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THE COVID-19 HEALTH CRISIS AND ITS IMPLICATIONS FOR SALVADOR'S RESTAURANT INDUSTRY: STRATEGIC CHALLENGES AND MANAGERIAL RESPONSES

Carlos Alexandre Lopes Pereira

Master's student in Administration at the
Postgraduate Program in Administration
(PPGA) at Universidade Salvador

Hélder Uzêda Castro

Full Professor in the Postgraduate Programs
in Administration (PPGA) and in Law,
Governance and Public Policies (PPGDGPP) at Universidade Salvador



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Abstract: The COVID-19 pandemic produced an unprecedented disruption in the restaurant industry, particularly in emerging economies where small and medium enterprises represent the backbone of urban gastronomy. In Salvador, Brazil, the pandemic not only reshaped operational models but also revealed the fragility and resilience of local entrepreneurs navigating a turbulent environment. This study investigates how restaurant owners and managers in Salvador adapted strategically, operationally, and technologically to ensure business continuity during the pandemic. Drawing on qualitative research grounded in multiple case studies, twelve restaurants representing distinct service typologies – à la carte, self-service, and direct/repetitive service – were analyzed. Findings demonstrate that adaptive management, contingency planning, and digital transformation were essential survival mechanisms. Delivery platforms became central to operations, while hygiene protocols and cost control measures ensured minimal service continuity. The paper contributes to discussions on strategic management under crisis conditions, emphasizing the intersection between contingency theory, dynamic capabilities, and innovation in service management.

Keywords: COVID-19; strategic adaptation; restaurant management; Salvador; contingency theory; digital transformation.

Introduction

The COVID-19 pandemic represented one of the most profound socioeconomic disruptions of the twenty-first century, triggering health emergencies and economic contractions across virtually every sector. Among the industries most severely

affected, the restaurant sector stood at the forefront of the crisis. Restaurants depend on direct customer interaction, social proximity, and predictable consumer demand – conditions that were abruptly suspended by lockdowns and sanitary restrictions. For developing countries such as Brazil, and especially for regional capitals like Salvador, where gastronomy is deeply embedded in cultural identity and tourism, the pandemic posed a multidimensional challenge that transcended economics, impacting social behavior, employment, and community life.

Salvador, the capital of Bahia, is historically recognized as one of Brazil's most vibrant culinary hubs. Its restaurant industry blends Afro-Brazilian heritage with contemporary culinary practices, attracting both domestic and international tourists. Before 2020, the city experienced steady growth in food services driven by the expansion of the tourism sector and an increasing middle class. However, with the outbreak of COVID-19, the scenario shifted dramatically. Government-imposed lockdowns, capacity restrictions, and public fear of contagion led to a sharp contraction in demand. According to data from the Brazilian Institute of Geography and Statistics (IBGE, 2020), the national restaurant sector registered revenue losses exceeding 28 percent between March and April 2020. In Salvador, many establishments closed temporarily; others never reopened.

Beyond financial losses, the crisis exposed structural vulnerabilities: low digital maturity, limited financial reserves, and a dependence on informal labor. Yet, paradoxically, the pandemic also acted as a catalyst for innovation. Entrepreneurs were compelled to re-evaluate business models, acce-

lerate the adoption of digital technologies, and implement new service formats such as delivery and takeout. These transformations reflected what Mintzberg (1987) defines as *emergent strategy* – strategic patterns arising not from deliberate planning but from adaptive responses to changing environments.

This article aims to analyze the strategic, operational, and technological adaptations undertaken by restaurants in Salvador during the pandemic period. It seeks to answer the following central question: How did restaurants in Salvador develop and implement adaptive strategies to survive the COVID-19 crisis? The study contributes to the theoretical discussion on crisis management by integrating perspectives from strategic management, contingency theory, and service operations. It also offers practical insights for policymakers and entrepreneurs in emerging markets, where resilience and agility have become key determinants of survival.

The structure of this article follows the traditional IMRaD model. After this introduction, the document presents the theoretical framework, exploring the main concepts that underpin strategic adaptation and restaurant management. The following section details the methodology, describing the qualitative multiple case study approach. The next discusses the results and analyses, while the final section concludes with reflections on the theoretical implications and future research.

Theoretical Framework

The theoretical foundation of this research integrates three major conceptual pillars: **strategic management theory**, **contingency theory**, and **service and res-**

taurant management. A fourth cross-cutting theme, **technological innovation and digital transformation**, is examined as a driver of strategic adaptation during crises. Together, these frameworks support an understanding of how restaurants in Salvador navigated the environmental turbulence generated by COVID-19.

Strategic Management Theory

The study of strategy has evolved from prescriptive models emphasizing planning and control toward more dynamic approaches that recognize uncertainty and adaptation. Mintzberg (1987) famously distinguished between *intended* and *emergent* strategies, arguing that in volatile contexts, successful firms rely on flexible patterns of behavior rather than rigid plans. Porter (1991) defined strategy as the creation of a unique and valuable position, involving a different set of activities from competitors. However, during crisis periods, differentiation alone is insufficient; organizations must also develop *dynamic capabilities*, the ability to integrate, build, and reconfigure resources in response to changing environments (Teece, 2007).

In the restaurant industry, strategic management traditionally revolves around cost control, service quality, and customer experience. Yet, the pandemic disrupted these fundamentals. The closure of dining rooms forced restaurants to redesign value propositions, shifting from experiential dining to safe, efficient, and digital interactions. According to Barney (2002), sustainable competitive advantage arises from valuable, rare, inimitable, and non-substitutable (VRIN) resources. During COVID-19, such re-

sources included managerial agility, brand reputation, and customer loyalty, intangible assets that influenced survival.

Salvador's restaurants demonstrated strategic improvisation akin to what Eisenhardt (1989) describes as *rapid decision-making processes* under time pressure. Managers had to make real-time choices about staffing, pricing, and supply chains with limited information. These adaptive behaviors illustrate that strategy during crises becomes an ongoing process of sense-making and experimentation rather than a fixed plan (Weick, 1995).

The crisis also underscored the relevance of *strategic resilience*, defined as the capacity to absorb shocks and emerge strengthened (Hamel & Välikangas, 2003). Restaurants that leveraged partnerships with delivery apps, diversified menus, or renegotiated leases exemplified this resilience. Conversely, those that depended solely on traditional in-person service often succumbed to closure. Therefore, strategic management during COVID-19 was characterized by agility, innovation, and collective learning within constrained resources.

Contingency Theory

Contingency theory provides an essential lens for analyzing organizational adaptation in uncertain environments. It posits that there is no universally optimal way to structure or manage an organization; effectiveness depends on the alignment between internal configurations and external conditions (Donaldson, 1998). This "fit" perspective is particularly relevant in the restaurant sector, where operational models must constantly adjust to fluctuations in demand, regulation, and customer preferences.

During the pandemic, the external environment changed abruptly: sanitary protocols limited capacity, supply chains were disrupted, and consumer priorities shifted toward safety and convenience. In such contexts, contingency theory predicts that survival depends on managerial ability to realign structures and processes to these new contingencies. In Salvador, this meant redesigning physical spaces to comply with distancing rules, implementing sanitation routines, and creating hybrid work systems that balanced in-person and remote coordination.

The theory also highlights the role of *organizational learning* as a mechanism of adaptation. According to Argyris and Schön (1978), organizations learn through feedback loops that modify norms and procedures. Many Salvadoran restaurants demonstrated this learning by integrating digital ordering platforms and contactless payment systems, processes that required new skills and mindsets. Contingency theory thus frames these adaptations not as isolated innovations but as systemic realignments ensuring fit between environmental constraints and operational practices.

Furthermore, contingency theory intersects with strategic management through the concept of *strategic alignment*, the coherence between corporate strategy, structure, and environment. The pandemic forced restaurant owners to rethink their strategic orientation from growth and differentiation toward resilience and liquidity preservation. This realignment illustrates how external shocks can trigger internal redesigns that redefine long-term strategic postures (Burns & Stalker, 1961; Lawrence & Lorsch, 1967).

Restaurant Management and Operations

Service management literature emphasizes that restaurants operate within complex systems of interactions among customers, employees, and suppliers. Fitzsimmons and Fitzsimmons (2000) highlight three pillars of service operations: quality, efficiency, and flexibility. The COVID-19 crisis challenged all three simultaneously. Maintaining quality became difficult due to supply shortages; efficiency was hampered by capacity limits; and flexibility became the decisive factor separating surviving restaurants from those that failed.

In Salvador, operational flexibility manifested through menu adjustments, staff multifunctionality, and the reorganization of workflows to comply with hygiene protocols. Many restaurants reduced their offerings to core items with higher profit margins, minimizing waste and simplifying logistics. According to Slack (1999), performance priorities in operations – quality, cost, speed, dependability, and flexibility – must be balanced dynamically according to environmental demands. The pandemic shifted this balance toward flexibility and dependability.

Leadership and human resource management also played central roles. Team morale suffered from uncertainty and income reduction, yet effective leaders fostered cohesion through transparent communication and shared purpose. The ability to sustain emotional engagement amid crisis aligns with the concept of *emotional intelligence* in leadership (Goleman, 1998), which became critical for employee retention in small service organizations.

Customer behavior further complicated management. Consumers became risk-averse, preferring delivery or outdoor dining. Restaurants responded with safety signaling – visible hygiene measures, protective equipment, and communication emphasizing care. This “service reassurance” strategy (Berry et al., 2006) restored partial trust and stimulated gradual return of demand.

Technological Innovation and Digital Transformation

Perhaps the most profound legacy of COVID-19 in the restaurant sector was the acceleration of digital transformation. Prior to 2020, many small and medium restaurants in Salvador had limited digital presence, relying mainly on physical marketing and walk-in customers. The pandemic disrupted this model entirely. Digital platforms – delivery apps, online menus, and social media – became not complementary but essential channels.

Technology adoption followed what Rogers (2003) described as an *innovation diffusion process*, but under crisis pressure it condensed years of gradual change into months. Restaurants that previously viewed digitalization as optional suddenly faced existential necessity. Some quickly established partnerships with platforms like iFood or Rappi; others developed proprietary ordering systems using WhatsApp or Instagram to reach local audiences.

Digitalization extended beyond sales channels. It affected supply management, customer relationship management (CRM), and financial control. Cloud-based accounting tools and point-of-sale integrations allowed managers to monitor opera-

tions remotely, a capability aligned with the *digitally enabled agility* highlighted by Bharadwaj et al. (2013). Moreover, data analytics provided insights into consumer preferences, enabling targeted promotions and menu optimization.

However, technological adoption was uneven. Larger or well-capitalized restaurants adapted faster, while small family-owned establishments struggled with costs, digital skills, and platform commissions. This digital divide mirrors broader socioeconomic inequalities in Brazil. Nonetheless, even partial adoption enhanced competitiveness and sustainability.

In strategic terms, digital transformation became a *contingent capability* – a response to external constraint that evolved into a new strategic resource. Restaurants that invested in digital presence during the pandemic emerged with broader markets and more diversified revenue streams. For Salvador's gastronomic ecosystem, this shift signaled the beginning of a hybrid era in which physical and virtual experiences coexist.

Methodology

Research Design

This study employed a qualitative, exploratory, multiple-case study design, appropriate for understanding complex organizational phenomena in their real-life contexts (Yin, 2014). Given the unprecedented and evolving nature of the COVID-19 pandemic, qualitative methods allowed the researcher to capture the depth of managerial experiences, perceptions, and decisions. The case study approach was particularly suitable because it enabled comparison across

different restaurant types and facilitated the identification of cross-case patterns.

The exploratory nature of this research sought to generate insights rather than test hypotheses. As Creswell (2014) highlights, qualitative inquiry is appropriate when little is known about a phenomenon or when existing theories fail to explain current realities. The pandemic represented a unique and unforeseen crisis, demanding inductive reasoning to interpret how businesses responded and adapted. The study therefore aligns with interpretivist epistemology, which values meaning-making within specific social and cultural contexts.

Sample and Data Collection

The empirical fieldwork was conducted in Salvador, Bahia, Brazil, between August 2020 and April 2021, covering the peak and stabilization phases of the pandemic. Twelve restaurants were selected through purposive sampling, ensuring diversity in size, service format, and target clientele. The sample included:

- Four **à la carte** restaurants, focused on mid-to-high income segments;
- Four **self-service** establishments, catering primarily to working-class customers and office areas;
- Four **direct/repetitive service** restaurants, such as snack bars and fast-food operations.

This typological segmentation allowed the analysis of distinct strategic and operational realities within the same city. All selected businesses were locally owned, reflecting the predominance of small and medium enterprises in Salvador's restaurant sector.

Data collection involved semi-structured interviews with owners, managers, and key operational staff. Each interview lasted between 60 and 90 minutes and followed a pretested interview guide encompassing three thematic axes:

- 1. Business strategy and decision-making** during the pandemic;
- 2. Operational and human resource management** adaptations;
- 3. Technological and digital transformations** in service delivery.

Interviews were conducted in Portuguese, recorded with consent, and transcribed verbatim. To ensure ethical rigor, participants were anonymized using codes (e.g., R1, R2...). Additionally, secondary data, including company websites, social media content, and local news articles, were collected to triangulate findings and strengthen validity.

Data Analysis Procedures

Data analysis followed the content analysis approach proposed by Bardin (2011), which involves systematic coding, categorization, and interpretation of textual material. The process unfolded in three main stages:

- 1. Pre-analysis:** Familiarization with the corpus, identifying recurrent themes and patterns.
- 2. Exploration of material:** Coding interview excerpts according to the three analytical axes—strategic, operational, and technological.
- 3. Treatment and interpretation:** Synthesizing coded data into con-

ceptual categories aligned with the theoretical framework.

NVivo software was used to organize and cross-reference codes, facilitating comparison among cases. Triangulation of data sources (interviews, documents, and observations) enhanced credibility, while researcher reflexivity minimized interpretive bias. Analytical saturation was reached when no new themes emerged from the data, confirming robustness.

Results and Discussion

Strategic Adaptation and Business Continuity

The onset of the pandemic demanded rapid strategic improvisation. Virtually all respondents reported an immediate decline in revenue exceeding 70 percent during the first two months of lockdown. Managers described the initial period as one of “paralysis and shock,” followed by “reactive creativity” (R2). In line with Mintzberg’s (1994) concept of *emergent strategy*, restaurants developed improvised responses that later solidified into deliberate policies.

Financial Strategies

Cost management and liquidity preservation became top priorities. Many restaurants renegotiated rents, suspended contracts, and adopted flexible employment arrangements. Some owners reduced their personal salaries to maintain staff. According to Barney (2002), resource reconfiguration under constraint is a critical determinant of survival; in this context, financial prudence and solidarity acted as strategic resources.

Market Repositioning

Several establishments repositioned themselves to meet emerging consumer needs. Fine-dining venues introduced affordable lunch boxes for home delivery, while casual restaurants emphasized family-size portions to suit confinement realities. These initiatives illustrate *strategic flexibility* – the capacity to modify market orientation in response to changing demand (Aaker & Mascarenhas, 1984).

Collaboration and Networking

Interestingly, informal collaboration networks emerged among local restaurateurs. Owners shared suppliers, packaging tips, and delivery logistics. This “collective resilience” aligns with the notion of *coopetition*—simultaneous cooperation and competition—identified in crisis literature (Brandenburger & Nalebuff, 1996). Such networks fostered mutual learning and reduced transaction costs, reflecting Salvador’s strong community ties.

Overall, strategic adaptation was characterized by pragmatism rather than formal planning. As one respondent (R8) observed: “*We stopped planning for the year and started planning for the week.*” This temporal compression exemplifies the adaptive cycles typical of crisis management (Weick & Sutcliffe, 2015).

Operational Management and Leadership Responses

Hygiene and Safety Protocols

The reorganization of physical spaces was universal. Restaurants installed hand-sanitizing stations, reorganized tables for distancing, and implemented staff health checks. Self-service operations, most affected by proximity restrictions, adopted assisted buffet systems or temporarily switched to à la carte service. These operational shifts illustrate the *process redesign* dimension of crisis response (Fitzsimmons & Fitzsimmons, 2000).

Workforce Management

The pandemic’s psychological impact on employees was profound. Fear of infection, salary reductions, and unstable schedules caused anxiety and demotivation. Successful leaders demonstrated empathy, communication, and flexibility – key attributes of *emotional intelligence* in leadership (Goleman, 1998). One manager (R5) noted: “*We realized our role was not just to lead the business, but to take care of people.*”

Training also evolved. Hygiene protocols required rapid upskilling in sanitation procedures, while digital transformation necessitated basic training in online ordering systems. This continuous learning culture reflects *double-loop learning* (Argyris & Schön, 1978), where not only actions but also assumptions are revised.

Supply Chain and Logistics

Disruptions in supply chains forced restaurants to source locally. This localiza-

tion reduced dependency on external distributors and stimulated local economies. Flexibility in purchasing and menu planning mirrored Slack's (1999) model of dynamic performance priorities. The ability to switch suppliers or ingredients quickly became a decisive competitive advantage.

Organizational Communication

Internal and external communication intensified. Internally, managers held daily briefings to update employees on regulations and protocols. Externally, social media became the primary communication tool with customers. Transparency about safety measures generated trust and engagement. Communication thus transitioned from transactional to relational, strengthening brand reputation.

Technological and Digital Innovations

The pandemic catalyzed unprecedented digital transformation in Salvador's restaurant industry. Before 2020, less than half of small restaurants maintained active digital channels. By 2021, nearly all had adopted at least one online platform. The shift occurred in three main domains:

Digital Sales Channels

Delivery platforms such as iFood, Rappi, and Uber Eats became lifelines. For many restaurants, these platforms represented over 70 percent of sales during lockdowns. However, platform fees – often exceeding 25 percent – prompted frustration and experimentation with alternative chan-

nels. Several owners launched *direct-to-consumer* delivery via WhatsApp, Instagram, or proprietary apps. This shift from intermediation to direct digital relationships exemplifies *platform disintermediation* (Parker et al., 2016).

Contactless Technologies and Automation

Many establishments implemented contactless payment, QR-code menus, and online reservations. These innovations reduced physical contact and signaled safety compliance. Some higher-end restaurants even introduced *cloud kitchens*, dedicated spaces for delivery operations Only, thereby reducing costs and optimizing logistics. This innovation mirrored global trends toward virtual restaurants (Batat, 2021).

Digital Marketing and Customer Engagement

Social media became both marketing and service channels. Restaurants promoted “behind-the-scenes” hygiene practices, reinforcing trust. Live cooking sessions, virtual tasting events, and influencer partnerships sustained customer engagement during social distancing. These activities built *brand community* (Muniz & O’Guinn, 2001) and reinforced emotional ties despite physical separation.

Overall, digital transformation proved to be the most visible and lasting legacy of the crisis. It shifted the competitive logic of the restaurant industry from location-based to digitally networked. Restaurants that invested in technology and digital literacy during the pandemic entered the post-crisis phase with stronger resilience and broader market access.

Conclusion

The COVID-19 pandemic fundamentally redefined the strategic, operational, and technological foundations of Salvador's restaurant industry. What began as an existential threat evolved into a laboratory of innovation and resilience. Through empirical analysis of twelve cases, this study revealed that survival depended not on firm size or capital intensity but on the ability to learn, adapt, and collaborate.

From a strategic perspective, restaurants demonstrated that emergent strategies – built on experimentation and short-term improvisation – can sustain operations in high uncertainty. The contingency framework proved valuable, as survival hinged on alignment between environmental constraints and organizational flexibility.

From an operational standpoint, managers combined hygiene innovation, team leadership, and supply-chain adaptability. Emotional intelligence emerged as a leadership competence as critical as technical knowledge. The human dimension, care, communication, and trust, became the invisible infrastructure of resilience.

From a technological dimension, the pandemic accelerated digital transformation. Delivery platforms, social media marketing, and data-driven management became structural rather than auxiliary tools. The resulting hybrid model, integrating online and offline experiences, will likely persist beyond the pandemic.

This research contributes to theoretical debates on strategic management in crisis contexts, reinforcing that flexibility and learning are central to organizational resilience. It also expands the empirical understand-

ing of how emerging-market service firms navigate systemic shocks. For practitioners, the findings underscore the importance of investing in digital literacy, community networks, and agile leadership.

Future studies may deepen the analysis by comparing responses across Brazilian regions or by tracking long-term performance of restaurants that adopted distinct adaptation strategies. Furthermore, quantitative research could measure the financial and cultural impact of digitalization on small food businesses.

Ultimately, the experience of Salvador's restaurateurs illustrates that even amid adversity, creativity and solidarity can transform crisis into opportunity, preserving not only businesses but also the cultural soul of a city.

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