DOI 10.2478/sbe-2021-0043

SBE no. 16(3) 2021

REDUCING THE IMPACT OF SARS-COV-2 ON THE BUSINESS ENVIRONMENT – FACTORS OF CHANGE, STRATEGIES AND STATISTICS

DAVID Costin-Dan

Lucian Blaga University of Sibiu, Romania

DRAGOMIR Andreea-Nicoleta

Lucian Blaga University of Sibiu, Romania

Abstract:

The current unprecedented time that the business environment is going through, due to the Sars-Cov-2 pandemic, has generated in the last year and a half an economic and social crisis that forced the companies to change the way they operate and even think. An economic crisis and in this case a medical crisis, is also a facilitator for change within a company and by this paper, we aim to understand the factors that generate change, the concepts of crisis and crisis management along with the dimensions of crisis, along side the presentation of Kotler's Chaotics model, applied on the current crisis. But at the same time, we are presenting some statistics and management strategies and actions that have and must be taken in order to reduce the impact of the pandemic and also to benefit from the opportunities generated by said crisis, while concluding on the need for change and improving the business strategic objectives through increased resilience and the implementation of actions that lead to operational and organisational resilience.

Key words: *business environment, crisis, strategy, change, Sars-Cov-2*

1. Introduction

Usually the business environment is developing according to certain economic cycles, but when extraordinary situations occur, these economic cycles become disrupted, and we find ourselves in turbulent waters. Right now we are in a crisis situation, generated by the Sars-Cov-2 pandemic and its effects on the business and social landscapes of all the world's countries. This global pandemic has disrupted and undermined the economy, has affected the lives of millions of people, and has strongly impacted the way we live our lives (Mofijur et. al., 2021).

In the last years we have lived in an economic storm, maybe a perfect storm. This is probably the best way to describe the present global crisis. No other crisis of such magnitude has hit the global market after the Second World War (Albers and Jonung, 2010, in Dumitrescu et. al, 2011) like the Sars-Cov-2 pandemic. Being a interconnected and interdependent economy, with a globalised force behind it, the economic environment

has proven to have a great fragility (Kotler and Caslione, 2009) to outside crisis based forces, especially those that act at a world level, like the pandemic that we are facing.

The idea of a turbulent economy, with its increased volatility is a different one from the business environment of the '70 and '80 economies, when we have a low level of predictability, and we find ourselves in a situation where we might be faced with economic disturbances that generate a greater risk and uncertainty for companies, and for the micro and macro environments. While the topic of a disturbed business environment has been covered by many authors over the years (Druker, 1992; Greenspan, 2007) we find that none could have imagined the changes that a global, medical crisis, like the Sars-Cov-2 pandemic can bring to the business environment and to the different management changes that were needed to be undertaken in order to increase the chances of survival in the current environment. The current paper, by its design is covering from a theoretic, but mostly from a practical point of view the changes needed to be taken by the managers in order to survive and even in some cases thrive. We will be pointing out the concept of crisis and crisis management, the dimensions of a crisis, the main factors that can usually generate chaos in the business world, we underline a theoretical model presented by Kotler, which seems to fit the current crisis, while also as presenting and analysing several statistics that are governing the world of management in order to cope with the Sars-Cov-2 pandemic.

2. Some factors that are creating change in the business environment

Crisis is the catalyst for change, having a positive or a negative impact on the company and on the management strategies developed by it. Therefore, the crisis idea, is in need of being defined and better understood. Crisis is defined (Sawalha et.al, 2013, John-Eke and Eke, 2020) in as “a deviant condition that is associated with high hazard to business which could produce quick municipal policy alteration because it threatens public trust as well as drawing media and public interest”. But the issue that the organisations are going through different types of crisis, we must understand that according to Holmgren (2015) there are three dimensions of the crisis concept: (1) crisis are threatening the main values of the organization; (2) the crisis offers a short amount of time in which a response can be made; and (3) crisis are unpredictable and can't be anticipated by the organisation.

But there are authors that argue (Coombs, 2010) that there isn't a clear concept of the crisis, and he considers that the crisis is “an unpredictable event that jeopardizes important expectancies of stakeholders and can gravely influence performance and create a harmful outcome in an organizational setting”. Crisis definition and the three dimensions lead the organisations in the direction of crisis management activities that can lead to changes in order to avert, manage and control the effects of the crisis and take advantage of the opportunities that come to light in unpredictable business situations.

Therefore, crisis management can be defined as process or method by which crisis can be prevented, reduced to the lowest minimal, managed and controlled in a way that the positive effect surpasses the negative effect (Karman, 2017). Of course, the crisis can be seen as an unexpected interruption every company is bound to stumble upon at a point in its business lives (Oparanma and Wechie, 2014).

When we are usually thinking of disruptive factors (of critical times in the environment of a company), that are acting upon the business environment, we should automatically think of change. Change which is a constant and an inevitable factor that exists in the lives of ones company. It happens inside a company, in a public office and even in the lives of every day citizens. Real business management is in need of understanding the real and current factors that causing change within a 21st Cenury company. Among the most common factors that are causing change withn a company, we should mention (Bhasin, 2019):

- a) *changes in the technological environment* – the development of new technologies that forces the company to change and adapt. New products and the younger customers are generating the need for companies to stay focused and make changes in technology whenever they require to stay relevant in the market. The idea of a new information revolution (by instant communication, global reach, social media platforms tec.) has generated, probably the biggest changes, and has strongly remodeled the business environment (Kotler and Caslione, 2009).
- b) *social changes* – todays' companies should change their production process and alling them with the changes that occur in the needs and aspirations of their current and potential customers. But at the same time they must be aware of the fact that such crisis like the Sars-Cov-2 pandemic can produce deeper and more lasting social changes in the behaviour of the companies and the consumers, that the managers must keep track off.
- c) *commpetitive innovations* – competition has always caused change within the business environment. When a competitor has created something really innovative, they force the company to adopt changes and adjust their management and market strategies to meet the new challenge. Still, there is also the fact that sometimes, innovation and especially tech innovation can lead to the development of *disruptive technologies*, are aimed to de-throne the market leaders.
- d) *governmental policies changes* – the evolution of a business environment is strongly influenced by the legal and political changes that the governments are delivering within a country. Changes in policies like employment hire policy, wages policy, and rights of employees and workers, while being managed by the company, are subject to judicial oversight given by the legal requirements within a country.
- e) *failure of some activities or strategies* – leads to minor or major changes within the procedural and strategic activities of a company. But companies that are really innovative use the idea of failure as a slingshot to innovate and improve thei procedures, products or services.
- f) *crisis* – sometimes critical moments within a company or that of a business environment can be a factor that generates change. Considering this, there are several questions that need answer in order to understand if, for example the current Sars-Cov-2 crisis is also a factor of change, questions like: *Will the current crisis and the responses to it fundamentally transform economies, governments, societies, and the relationship among them? Is the world, as many believe or hope, at a turning point in history?* (Berman, 2020).

Right now it is difficult to give the answer to these questions, because the crisis status, is still in effect, but, one must make a clear the distinction between the effects generated by a somewhat normal crisis and the ones generated by a major, world-wide crisis that can lead to a clear transformation within our society, behaviour and consequently in our economy. While the economica crisis are quite common in an everchanging environment, like the 1973 oil crisis, the 2008 subprime crisis, a crisis like the one we are seeing today (when the whole world is affected) is rarely seen and it can have a transformatory effect on our economic environment.

3. A model of managing vulnerabilities and opportunities

Change and crisis, has always been generated by an outside or an exogenous factor, like the needs of consumers, the competition, or sometimes, like right now a medical pandemic that has created a geat deal of stress for the companies, from all fields of activities. While in normal business times, the companies are considering medium and long term business objectives (strategic objectives), in times of crisis, these objectives are no longer in play.

During normal, non crisis, business conditions, the managers are often abel to predict and forecast the future of their company, to develop their strategies, based on some sets clear analytical tools, that can help the manager to direct the business in the right direction (Kotler and Caslione, 2009). At the same time, there is another aspect that must be considered, that in time of crisis, the companies can be vulnerable, the managers are taking rash decisions, and are even underestimating the potention opportunities generated by the crisis.

In the current crisis, we have seen companies that are working the fashion industry, take advantage of the Sars-Cov-2 pandemic and have shifted their operation towards supporting the medical efforts and providing protection masks, protection clothing for the medical professionals and for the general population. Over the last year and a half, we have seen also companies that have benefited from the pandemic, in areas like: *cleaning services, home delivery services, remote fitness, e-commerce, freelance copywriter, online teaching etc.* (Watson, 2021). As we can see, there are also ways of dealing with the crisis, and being successful. But at the same time, it seems that we are living in an continuum of change and of chaotics like Kotler said (Kotler and Caslione, 2009), as seen in figure 1.

Figure 1 Chaotics Continuum

(Source: Kotler P., Caslione, 2021, p. 98)

Seeing figure 1, one must wonder, if the model presented by Kotler applies for the current crisis generated by the Sars-Cov-2 within the business environment? When we consider the ideas related to crisis and how they appear, we can clearly state that sometimes they come to life at: (a) *at a micro level* - within a company, corporation or area of activity – for example, at this time there is a server shortage of semiconductors / chips for the automotive industry (Preston, 2021); (b) *at a macro level* - at a global, regional or at national level, like the 2008-2010 subprime crisis or the current Sars-Cov-2 pandemic.

If we look at figure 1, we can state that the undetectable turbulence that has generated the chaotic reaction within the business environment is the *Sars-Cov-2 pandemic*, which in turn has generated the detectable turbulence, *the semiconductor (chips) shortage*. So in this case we can say that the macro level crisis, has generated the micro level one. From this, one can simply wonder, what are the reactions of the business environment and those of the managers, in such situations? How can they adjust their business strategies and tactics to fit the new normality?

4. Management and strategic changes designed to deal with Sars-Cov-2

While taking into account these changes and the direction that the model presented in the previous section, we also must underline the main strategies and activities undertaken or that should be put into place by the business world to deal with the crisis and to profit from the opportunities generated by the pandemic, we can underline (Kraaijenbrink, 2021):

- a) *go digital or further increase your digital footprint* – while the trend towards going digital has been present for more than a decade, the current pandemic has forced the companies to become more involved and more present in the digital environment, by social media, online consumer interaction. “40% of physical-experiences businesses will improve financial results and outperform competitors by extending into paid virtual,” 75% of conversations at work will be recorded and analyzed, enabling the discovery of added organizational value

or risk,” and “content moderation services for user-generated content will be surveyed as a top CEO priority by 30% of large organizations.” (Panetta, 2020).

- b) *develop a responsible business* – the business environment is refocusing towards developing and sustaining responsible businesses, based on principles of transparency, sustainability, environment protection etc. A good example in this direction is the transition of the automotive industry from fossil based fuel cars, to electric cars. This strategy can lead to more lucrative business in the future but also to improve the relationship with the consumers, which are becoming more and more aware of the importance of doing responsible businesses.
- c) *develop or strengthen the resilience of your company* – companies are not usually considering resilience when developing their business strategies, they probably did not consider it necessary, but the recent global crisis has generated the need for companies to implement strategies of business resilience in areas like: institutional resilience, financial resilience, operational resilience technological resilience, and reputational resilience.
- d) *develop a good employment strategy* – the current employees are increasingly looking for jobs that fit their idea of a proper and meaningful life. This means they focus more on what they like than on the necessity of having a job. The pandemic has changed the way the employees view the job and the companies must adapt strategies that increase the work-life balance benefits and the possibilities of working from home.

According to the European Commission Report on teleworking (Lopez et al., 2021), as of 2019, only 5,4% of the EU-27 employees usually worked from home. Of these, more than 40% represent the ones that are active in the ICT services (a more detailed distribution within areas of activity can be seen in figure 2).

Figure 2 Prevalence of telework by sector, EU-27

(Source: Lopez et. al, 2021, p. 2)

At the same time, the EU report shows that the main occupations that included teleworking before the pandemic represented occupations like: Teaching professionals, ICT professionals or Administrative and commercial managers etc. (see figure 3).

Figure 3 Prevalence of telework by occupation, EU-27
(Source: Lopez et. al, 2021, p. 2)

If we look at these statistics from a geographical perspective (figure 4), at the level of the EU-27, the countries that are most active in the teleworking are Sweden, Netherlands and Luxembourg, while Cyprus, Romania and Bulgaria had in 2019 less than 5% of employees working remote.

Figure 4 Prevalence of telework across EU Member States
(Source: Lopez et. al, 2021, p. 4)

While looking at the figures of 2019, one must wonder what changed in the minds of the managers and also of the workers, in the context and effects of the pandemic? A survey based research developed by the OECD Global Forum on Productivity (Criscuolo et al., 2021) shows the result of a survey developed in 25 countries on managers and employees. The aim of the study was to identify the respondents experience with and

expectations about telework as well as, the survey provided insights about how extensively telework may be relied on in the future, the anticipated advantages and downsides and what role public policies and managers can play in raising the gains from telework.

From the results, we are underlining some of the findings that can give a better understanding on the impact and the future of the business environment after the Sars-Cov-2 crisis.

Figure 5 Teleworking before, during and after the crisis
(Source: Criscuolo et al., 2021)

As we can observe from figure 5, the perception of the respondents of the presented domains show that there is a increase of 10 to 25% in the intention of continuing teleworking after the Covid-19 crisis ended. These results, combined with the perception of the workers and managers of an ideal number of days per week of teleworking (seen in figure 6) shows a shift in the way managers and their employees see the future of business.

Figure 5 Ideal number of days of teleworking per week
(Source: Criscuolo et al., 2021)

Going over these findings we can clearly see that the job market is changing, the companies must adapt to the new realities of the business worlds, and the managers must find new ways to keep and stimulate their employees, while improving their work-life balance. While the crisis generated by the pandemic is still generating change in the business environment, there are several changes or better yet reactions, strategies and tactics that have been put in place to mitigate the negative impact of the pandemic (PWC, 2021).

The PWC report was based on a survey developed between August 2020 and January 2021 of more than 2800 business managers from 73 countries identified and presented their tactics, reactions and processes implemented to deal with the pandemic generated crisis. Among the most important findings, solutions and strategies presented (PWC, 2021), we underline:

- 73% of respondents said their business was negatively impacted by the crisis;
- 20% said they're in a better place today (January 2021) than before the start of the pandemic;
- 95% of the business leaders report that their crisis management capabilities need improvement;
- 70% of the managers reported to planning to increase their company's investment in building resilience;
- 77% changed their corporate strategies to respond to the chaos created by the Sars-Cov-2 pandemic;
- 80% of the companies agree their organisation has considered the wellness, physical and emotional needs of employees during the pandemic

But what are the effects of the above mentioned findings and what was done to improve the situation? The same PWC Report (2021) shows that more than 20% of the companies consider that the crisis "has had a positive impact overall on their business".

From this, 3 types of organisations have been identified: (a) *data driven companies* - strategic, data-focused and committed to building resilience through training and integrating lessons learned; (b) *in it together* - prepared to examine their response to the crisis and attentive to the needs of their people, by improving morale, by diversity and inclusion and by culture; (c) *resilience pioneers* - innovative, tech-driven and able to adapt to changing conditions, by improving technologies, by building organisational resilience and focusing on third-party risk management.

Concerning the actions undertaken by the companies when understanding the real implications of the Sars-Cov-2 pandemic, the managers mentioned that the following management strategies were put in place: (1) Improve the ability to conduct operations remotely - 65%; (2) Enhancing the technology – 55%; (3) Reduce the number of employees, only when needed – 40%; (4) Redesigning the communication with the stakeholders – 38%; (5) Postpone important investments – 36%.

Starting from these aspects, the future actions that need to be considered and implemented, in order to recover and improve the response time to future crisis, like: (1) Implement the transformations within the companies, at an accelerated pace – 96%; (2) Adapt the corporate strategies to deal with the effects or future effects of the crisis – 77%; (3) Develop crisis based strategies designed to deal with the unexpected changes – 77%; (4) Improve the company's resilience in the near future – 69%; (5) Put in place an after action process, to see what could have been done better – 69%. Of course that these aspects are just some of the actions and strategies that the companies and their managers should and must undertake in order to reduce the vulnerabilities and use the opportunities generated by any current and future crisis, and they should be treated as such, being just some of them.

Each company should also have in mind some of the following principles: adapting, improve, react, change and much more.

5. Conclusions

Crisis after crisis leads to change and makes the companies and managers adapt better and it makes them use every opportunity found on the market. Since the beginning of the unexpected Sars-Cov-2 pandemic the business environment has gone through change after change, and the crisis generated by it came in wave after wave, with each increase or decrease of the number of infected people.

While the normal factors that lead to change and which have come to life since the previous economic crisis of the 20th and 21st Centuries, hasn't prepared the social and economic environments for the impact that the Sars-Cov-2 crisis. While the world has gone through previous medical critical situations (crisis), the moment we find ourselves is unprecedented, due to the current developments of the humankind in areas like transportation (which helped spread the virus faster than ever) and communication technologies (like social media, news outlets, smartphones etc. which increased the feeling and size of the disaster, in the minds of the population and of the business markets).

Through the study literature review and secondary data analysis, that we have undertaken, we aimed to get a better understanding of the effects of the Sars-Cov-2 crisis has had on the business environment, while underlining several theoretical aspects related to crisis generating factors, to a proposed theoretical model that we consider it is applicable even today. Secondly, while presenting the results of several researches developed to better understand the impact of the pandemic crisis, we have discovered the need for change, and the imperative necessity for the companies to adapt their strategies and way of thinking to deal with the challenges derived from the crisis.

We have found that the organisations with a strategic crisis response plan in place can mobilise more swiftly, stabilise business operations and respond effectively to the shockwaves of disruption. The companies need to turn to digitalisation and to implement better ICT technologies that help them communicate with their stakeholders. Also, the managers and their companies, should change their employee work strategy, to better integrate the work-life balance, while the pandemic generated the need for teleworking, we have seen the companies and the employees desire to continue to work (at least for some time) in a remote manner.

But most of all, we have found in all the reports and researches presented here and not just that, the need for companies to be more resilient (70% of the managers consider that they need to be more resilient), and building organisational resilience, should also include: ability to identify threats; faster response time; clear crisis strategy, plans and employee roles; scenario exercise builds muscle memory; improve communication and build stakeholder trust etc. We acknowledge that these strategies, actions, ideas are just some methods of reducing the impact of the crisis, and by all means they are not comprehensive and should not be treated as such, but it is a starting point for further development.

6. References

- Albers, R. and Jonung, L., *Major Crisis (2010): Historical comparison to the great depression and the classical global standard*, 6th Eurostat Colloquium on "Modern tools for business cycle analysis: the lessons from global economic crisis", p. 2, Luxemburg, 26-29 September, http://epp.eurostat.ec.europa.eu/portal/pls/portal/!PORTALwwpob_page.show?_docname=2304420.PDF in Dumitrescu, L., Fuciu M., Gorski, H., *The chaos management system - how to prepare for uncertainty?*, Knowledge Based Organization International Conference, 2011, vol. 2, p. 99-103
- Berman, S., (2020), *Crises Only Sometimes Lead to Change. Here's Why*, <https://foreignpolicy.com/2020/07/04/coronavirus-crisis-turning-point-change/>, accessed in October 2nd, 2021.
- Bhasin, M., (2019), *What Causes Change in an Organization?, 10 factors explored*, <https://www.marketing91.com/change-in-an-organization/>, accessed in October 3rd, 2021.
- Criscuolo, C., Gal, P., Leidecker, T., Losma, F., Nicoletti, G., (2021), *Telework after COVID-19: survey evidence from managers and workers on implications for productivity and wellbeing*, OECD Global Forum on Productivity, July 28, <https://oecdecoscope.blog/2021/07/28/telework-after-covid-19-survey-evidence-from-managers-and-workers-on-implications-for-productivity-and-well-being/> accessed in October 7th, 2021.
- Coombs, W. T. (2010) *Crisis communication: A developing field*. In R. L. Heath (Ed.), *The Sage handbook of public relations*: 477-488. Thousand Oaks, CA: Sage.
- Ghazi, K., (2017). *The Impact of Strategic Planning on Crisis Management Styles in the 5- star Hotels*. Issue 18, pp. 146-161
- Holmgren, F. (2015). *Crisis management. The nature of managing crises*. Jonkoping International Business School. Master's Thesis. <http://www.diva-portal.org/smash/record.jsf?pid=diva2%3A821492&dswid=9859>
- John-Eke, E. C., Eke, J. K. (2020), *Strategic planning and crisis management styles in organizations: a review of related literature*. Journal of Strategic Management, 5(1), 36 - 46. <https://doi.org/10.47672/jsm.501>
- Kraaijenbrink, J., (2021), *Four Essential Trends For Every Post-Covid-19 Business Strategy*, <https://www.forbes.com/sites/jeroenkraaijenbrink/2021/03/04/four-essential-trends-for-every-post-covid-19-business-strategy/?sh=15affe4cc4a0>, accessed in October 6th, 2021.
- Kotler, Ph. and Caslione, J.A., (2009), *Chaotics. The Business of Managing and Marketing in the Age of Turbulence*, Publica Publishing House, Bucharest.
- Lopez, J.R., Christidis, P., Vassallo, J.M., (2021), *Telework in the EU before and after the COVID-19: where we were, where we head to*, https://ec.europa.eu/jrc/sites/default/files/jrc120945_policy_brief_-_covid_and_telework_final.pdfhttps://ec.europa.eu/jrc/sites/default/files/jrc120945_policy_brief_-_covid_and_telework_final.pdf, October 9th, 2021.
- Oparanma, A. O., Wechie, I. (2014) *Crisis management processes to ensure effective and continuous performance*. Journal of Business and Management. 16(8), 01-04.
- Panetta, K., (2020), *Gartner Top 10 Strategic Predictions for 2021 and Beyond*, <https://www.gartner.com/smarterwithgartner/gartner-top-10-strategic-predictions-for-2021-and-beyond>, accessed October 6th, 2021.
- Preston, B., (2021), *Global Chip Shortage Makes It Tough to Buy Certain Cars*, <https://www.consumerreports.org/buying-a-car/global-chip-shortage-makes-it-tough-to-buy-certain-cars-a8160576456/>, accessed October 5th, 2021.
- Rahman, Md. Mofijur & Rizwanul Fattah, I. M. & Ong, Hwai Chyuan & Mahlia, T M Indra & Rahman, S M Ashrafur & Najafi, Gholamhassan & Islam, A. B. M. & Ahmed, Shams & Uddin, Md & Alam,

- Md. Asraful. (2021). *Impact of COVID-19 on the social, economic, environmental and energy domains: Lessons learnt from a global pandemic*. Sustainable Production and Consumption. 26. 343-359. 10.1016/j.spc.2020.10.016.
- Sawalha, I. H. S., Jraisat, L. E., Al-Qudah, K. A. (2013). *Crisis and disaster management in Jordanian hotels: Practices and cultural considerations*. Disaster Prevention and Management, 22(3), 210-228.
- Watson, C., (2021), *20+ Business Ideas Coming Out of COVID-19 Pandemic*, <https://www.europeanbusinessreview.com/20-business-ideas-coming-out-of-covid-19-pandemic-small-business-edition/>, accessed in October 3rd, 2021.
- *** Global Crisis Survey 2021 – building resilience for the next normal, March 2021, <https://www.pwc.com/ia/es/prensa/pdfs/Global-Crisis-Survey-FINAL-March-18.pdf>, accessed in October 9nd, 2021.