 (plastic bags), 9 (cleaning) and 20 (psychological counseling) reported increased demand for their goods and services due to the pandemic.

The dominantly tangible consequences are in line with previous research on the consequences of crises on small firms (Doern, 2016; Kuckertz *et al.*, 2020).

How did they respond to these consequences? The consequences mentioned before have required the companies to act to minimize losses to the company. To do so the interviewees took a range of actions. Several interviewees reported that they had to give notice to some of their staff (Interviewees 4, 7, 14, 18, 19, 24, 25). Interviewee 7 mentioned that some of his brothers have taken over the jobs of the fired staff and interviewee 14 reported that the firm was recalculating the number of employees necessary.

Additionally, several companies switched to the home office (Interviewees 6, 15, 21) and telecommunication with regard to their administrative staff (Interviewees 13, 15, 19, 21, 23, 24). Then, created workgroups so that their operative staff could continue delivering the services (Interviewees 13, 21). Interviewees 15 introduced hygiene measures among staff and reviewed the measures found with the customers the staff was working for. The same applies to suppliers. Interviewee 1 mentioned as well that they introduced strict cleaning protocols to ensure continued delivery. Specific safety instructions were implemented in companies 2, 19 and 22.

Not surprisingly, the companies have also responded to the pandemic by adapting their business models and business operations, e.g. it was named that the company focused on new directions (Interviewees 16, 20, 22), changed to e-commerce (Interviewees 17, 20), changed the work and business practices (Interviewees 13, 22), e.g. the interviewees 17 and 24 mentioned the switch to e-documents. Also, the introduction of new or more products/ services often via online platforms (Interviewees 6, 10, 11, 16, 20) and the development of new products, were started (Interviewee 12). Interviewee 9 has hired staff for cleaning and disinfection and at the same of the interview was also evaluating the sale of cleaning equipment. Interviewees 3 and 21 have started rethinking the company's business model. The search for new suppliers the company could partner with (Interviewee 12) was also named.

The findings suggest that the participating companies make use of Wenzel *et al.*' (2020) strategic responses "retrenchment" and "innovation." The former may be used to increase the chance of survival by cutting costs while the latter may be directed to generating new or additional revenue streams. The findings also show that these strategies are used in combination. In addition, the findings confirm previous research (Doern *et al.*, 2019) that a crisis can be the impetus for developing and improving.

Some companies (4, 8, 18) reported taking a wait-and-see approach. In a similar direction goes Interviewee 2 who mentioned that they have developed strategies to be implemented once the firm can offer its service again. These strategies are related to new products and shipping methods, as well as means of communication. While interviewee 5, Veterinary, mentioned that they continue with providing the necessary treatments.

Some interviewees mentioned some initial learning too. This is related to the need of making quick decisions (Interviewees 6, 16). Interviewee 22 stressed that some activities cannot be offered remotely, in the given case the maintenance of mining machines and the building of social relationships between different business actors. Interviewee 24 highlighted that COVID-19 helped the company to introduce something new, here the use of IT applications. In the same vein, Interviewee 25 reported that they have learned to appreciate IT applications as they make it possible to continue selling their products.

In sum, the findings show that the outbreak of COVID-19 already had some consequences, mostly negative ones and the interviewees involved initiated a range of different actions to minimize the losses associated with these consequences. Several companies took actions that have an impact on the number of employees. The findings also indicate that this action is more used by medium-sized companies, which seems to be in line with Lai *et al.* (2016)' study about the link between HR responses and company size. At the same time, the findings show that several firms use the crisis as a trigger to seeking new or alternate business opportunities. Here neither the firm size nor the sector seems to matter.

*How are they communicating?*² The findings related to crisis communication were divided into internal and external crisis handling.

Internally. To communicate internally the companies initiated several issues. Some companies have switched to weekly meetings (Interviewees 3, 6, 7); Interviewee 12 even introduced daily meetings (including the weekend). In the company of interviewee 1, personal meetings were reduced to purely sporadic control visits.

For internal communication, companies use several tools. Making phone calls or using WhatsApp is in the front (17 out of 25 interviewees each). In addition to WhatsApp, the participants use alternate chat software e.g. Gmail chats. Sending emails was reported by Interviewees 8, 15, 17, 18, 23, 24. Also, online video tools are popular such as zoom, MS Teams, Skype, as well as other tools. Interviewees 24 and 25 named the intranet for internal communication.

The findings indicate that communication tools are used target-oriented. For example, Interviewee 1 reported a preference for making phone calls as the majority of staff only have a high school degree. In the same vein, interviewee 24 said that WhatsApp is used for older staff and those with low education. While with the administrative staff emails and virtual meetings are the preferred communication tools.

Externally. For external crisis communication, the companies have introduced different measures too. Making phone calls and sending emails are the preferred communication tools for exchanging with external stakeholders such as clients and suppliers. This is followed by the use of Whatsapp and virtual meetings. Interviewees 4, 5, 9, 10, 19 and 20 named their Facebook site for communicating with external stakeholders. Three interviewees (6, 8, 23)

stressed the relevance of having personal contacts. LinkedIn and the company's website were named as further communication channels.

The main purposes behind the increased communication with the external stakeholders are transparency (Interviewees 3, 22), maintenance and development of business relations (Interviewees 7, 11, 13, 20). While Interviewee 14 reduced the level of communication to a minimum.

Compared to internal communication, the findings clarify that externally a stronger focus is put on more formal communication tools.

Do they manage crises? In total, 22 out of the 25 companies reported that there is no crisis management at all. The absence of formalized approaches to crisis management found in the companies studied is in line with [Herbane's \(2010\)](#) findings. As reasons for the absence the interviewees named the smallness of the company (Interviewees 1, 2, 3, 5, 10, 18), CM could be handled by oneself (Interviewees 3, 12), the company or sector does not need it (Interviewees 11, 12, 14, 15) or CM is viewed as too expensive (Interviewees 2, 16). While Interviewee 7, who is the son of the owner, reported that he has recommended his father to introduce CM several times but according to the latter due to budget issues and the situation that the country has been very stable over the past years there is no need for CM.

Additionally, some companies seem to equate CM with occupational and safety issues (Interviewees 9, 14, 22, 24).

In those cases where the interviewees were not the owners or managers themselves, the responsibility of introducing CM was seen with the General Manager (Interviewees 4, 7, 21, 25).

Three interviewees reported some CM-related activities (i.e. Interviewees 6, 13, 17). These companies monitor health news and other development that could have an impact on the company (Interviewee 6), do crisis communication (Interviewee 13) and manage financial risks (Interviewee 17). As regards the latter, this person reported that the company at the time of the study was working on a plan to cope with the increased stress the staff was suffering from due to COVID-19.

As regards improvements in this area, several interviewees stated that it would be good to have a contingency plan (Interviewees 5, 10, 18), a guide or list of actions to cope with coming crises (Interviewees 10, 20, 23) or CM in general (Interviewees 19, 25). About the latter, Interviewee 3 mentioned implementing CM in the mid-term as currently, he has to handle Covid-19. Interviewee 4 believes that the existence of CM would reduce confusion and stress among ordinary employees. Interviewee 17 thinks that CM could be a means for better handling work-related stress.

Do they do knowledge management? To update the company about relevant information and knowledge related to COVID-19 and the company and its operations, several sources are used such as information from Peru's President Martin Vizcarra; Peruvian Ministries, e.g. Ministry of Commerce and Tourism; sector-specific associations, e.g. Association of Hotels and Restaurants (Ahora); Hospitals; trade journals and magazines; Peruvian newspapers and news programs; also through customers; and news, data and information from other companies working in the same industry.

In terms of the quality of the information and knowledge sources, the majority of interviewees stressed the importance of formal and official information.

The founder or general manager is often the one who is in charge of gathering new relevant information and knowledge for the organization. However, there are also some companies (e.g. companies 19, 20, 21, 25), where specialists or team members are monitoring the external environment for new company-relevant information and knowledge. For

example, interviewee 19 mentioned the existence of a COVID-19 group that is in charge of gathering, analyzing and sharing relevant information and knowledge.

As regards information and knowledge sharing it happens primarily top-down, i.e. the founders or general managers share the relevant information and knowledge; depending on the organizational structure of the firm this happens directly or through middle managers. The need for integrating the new knowledge or information in the firms' operations is mainly decided by the founders or general managers too. Therefore, about the question of who is overall responsible for KM-related activities, it is not surprising, that it is predominately in the hand of the owners/founders or general managers; 18 interviewees mentioned that.

How do they anticipate the company after COVID-19? The informants were asked for an assessment of the company after the pandemic. It was reported that they hoped for a stronger and more flexible company (Interviewees 1, 2, 5). They hope that the company has become bolder to meet coming crises (Interviewees 1, 5), has a better customer relationship management (Interviewee 2), can make faster decisions (Interviewee 5), has improved concerning home offices and virtual meetings (Interviewees 5, 21, 24, 25), has a better team spirit (Interviewee 20), better overall business operations (Interviewees 19, 21, 25) and improved discipline and shows better solidarity with colleagues (Interviewee 22). Interviewee 2 expects the company to have a contingency plan.

Some Interviewees reported that they are confident that the company will survive (Interviewee 12); even at the expense of reduced sales and profits (Interviewee 5). Interviewee 13 explained it by referring to the handling of past crises and Interviewee 22 with regard to the measures taken.

Interviewee 4 even expected a completely new company, i.e. a company where the general manager acknowledges the value of setting up reserves and that is run more professionally. In a similar vein, Interviewee 9 stated that he also hopes for a more professional company, in the areas of communication and HR in particular. Interviewee 11 expects the company to have another business model: "There is no after COVID-19 but a future with COVID-19."

Interviewee 15 reported that no changes with the company are expected, but instead, it will benefit from the carelessness of the other companies regarding hygiene.

Several interviewees were uncertain about the time after the pandemic (Interviewees 3). Interviewee 10 hoped for a "normal situation" again, while Interviewee 14 criticized that the company would only react instead of planning, which the person considered as a "costly risk-taking." Interviewee 16 mentioned he will need to adapt to the circumstances. Similarly, interviewee 17 mentioned that the future of the company will depend on the customers and their activities. Interviewee 7 expects that things taken for granted in the past will be seen differently.

As regards customers, products, and distribution channels, several interviewees hoped to have more customers (Interviewees 1, 8), a broader product portfolio (Interviewees 8, 18, 19) or different sales channels (Interviewee 18).

About health and safety measures, the informants seemed to agree that after COVID-19 their companies will have become better.

How do they anticipate the industry after COVID-19? Additionally, the interviewees were asked to anticipate their respective industries after COVID-19. Interviewee 1 hopes that the industry is better prepared to handle coming crises in the form of having contingency plans and capital reserves. Interviewees 2 and 21 expect the industry to be equipped with improved delivery systems and several interviewees hope to see an industry that is taken more advantage of digital tools and solutions (Interviewees 3, 5, 6, 11, 17, 18, 20, 25).

Interviewee 12 hopes that the industry will be more technology-driven in general and according to Interviewee 19, the sector should then be more innovative. Interviewee 22 expects the industry to be more active internationally (i.e. in other Latin American countries) and better with regard to customer service.

Addressing the issue of sustainability, Interviewee 7 expects to see more bio-degradable products in the company's industry. While Interviewee 15 emphasized the need for having hygiene standards to avoid "bad competition."

On the other hand, Interviewees 8 and 10 could not say something about their respective industries in the post-crisis stage but had a "wait-and-see" attitude. Interviewee 16 said that there will be no need for the products, i.e. wood toys, in the near future as it is not necessarily good.

As before, the interviewees, too, hope that their respective industries have become better concerning health and safety measures.

Taking the answers about the company and the industry after COVID-19 combined, the findings suggest that there is a strong focus on hope when the informants are picturing the future. It seems the interviews take the position of an outsider when they are trying to picture both the future of their respective organizations and the industries. It seems they doubt that they can contribute to a better situation after COVID-19. This could also mean that the adjustments made are primarily for survival and not based on a proactive and forward-looking approach aimed at developing the company further; an impression received regardless of the position taken by the interviewee.

Discussions

Based on the findings presented above, the impression is there that the companies involved in the study primarily act when they have to. There is little focus on planning (i.e. being prepared in the form of supporting resources and measures) but more on reacting. This seems to be in line with previous research (Herbane, 2010, 2013). It was found that systematic approaches to CM are absent, a situation found regardless of company size and sector. The findings leave the impression that CM is not seen as important or even understood what it is all about. This is a rather worrying finding as the companies endanger themselves negligently.

On the other hand, the findings confirm previous research on the flexibility and quick adaptability of small companies (Branicki *et al.*, 2018). However, these skills do not seem to be used to emerge stronger from the crisis but are primarily used to survive. Based on the findings, one may conclude that the firms take a necessary approach to crisis handling rather than an opportunity-based approach. The latter would mean that the crisis is viewed as a trigger for making the company stronger, i.e. more competitive or more crisis-proof. In the given setting, however, the focus seems to be put on operations management and activities helping the company keep running. Measures seem to be introduced to survive. These measures could have a focus on cost savings; retrenchment if one would use Wenzel *et al.* (2020) terminology. Yet, it has also been shown that some of the responses undertaken include measures that are aimed at adapting the business model to increase the likelihood of survival.

In addition, the findings suggest that crisis handling in Peruvian SMEs is a matter for senior management, i.e. these persons determine what will be done. This person is the central decision-maker and influences the direction of the business. It is also expected from the employees, including the managerial staff, that this person initiates the necessary steps and measures to make sure the company will survive. This finding confirms the tendency of Peruvian firms to be rather hierarchical which is in line with previous findings (Scott and

Chaston, 2013; Hofstede Insights, 2020). Such a situation is likely to increase the danger that when the leadership is not convinced about the benefit of a certain approach or measure it will not be implemented and by doing so putting the entire company at risk. It can also reduce the likelihood that new and different approaches to crisis handling such as COVID-19 are tested as indicated by the findings but which might be needed (Ratten, 2020). Senior management seems to be rather traditional in the way of running and managing the companies. The findings also indicate that the industries the firms are operating in are traditional too.

By bringing together all the findings, a framework was developed. This framework which is depicted in Figure 1 visualizes how Peruvian SMEs have coped with the crisis so far, i.e. from the emergence of the crisis (March 6, 2020) until the period of this study (April 22–30, 2020). Additionally, the framework provides an initial outlook of the past COVID-19 phase; thus a dynamic approach is taken.

The framework highlights the elements that matter in handling the crisis based on the findings received. In the given case, the general manager seems to be equated with the company. This person incorporates formal and official information about COVID-19 and its development into the company. He/she might be supported in certain companies by staff members, yet, it is this person who communicates the relevant information and knowledge to the staff members. Communication (knowledge management) is centralized.

The framework displays different spheres of a company, namely, a private and a business one. As regards the private sphere, the findings have stressed the relevance of having a balanced private life; this refers to both the managers and the managerial staff. This seems to be ensured by a mix of spending time with the family, close friends and exercises aimed at the individual level. The business sphere can be divided into a human focus and an operational focus. The human focus refers to the relationship between the manager/managerial staff and the ordinary employees in coping with COVID-19. The findings have stressed that the role of the manager/managerial staff is in times of crisis even more relevant as these persons are needed for providing the necessary stability to handling the crisis and its uncertainties. The operational focus, on the other hand, characterizes the responses taken at the operational level based on the consequences the company has experienced so far. The steps taken at that level are also likely to influence the situation of the company in the months to come.

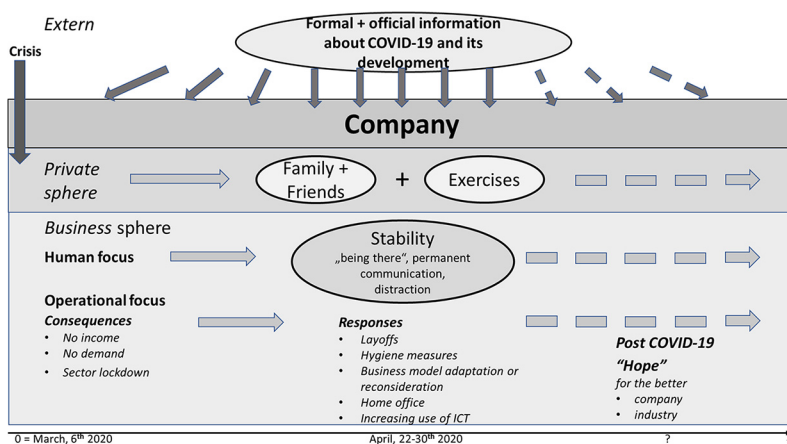


Figure 1. Practice of CM in SMEs in the context of a new type of crisis

Conclusions

This study makes several contributions to the literature. First, it contributes to research on CM in SMEs which is still limited. By providing insight into the experiences of Peruvian SMEs in coping with a particular crisis and their responses to it, the present study responds to calls for a deeper understanding of entrepreneurial activity in crisis (Doern *et al.*, 2016; Ratten, 2020).

Second, by providing some insight into the informants' well-being in conjunction with a crisis, the present study contributes to the emerging study of mental well-being in general and in times of crisis. By focusing on both the decision-makers' well-being and that of ordinary employees it goes even beyond the majority of current research on well-being (Stephan, 2018).

Third, by focusing on a country from Latin America, the present study brings more diversity to the study of CM in general which is rather dominated by research from the Western World (Kuckertz *et al.*, 2020; Kraus *et al.*, 2020). According to the authors' knowledge, the present study is the first one that has dedicatedly studied CM in SMEs in Latin America.

Fourth, the findings also contribute to research on business model adaptation in SMEs having an external crisis as a trigger. As have others (Kraus *et al.*, 2020), this study shows the power of external shocks in making companies try something new, in the given case the adoption of new technologies and digital solutions. Thus, being confronted with a situation that makes normal business no longer being carried out as before, SMEs have to react and immediately, as otherwise, the company's viability would be at risk.

Finally, the present study proposes a conceptual framework that highlights the practice of CM in SMEs in the context of a new type of crisis.

The study's findings have practical implications too. Managers or managerial staff of SMEs need to understand that the chosen ad-hoc approach to crisis handling, even though executed in a rather flexible way, must be reconsidered. Such an approach, if not well-thought-out, further reduces the availability of already limited resources, which, in turn, would need to be handled with even more care in times of dynamic crises such as COVID-19.

Acting in an ad-hoc and quick way is a plus when coping with a dynamic crisis such as COVID-19 in particular, but the focus should be on strengthening the company and not only limited to initiating acute necessities. A more forward-looking anticipative mindset among the executives would be needed; one that is ideally combined with a more participative management style. One knows that the world has become too complex to be handled by one person or a few persons. Management should be aware of the different skills, capabilities and ideas found in the company and also use them for the best of the company and its future. This may increase the likelihood that coming crises have less impact on the company too. The findings have suggested that younger managerial staff seem to be interested in being involved and take an active part.

The findings also highlight a need for CM courses and related ones both at universities and teaching institutes to increase the likelihood that coming generations of decision-makers (be that in the form of a founder, successor or employed manager) are not only aware of its relevance for companies but also implement certain CM measures aimed at helping the companies become more crisis-proof. These courses should emphasize the managerial (strategic) perspective of CM, in particular, a focus that seems to be underdeveloped in Latin America (in Peru). It has to become clear that CM is not an issue that is limited to the public sector but it is a vital business function that should be established in any type of organization. Given the educational system in Peru, it is rather likely to assume that private universities and teaching institutes are better equipped for

delivering these courses. Public universities and teaching institutes, however, could collaborate with international universities and teaching institutes to offer these courses too. This type of university partnerships could also foster knowledge transfer between institutes. As suggested by the findings, there is a need for CM courses targeting current and next generations of decision-makers toward the implementation of CM and its benefits for the firms; working with cases, examples, roadmaps and simulations may support the overall learning process.

As with any research, this study has limitations too. This study did not take into consideration the heterogeneity found in SMEs (Curran and Blackburn, 2001), yet the findings indicate that company size has an impact on crisis responses. Moreover, this study does not make a difference between industries and sectors, yet it is known that crises have different effects on them and thus business responses will vary too. There is also overdominance of companies from service sectors. These areas provide promising avenues for future research and these areas would also benefit from more qualitative research to understand how and why certain decisions are made in companies of different sizes and industries. Finally, given the research strategy chosen, statistical generalization was not possible and also not aimed for.

Future research should also focus on the impact of COVID-19 on both the financial and non-financial performance of SMEs. The same refers to the impact of the measures initiated. In the phase of this research, it was not possible to say what effect the COVID-19 pandemic would have on the overall performance of the SMEs involved. The same refers to the measures initiated. The study of the long-term effects through longitudinal research designs will be the path to go by future research. Also, the study has made it clear that there is an urgent need for more rigorous research on CM in SMEs in Latin America, the findings indicate a serious lack of expertise and understanding concerning this relevant business function. Finally, there is a continued need for studying the influence of culture on firm behavior, thus this paper joins previous calls (Liu et al., 2019).

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