Local Tourism Businesses in Indonesia: A Pathway to Crisis-Resilient Development?

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The aim of this paper is to explore ways in which small tourism-based enterprises can offer a crisis-resilient pathway to sustainable development. Based on a mixed-embeddedness framework, this paper explores the multiple strategies that small enterprises in the silver souvenir industry of Kotagede (Yogyakarta, Indonesia) applied to cope with hardship during the Indonesian decade of crisis (1996-2006). The data on which this paper builds stem from qualitative research conducted in Yogyakarta over a time span of 20 years. This paper makes two contributions to the current literature. The first contribution is to offer empirical, longitudinal, primary data on small-firm performances against the background of fluctuations in the tourism industry. The second contribution is conceptual, arguing that an embeddedness approach, sensitive to location-specific characteristics, promises a better understanding of small tourism enterprises as crisis-resilient development pathways. In doing so, this paper also asserts that small businesses, due to their embeddedness in household economies and subcontracting arrangements that include rural labor, have the capacity to become agents of the United Nation's Sustainable Development Goals.

Keywords: Embeddedness Framework; Indonesia; Silver Souvenir Industry; Small Business; Sustainable Development Goals

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INTRODUCTION

Meeting the ambitions of Agenda 2030, with its 17 Sustainable Development Goals (SDGs) at heart, implies an unprecedented effort by all stakeholders, including governments, civil society, and the private sector (Verboven & Vanherck, 2016). As small, private enterprises account for an overwhelming majority of economic activity in both developed and developing countries, business has a significant role to play in this process (Kamal-Chaoui, 2017). The current discourse revolves around what businesses, large or small, can do to contribute to the SDGs (Apostolopoulos, Al-Dajani, Holt, Jones, & Newbery, 2018). At the same time, there is an undercurrent implying that small businesses, particularly in developing countries, may lack the resources, knowledge, and motivation to advance the SDGs (Auemsuvarn, 2019). Equally, small entrepreneurs may wonder what the SDGs can do for them to keep their businesses afloat in the face of economic hardship, adverse regulations, and weak institutions.

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This paper argues that the SDGs can only be achieved if countries manage to build strong small businesses. The tourism industry has been widely commended for its potential to help achieve sustainable development, as small tourism businesses, in particular, have been acknowledged for providing income and jobs for many people. In doing so, they contribute to poverty alleviation efforts (Scheyvens & Hughes, 2019, p. 1067).

To develop this line of thought, this paper presents a case study focusing on local silver workshops in the neighborhood of Kotagede in Yogyakarta (Indonesia), which rose to international fame in the 1980s and 1990s when its ancient silver industry became a major tourist attraction. Yogyakarta is Indonesia's second tourist destination after Bali, and is renowned for its cultural heritage (Dahles, 2001). Starting in the mid-1990s, crisis after crisis hit Indonesia, badly affecting international tourist arrivals. What is known as the 'decade of crisis' (Susilowati, 2010) began with forest fires ravaging Kalimantan, followed by the Asian economic downfall in 1997, which initiated social unrest, political riots, and, in 1998, a change of government. While still politically unsettled, Indonesia's primary tourist destination, the island of Bali, encountered terrorist attacks in 2002 and 2005. The earthquake that struck Yogyakarta in 2006 destroyed the livelihoods of many local people and had a profound impact on visitor arrivals to the city, as Table 1 illustrates.

To the present day, the silver industry in the neighborhood of Kotagede represents one of the vital tourist attractions in the Yogyakarta region. Comprised of small silver workshops and retail outlets, this industry is embedded in both the local, particularly tourism-based, and global economies, in terms of the silver market and handicraft trade. The concept of embeddedness is pivotal in understanding the decline and survival of the silver industry. Developed in the context of entrepreneurship studies, the embeddedness perspective is a heuristic device that understands entrepreneurship and small businesses as closely intertwined with their social contexts and institutional environments (Granovetter, 1985; Jack & Anderson, 2002). From an embeddedness perspective, the aim of this paper is to investigate how the owners of Kotagede's silver workshops responded to challenges emerging from crises unfolding between 1996 and 2006, and how decisions taken at the time led to the survival of many individual businesses, but also the demise of the silver industry. This perspective demonstrates how a longitudinal approach can add to our understanding of "historically constituted strategic agency" (Vaara & Lamberg, 2015, p. 633).

This paper makes two contributions to two diverging but interrelated bodies of literature. The first contribution is conceptual, proposing a multidisciplinary approach to tourism businesses by marrying findings from tourism studies to entrepreneurship studies, particularly through a contextualized understanding of small firm strategy. This paper argues that an embeddedness approach, sensitive to location-specific characteristics, promises a better understanding of small tourism enterprises as crisis-resilient development pathways. The second contribution is empirical, offering detailed and longitudinal primary data on small, tourism-dependent firm performances against the background of fluctuations in the tourism industry. The data on which this paper builds stem from repeated qualitative research conducted in the city of Yogyakarta over a time span of 20 years, and provide important insights into business resilience. In analyzing these

Table 1. Tourism Arrivals to Yogyakarta, 1995-2018.

Year	International Tourist Arrivals	Growth %	Domestic Tourism Arrivals	Growth %	TOTAL	Growth %	Impacted by
1995	344,265	6.50	837,265	30.7	1,181,530	22.56	
1996	351,542	2.11	901,575	7.68	1,253,117	6.06	Kalimantan forest fires
1997	277,847	-20.96	638,552	-29.17	916,399	-27.00	Asian financial crisis
1998	78,811	-71.63	309,135	-51.59	387,946	-57.66	regime change
1999	73,361	-6.93	440,986	42.65	514,347	32.58	
2000	78,414	6.89	540,996	22.68	619,410	20.47	
2001	92,945	18.53	739,274	36.65	832,219	34.36	
2002	90,777	-2.33	888,360	20.17	979,137	17.65	Bali bombings I
2003	95,626	5.34	1,234,690	26.09	1,390,611	28.22	SARS epidemic
2004	103,401	8.13	1,688,599	21.00	1,792,000	45.14	
2005	103,488	0.08	1,747,195	3.47	1,850,683	3.27	Bali bombings II
2006	78,145	-24.49	836,682	-13.52	914,827	-14.58	earthquake
2007	103,224	32.09	1,146,197	36.99	1,249,421	36.57	
2008	128,660	24.64	1,156,097	0.86	1,284,757	2.83	
2009	139,492	8.42	1,286,565	11.28	1,426,057	11.00	
2010	152,843	9.57	1,304,137	1.36	1,456,980	2.17	
2011	169,565	10.94	1,438,129	10.27	1,607,694	10.34	
2012	197,751	16.62	2,162,422	50.36	2,360,173	46.80	
2013	235,893	19.29	2,602,074	20.33	2,837,967	20.24	
2014	254,213	7.77	3,091,967	18.83	3,346,180	17.90	
2015	308,485	21.35	3,813,720	23.34	4,122,205	23.19	
2016	355,313	15.18	4,194,261	9.98	4,549,574	10.37	
2017	397,951	12.00	4,831,347	15.19	5,229,298	14.94	
2018	416,372	4.63	5,272,719	9.13	5,689,091	8.79	

Sources: Departemen Pariwisata, Pos dan Telekomunikasi, KANWIL VIII, 1996; Dinas Kebudayaan dan Pariwisata Propinsi DIY, 2003; Dinas Pariwisata Daerah Istimewa Yogyakarta, 2009, 2012, 2015, 2018.

data, this paper also addresses the question of what potential small businesses offer to become agents of the SDGs.

The next section of this paper discusses the conceptual embedding of the research and the research approach, including the research setting. This is followed by an empirical part presenting the shifting coping strategies of the silver producers in the Yogyanese neighborhood of Kotagede during the decade of crisis and beyond. These findings are then analyzed and interpreted in terms of a mixed embeddedness approach. The paper concludes with a conceptual reflection and an outlook on post-crisis recovery, proposing small businesses' contributions to the SDGs.

SMALL FIRMS, MIXED-EMBEDDEDNESS, AND NETWORKS

In entrepreneurship studies, there is a growing interest in the concept of embeddedness, particularly for research at the intersections of economics, sociology, anthropology, and organization sciences. From an embeddedness perspective, entrepreneurship and small enterprises are understood as contextualized social phenomena (Drakopoulou Dodd & Anderson, 2007; Granovetter, 1985; Jack & Anderson, 2002; Kalantaridis, 2009; Su & Chen, 2017; Swedberg, 2012). Economic activities, the entrepreneurial process, and the entrepreneur are seen as socially embedded, as social relations are considered valuable to firm creation and, "the art of running a business" (Ulhoi, 2005, p. 941). Such social embeddedness is relevant because it helps the entrepreneur identify the necessary resources for founding a firm (Jack & Anderson, 2002), or further developing the enterprise (Drakopoulou Dodd & Anderson, 2007). In this vein, embeddedness has become an important concept in development literature to consider the resources that networks and institutional environments offer to individuals and organizations (e.g., Su & Chen, 2017; Trupp, 2015).

Originating in Karl Polanyi's (1944) work, the embeddedness perspective is critical towards the *homo economicus* of neo-classical economics, and challenges the suggestion that markets operate independently of, and are unaffected by, social relations and cultural dynamics. Instead, Polanyi (1944) argued that economies are socially constructed, politically mediated, and historically situated. In reintroducing Polanyi's embeddedness concept, Granovetter (1985) has been responsible for what Portes (2010) coined, "the rebirth of the sociological study of the economy" (p. 17; see also, Aspers & Dodd, 2015, p. 4).

Granovetter's perspective on social embeddedness has received some criticism, particularly from the adjacent field of immigrant entrepreneurship studies. Kloosterman and Rath (2001) criticized this concept for neglecting the macro-level, or the politico-institutional dimensions such as state policies for business start-ups and the opportunity structure. Changes in the economy that create or obliterate opportunities for new businesses and/or for expanding existing firms are as relevant as social embeddedness, Kloosterman and Rath (2001) argue. To capture these complexities, Kloosterman and Rath (2001) developed a framework that offers a more comprehensive approach to the study of economic behavior. Their *mixed embeddedness* perspective (Kloosterman, 2003, 2010; Kloosterman & Rath, 2001; Kloosterman, Van der Leun, & Rath, 1999) pays equal attention to the entrepreneur or business owner – who is embedded in social relations that provide access to capital, labor, and opportunities – and to the institutional environment, including rules and regulations, urban developments, and the economic and political environment.

The mixed embeddedness perspective is a relevant addition to the field because of the combined attention to the micro-level (the entrepreneur), the meso-level (the local opportunity structures), and the macro-level (the institutional environment) (Kloosterman, 2010). While this model has become a prominent conceptual device in the study of ethnic or immigrant entrepreneurship, it is applicable to small businesses at large (Kloosterman, 2010, p. 40). For the purpose of this paper, the meso and macro dimensions of the mixed embeddedness perspective are highly relevant, as the small business owners under study experienced rapidly changing opportunity structures caused by a series of crises while dealing with a volatile institutional environment, particularly the 1998 regime change and its aftermath.

At the micro-level, that of the individual small business owner, much attention has been directed to the role of networks and networking (see in particular, Hoang & Antoncic, 2003; Jack, Moult, Anderson, & Dodd, 2010; Nee & Opper, 2015; Neergaard, 2005). Social networks provide access to a variety of resources, including a plethora of social arrangements for individual members of households who rely on social networks for their livelihood, as much as for enterprises that employ network relations in order to gain access to resources (Philipson, Bennett, Lowe, & Raley, 2004). However, a few questions remain unanswered, such as: What kind of social relations play what kinds of roles in a given network? Are all social relations beneficial to an actor in the same way?

To answer these questions, it is worthwhile to turn to another work by Granovetter (1973), on the strengths and weaknesses of social ties, which offers a conceptualization of different forms of social relations in a network. The strength of social ties, Granovetter (1973) argues, is related to time, intimacy, and reciprocity. In other words, the higher the level of emotional intensity, intimacy, and reciprocal services, the stronger the ties are. Strong ties typically are associated with friendship and familial relationship. In contrast, weak ties entail relationships with less investment of time and intimacy, and may transpire among social acquaintances (Granovetter, 1973). Various authors (Peng & Zhou, 2005; Stewart, 2003) emphasize that entrepreneurs need both extensive weak ties and strategic strong ones in order to remain flexible in a rapidly changing market.

Such work that focuses on strong and weak social ties, provides an understanding of networking, but much less so of the network itself; in other words, such work is more process-oriented and less concerned about the actual network structure (Jack et al., 2010). Literature on networks and networking seems to lean towards a rather instrumental and resource-based focus, addressing the ways in which networks and networking provide information and access to resources. This paper argues that, by incorporating network ties into a broader embeddedness approach, a more nuanced perspective is offered. Taking the local context seriously implies that the role and meaning of norms, values, and systems of reciprocity and exchange are taken into consideration (see Hüsken & Koning, 2006).

Social networks are in fact maintained by systems of exchanges. Exchange is a classic topic in (economic) anthropology, addressing the idea that there are various exchange models and that the manner in which material goods are distributed is in agreement with the basic values and institutions of the society under study. Apart from economic benefits, networks also generate several immaterial benefits, such as enhanced well-being, a sense of identity and belonging, social status, and prestige. As the aim of this paper is to provide a contextualized exploration of the ways in which small business owners manage profound change unleashed by enduring crises, a focus on the material and immaterial qualities of network ties is needed.

All of these considerations contribute to an analytical framework that is based on the concepts of mixed-embeddedness, as coined by Kloosterman (2010) and inspired by Kalantaridis' (2009) idea of small businesses as contextual agents. Hence, this paper employs three levels of investigation: (1) the macro-level, consisting of the institutional environment, in this case encompassing state regulations related to industry and national concerns (Indonesian government, tourism, and crisis); (2) the meso-level of the opportunity structure, in this case represented by market opportunities and threats related to the recurring crisis incidents in the city of Yogyakarta in the decade of 1996-2006, and post-crisis market transformations; and (3) the micro-level of the entrepreneur and the small firm, the interactions of social relationships (networks, strong and weak ties), firm size (small and medium), and business characteristics (product, market, pricing policies, labor/employment, diversification, and assets). The aim of this framework is to guide the analysis towards a comprehensive and dynamic understanding of business conduct among small firms, viewed as embedded agents of crisis-resilient development.

METHODOLOGY

This paper builds on the interpretive tradition in social research in that it aims to understand the ways in which business owners, as knowledgeable actors, interpret their own and other people's actions and behaviors (Berger & Luckmann, 1967). Since human sense-making is viewed as constructed and negotiated (Schwartz-Shea, 2006), this paper is concerned more with the "description of persons, places and events" (Janesick, 1998, p. 50) than with attempts at generalizing across time and space. In order to obtain such in-depth understanding, considerable time was spent with the people under study.

The research has been conducted in the city of Yogyakarta in three separate phases stretching over a time span of 20 years. The baseline study was undertaken in pre-crisis Yogyakarta, in 1995-1996, focusing on ways in which small-scale businesses engaged with international tourists (Dahles, 2001). The city is a gateway to the famous temple complexes of Borobudur and Prambanan, and visitors stay in Yogyakarta a few more days to enjoy its cultural attractions, particularly the traditional Javanese arts and crafts. One of the focal tourism areas investigated was the neighborhood of Kotagede. A decade on, in 2005-2006, another in-depth study was conducted in the city, which was already affected by a decline in international tourist arrivals in the aftermath of the Asian financial crisis and the Bali bombings. During the fieldwork, the area was hit by the 2006 earthquake which caused major destruction, particularly in Kotagede, and dramatically affected local livelihoods (Dahles, 2018; Dahles & Susilowati, 2013, 2015; Ferguson, Dahles, & Susilowati, 2017; Susilowati, 2010). In 2017, follow-up research was undertaken in Kotagede in order to establish what became of the silver workshops a decade after the end of the crisis.

Kotagede, established in the 16th century as the former capital of the Mataram Kingdom, is a center of Javanese arts and crafts, including silver craft, and renowned for its traditional Javanese houses with their *joglo* roofs (Wijayanto, 2014). When tourism was soaring, the narrow streets of Kotagede, lined by hundreds of workshops and showrooms, were packed. In the late 1990s, about 650 craftspeople worked in Kotagede, producing silverware for local use and export (Yuliantoro, 2009). After the earthquake, their number fell to 60-100 according to varying unofficial estimates (Yuliantoro, 2009). Gadja Mada University, supported by overseas sponsors, is running a program to revitalize the silver craft industry (Ikaputra, 2011; Wijayanto, 2014).

In all three research phases (1995-1996, 2005-2006, and 2017), data gathering was organized around a business-life history approach that investigates narratives of personal experiences in tandem with records of business development (Dahles, 2004; Koning, 2010; Vaara & Lamberg, 2015). The firms in our sample are small enterprises employing between 4 and 20 workers. The employment model of these firms includes a mix of waged and family workers, with flexible job descriptions and simple management structures. The dataset was established by means of purposive sampling. Most of the silver showrooms lining the main street of Kotagede were visited, and an interest was shown in the products displayed. In cases where these visits resulted in friendly conversations with the salespersons, the wish to meet with the business owners was expressed and the research purpose of the visit was revealed. This approach resulted in eleven enterprises willing to collaborate with this research over an extended period of time. During the height of the crisis, only five of these firms were available for the research as many were temporarily out of business due to the destruction caused by the 2006 earthquake. In 2017, the original eleven enterprises participated again in our post-crisis assessment.

Throughout the three research phases, repeated semi-structured interviews with the owners were conducted in order to explore the nature and structure of the businesses, the challenges faced, achievements reached, and coping strategies employed under changing conditions. Observations complemented this method and focused on interactions between owners and employees, users and buyers at the business level, and between businesses at the neighborhood level. The data gathering was conducted in the Javanese or Indonesian language, and occasionally in English. Most of the interviews were tape-recorded in agreement with the interviewees, whose informed consent was obtained. In some cases, where recording was refused or impossible, notes were taken, which were elaborated into full reports soon after the interviews were completed. The recorded data were transcribed and translated into English. The texts were then matrix-analyzed at two different levels, a descriptive level and a synthesizing level (see Miles & Huberman, 1994; Ritchie & Lewis, 2004) in order to identify the similarities and differences in the business strategies and coping mechanisms between the eleven firms and across the three different time-frames. In the following section, these business strategies and coping mechanisms will be presented and their post-crisis outcome will be discussed.

THE SILVER PRODUCTION SECTOR IN KOTAGEDE

Originally established to provide silverware and jewelry for the royal palace in Yogyakarta, Kotagede's silver industry changed over time in response to the needs and the tastes of the market (Wijayanto, 2014). International tourism had a profound impact on this industry and the livelihood of the Kotagede silver producers. They gradually invested their increasing income in the expansion of their property and businesses, hired more laborers, built more workshops, and produced more merchandise (Dahles, 2001). By 2005, after about 25 years of continuous market growth, the silver production in Kotagede was still very much family-based, as Susilowati's (2010) research on economic strategies of the small silver workshops shows. Family members carried the primary responsibility for the production and sale of the home-produced silver items; and a flexible workforce affiliated with the workshop was hired when needed.

Production served different markets (retail, wholesale, and export) and was commonly organized in a combination of the factory-based and the putting-out system. In the factory-based system, a business owner hired craftsmen who specialized in one particular task in the production line, to come to work in his home-based workshop. In pre-earthquake Kotagede, most silver workshops combined onsite production in the business owner's home, with the sales of these home-made products in a street-side shop. Tourists who entered the shop were invited to visit the workplace in the backyard. In the putting-out system, on the other hand, the business owner outsourced the production to a third party, an intermediary, who then hired craftsmen working from their own homes. In this system, the production process was broken down into smaller and smaller tasks, which were subcontracted and spread throughout a network of collaborating craftsmen and workers. In pre-earthquake Kotagede, most business owners used the putting-out system to reduce their workload while maintaining their network of skilled craftsmen in the rural areas.

Before the 2006 earthquake, the silver producers, in response to a series of crises that unfolded from the mid-1990s, were forced to introduce a number of measures to cope with declining sales and rising business costs (Susilowati, 2010). The economic crisis of 1997 increased the exchange rate of the U.S. dollar towards the Indonesian rupiah, which was subsequently followed by an increase in the price of raw silver. As a consequence, many silver producers with a local market orientation went bankrupt. However, those local businesses that served an international export market could temporarily enjoy huge profits because their sales rates were in U.S. dollars. This situation did not last long because a series of political and social upheavals, related to the 1998 regime change, caused tourist arrivals to drop drastically (see Table 1), and silver sales for both export and local markets slowed down (Susilowati, 2010).

The difficulties were building up and the silver producers faced the need to reduce production costs and decrease the number of workers (Susilowati, 2010). Inevitably, employment in the silver industry came under pressure and seven out of the eleven producers in our sample gradually laid off their workers. Unsurprisingly, the putting-out system received a boost, as business owners had to adjust logistics from keeping stocks to producing only on order to avoid financial loss. The independent craftsmen operating under the putting-out system were provided with raw silver and received their payments upon delivery of the finished products. As the crisis deepened, many workers abandoned the silver trade for better paid jobs, such as in the construction industry, while the workshops resumed to involve un(der)paid family members in the production process. Finally, business owners had to use their savings to pay for rising living expenses. In the most pressing situations, they melted their silver stocks and sold the silver to feed their families.

As the crisis mainly affected international tourist arrivals, domestic tourism continued to thrive in Yogyakarta (see Table 1). In response, the silver producers began to explore the domestic retail market, which required drastic changes in their assortment and pricing policy. First of all, the business owners, while grappling with high prices for raw silver, had to offer sharper discounts to attract domestic customers, who outnumbered international tourists but whose purchasing power was much

Table 2. Silver Producers in Kotagede: Coping Strategies Throughout the 'Decade of Crisis' and Beyond.

Crisis	Coping strategy	Workshop no#										
		ws#1	ws#2	ws#3	ws#4	ws#5	ws#6	ws#7	ws#8	ws#9	ws#10	ws#11
1996-2005 (monetary crisis, SARS, Bali bombings)	adjust pricing policy	x	x		x	x	x	x	x	x	x	
	adjust production strategy (e.g. plating)	x	x		x	x	x	x	x	x	x	
	switch to domestic tourist market	x	x		x	x	x	x	x	x	x	
	reduce operational costs (e.g., subcontracting, lay-off workers)		x		x	x	x	x	x	x	x	
	live off savings	x	x		x	x		x	x	x	x	
	adjust sales policy	x			x	x		x	x	x	x	
	focus on production for export only			x								
	seek alternative revenue											x
2006 (earthquake)	live off savings	x	x	x	x	x	x	x	x	x	x	x
	shut down production	x			x	x	x	x	x			
	delay production		x	x						x	x	x
	support affected employees to assure their commitment for future employment			x						x		
	outsource production to external craftsmen										x	
	seek alternative revenue											x
	trade through (international) network			x								
2017 (post-crisis)	sale of machine-made cheap silver products	x	x		x	x	x	x	x	x	x	
	product diversification	x	x		x	x	x	x	x	x	x	
	focus on domestic tourist market	x	x			x	x	x	x	x	x	
	additional business activities	x			x						x	
	focus on export market			x								
	out of business, shift to alternative trade											x

Source: Own data.

weaker. In the late 1990s, after the economic crisis, many shops started to sell cheap, machine-made, mass-produced silver products purchased from Balinese wholesalers. Producers also reverted to plating rather than using pure silver. Table 2 above provides an overview of the coping strategies developed by the workshops in our sample, differentiated by crisis and duration.

The 2006 earthquake severely affected Kotagede as the epicenter was located close to this area. Many buildings were wiped out and all economic activities in Kotagede were paralyzed for several months. The earthquake caused six out of the eleven enterprises in our sample to temporarily shut down production, as their homes and workshops were either destroyed or seriously damaged. Many entrepreneurs had to use their business capital to pay for their daily needs and to repair their houses. Due to their traditional financial management, in which there was no separation between household and business finances, entrepreneurs could flexibly divert cash from their businesses to cover household expenses (Susilowati, 2010). While most Kotagede households were eligible for modest government support, these payments were not sufficient to cover the costs of home repairs and daily needs. Hence, local people sought alternative employment to make ends meet.

During the authors' recent fieldwork in 2017, eleven years after the earthquake struck, Kotagede still wore the scars of disaster. Many of the destroyed buildings had not been fully restored, and the silver workshops they once accommodated were gone. The main street of Kotagede is still lined by silver shops, among which are ten of the businesses in our sample. All but one have survived the decade of crisis, including the earthquake, and are back in business (see Table 2). However, these shops are only retail outlets and the workshops in the backyard are gone. The owners have given up the production of traditional Kotagede silver, and the local craftsmen they used to employ have moved to rural areas or sought employment in other industries. Kotagede's silver shops are currently buying their merchandise in Gunung Kidul, a poor rural area east of Yogyakarta, and in East Java or Bali, where small manufacturing businesses have emerged, producing cheap, machine-made silverware. To cater to an increasingly domestic tourism market (see Table 1), these shops also offer cheap souvenirs and trinkets made of aluminum and copper.

DISCUSSION

Between 1996 and 2006, three coping strategies stand out as most widely applied by the Kotagede silver producers: (1) the use of savings/assets, (2) the switch to the domestic market, and (3) changes made to employment arrangements. In this section, these three strategies will be discussed in tandem with the multi-level framework developed above, distinguishing between the macro (political-institutional), meso (opportunity structure), and micro (small business) level of embeddedness (see Kloosterman et al., 1999; Kloosterman, 2003, 2010).

The first and widely applied coping strategy was the use of financial savings and other assets, which was particularly significant at the start of the crisis in 1997/1998 and after the earthquake in 2006. In fact, using savings was not uncommon in tourism-related businesses, as this was often required to bridge the low tourist season when there was no income. The silver producers resorted to selling raw silver material because production was slowing down and a small profit could be made from price fluctuations. Under crisis conditions, there was a depletion of resources to reinvest in businesses, and, in the long run, this had severe consequences for future business development and led to the demise of traditional silver craftsmanship in Kotagede.

As the consumption of personal and business assets brought only temporary relief, the severity of the crisis called for more drastic measures. A second, widely-embraced business intervention in response to the economic crisis was to switch from the international to the domestic market. This intervention was encouraged by government policies. The Indonesian government launched an intensive campaign to promote domestic tourism in 1997, and, after the first Bali bombing in 2002, extended the number and duration of national holidays. This policy had a positive effect on the flow of domestic tourists to a variety of popular tourist destinations, including Yogyakarta. The government's leisure policy 'created' a demand by facilitating 'time' to local tourists to travel to different parts of the country.

Here, we witness the interaction between the institutional dimension and the subsequent opportunity structures, or the macro and meso dimensions in the mixed embeddedness framework. As argued by Kloosterman (2003, 2010), opportunities (e.g., to start a specific business or launch a specific product) go hand in hand with the interplay of supply and demand of markets. However, the entrepreneurs also need the appropriate resources (such as social networks and capital) in order to be able to access a particular opportunity. This connects the institutional and opportunity level to that of the small business owner (see Kalantaridis, 2009; Kloosterman et al., 1999). However, the case of the Kotagede silver producers shows that the small firms did not have access to the appropriate resources, nor did they offer the right product. The silver producers were flexible enough to adapt to the adverse situation and eventually adjusted to the changing market. Unfortunately, this adaptation came at a cost – a loss of income, skilled labor, and favored clientele – and contributed to the demise of the traditional Kotagede silver craftsmanship.

Over the years, the silver industry had adapted its businesses to foreign tastes and budgets. This focus enabled them to maintain a relatively high price level that met the demands of foreign tourists. The shift to the domestic market was perceived locally as a step back in terms of the quality of the silver crafts offered and the earnings generated. Facing toughening competition in the local tourism industry, the silver producers had to offer their products at a lower price and make adjustments to their assortment to please the tastes and budgets of the domestic buyers. Cheap, machine-made and mass-produced products entered the Kotagede silver shops and are there to stay.

However, there were exceptions from which we can draw insights into the role of networks. One of the businesses in our sample managed to maintain their traditional silver production as they kept working for the export market due to their far-flung foreign network. Unquestionably, overseas connections helped to avoid the economic downturn due to a decline of international tourism. Instead, this business generated substantial financial resources, particularly through foreign currencies that were an invaluable asset during the economic crisis. Indeed, the international antiques market is still particularly interested in authentic Kotagede silver, but only a few craftsmen have access to this market (Yuliantoro, 2009). This particular business owner had picked up expertise in promoting and marketing his business beyond Yogyakarta. Combined with the financial resources and extensive network connections overseas, this strategy gave this silver producer a competitive advantage over the majority of other silver businesses in Kotagede. This particular case argues in favor of the strength of weak ties (Burt, 2000; Granovetter, 1995) for access to critical resources, particularly international trade connections and supply chains.

The third crisis-born business intervention targeted employment arrangements. As the crisis deepened in the early 2000s, the silver workshops ran out of orders and employees were, in fact, redundant. Yet, business owners delayed retrenching their workforce as long as possible. Instead, they left the decision to leave to their employees. An explanation for this pattern can be found in the embeddedness of the businesses in the specific social environment, or in the local cultural context and the norms and values of social connectedness (cf., Hüsken & Koning, 2006). Despite the financial problems they experienced, the Kotagede entrepreneurs generally felt obliged to protect and support their workers, while the workers in their turn also felt obliged to seek employment elsewhere when the impact of the crisis became intolerable. As the majority of the silver producers involved themselves in different kinds of jobs and trades, while continuing their core businesses during the crises, many craftsmen and workers were absorbed by informal labor arrangements.

The informalization of labor was reflected in the putting-out system that gained prominence throughout the decade of crisis. Subcontracting is a flexible industrial production strategy that enables businesses to reduce labor costs (Leonard, 2000, p. 1079). In Kotagede, the putting-out system absorbed the labor that had become redundant in the factory-based system, and provided the flexibility required to stay in business and avoid the loss of skills (Susilowati, 2010). Retrenched employees of the silver workshops generally came to serve as subcontractors of their former employers. This was only possible because both sides had made an investment in their relationships, as well as in skill development and expertise. As argued by Kloosterman (2003, 2010) and Kloosterman and Rath (2001), the individual small business owner is embedded in social networks that provide access to a variety of resources, including labor. However, the kinds of roles in such networks are shaped by norms and values and systems of reciprocity and exchange in agreement with the basic societal institutions (cf., Hüsken & Koning, 2006).

At this interface of the institutional (macro) level and the small business owner (micro) level, both economic and immaterial benefits surface, such as duty of care, mutual commitment, and a sense of shared responsibility. In Kotagede's subcontracting system, the bonds established between employees and their employers were maintained so that they could activate their relationships when needed. This is reminiscent of the debate on the strength and weakness of social ties (Granovetter, 1995; Peng & Zhou, 2005; Stewart, 2003). The benefits of the subcontracting system for both employers and employees in times of crisis support the claim that dense networks with strong social ties are needed to assure the survival of small firms and the skill sets developed in a particular industry (Lin, Ensel, & Vaughn, 1981). Using this strategy, the employers could at least be assured of the quality of the work produced. Additionally, they could also flexibly adjust production to demand and thus ensure the survival of their businesses. Coupled with the benefits of weak ties for maintaining successful overseas trade relationships over time, as discussed earlier, entrepreneurs indeed need both extensive weak ties and strategic strong ones in order to remain flexible in a rapidly changing market (Peng & Zhou, 2005; Stewart, 2003). However, only a few small silver producers in Kotagede were able to do so.

CONCLUSION

The aim of this paper is to come to a better understanding of small tourism-based enterprises as crisis-resilient pathways to sustainable development. The case of small businesses in the silver industry in Kotagede is explored during the Indonesian decade of crisis in order to better understand the ways in which small enterprises cope with enduring hardship. Between 1996 and 2006, the tourism industry had to cope with declining numbers of international visitors as a consequence of a severe economic downturn, terrorist acts, and natural disasters. The mixed-embeddedness framework applied in the analysis of this case emphasizes that enterprise activity can be fully grasped and appreciated only through a contextualized understanding.

Consequently, an integrated analytical scheme combines the dimension of individual business owners and their social embeddedness (networks, norms and values, firm specific characteristics), the local opportunity structures (changes in demand), and the macro-institutional context (government policy, economic climate). The exploration of the coping strategies in the silver craft industry leads us to conclude that, in the face of enduring crises, many small entrepreneurs persevered and were able to continue their business operations. A full understanding of the extraordinary resilience of the small silver businesses in Kotagede is offered when the dynamic interplay of the entrepreneurs' micro-level embeddedness in local and family-based networks is coupled with other forces, such as shifting opportunity structures (meso-level) and an institutional environment (macro-level) that is conducive to adaptation, such as government measures to stimulate domestic travel and the informalization of labor, offering continuous, additional income opportunities.

In conclusion, the question that remains is what potential small businesses offer to become agents of the SDGs? It seems obvious, that among the 17 SDG goals identified by the United Nations (Verboven & Vanherck, 2016), those pertaining to poverty alleviation (SDG1) and decent work stand (SDG8) out. Not only did many of the Kotagede silver workshops persevere throughout a decade of crisis, but they also continued to employ local people and integrate them in the value chain by means of subcontracting. In doing so, these enterprises engaged in business-driven poverty alleviation that mitigated the impact of the enduring crisis on the poor. Moreover, they encouraged entrepreneurship among the workers they had to lay off and helped establish a home-based industry in areas where these workers lived. In creating this rural industry, the inequality between the prosperous urban area of Yogyakarta and its poor rural hinterland was mitigated, which calls to mind SDG10, promoting the reduction of the urban-rural divide (Verboven & Vanherck, 2016).

However, as our study is limited in scope and scale, future research is needed to establish the extent to which the subcontracting arrangements actually provide adequate livelihoods and contribute to poverty alleviation in the rural hinterland. More research is needed into the quality of the work, as defined by SDG8, since subcontracting systems rarely provide benefits beyond a basic income. Moreover, these systems increase the reliance on unpaid domestic work and increase the burden of women in particular. This undermines the goals set by SDG5 that focuses on gender equality and empowerment of women (Verboven & Vanherck, 2016).

In Kotagede, the silver businesses fostered the entrepreneurial culture and upheld the skillsets vital to the industry. These businesses introduced innovations and sought creative solutions to ongoing challenges. After the earthquake, the surviving silver workshops substantially contributed to the restoration of traditional buildings and the rebuilding of the local community – a community that has been lost to foreign developers in other parts of Yogyakarta (Dahles & Susilowati, 2015). In this respect, these businesses performed a critical role in making the neighborhood 'resilient and sustainable', as defined in SDG11. However, in the process of surviving the decade of crisis, the traditional silver industry has been destroyed. It is contentious whether recent transformations have brought any innovation, as defined in SDG9, to the industry. Efforts to revitalize the traditional craft have so far been left to private initiatives.

In recognition of the substantial contribution of the small businesses to poverty alleviation and social cohesion, and their potential to support sustainable developments in the future, the Indonesian government would be well advised to make small businesses the centerpiece of their efforts to achieve the SDGs. Bold measures are called for to mobilize the dormant skills of silver crafting and to recover, for the benefit of future generations, a traditional industry that is of immeasurable value to heritage tourism in Yogyakarta.

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