

PANDEMIC COVID-19 AS A SOURCE OF INTERRUPTION OF MSP OPERATIONS IN SLOVAKIA

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ABSTRACT

The business interruption has become a global problem that has caused a slowdown in the world economy. The continuity of individual activities in enterprises is interrupted by changes in the business environment, with the global pandemic COVID-19 being the most frequent cause in recent years. Enterprises were not prepared for this change, which also affected their operational efficiency. This paper has to highlight the essence and need for crisis management and enterprise risk management. At the same time, the article has to present the results of my nationwide survey, which was carried out based on the UNIZA grant project.

Key words: COVID-19, crisis management, enterprise, interruption, risk management, small and medium-sized enterprises

INTRODUCTION

Currently, COVID-19 poses an existential threat to businesses. As a result of the measures taken against the pandemic, the operations and overall functionality of enterprises have been disrupted. There have been problems finding customers and increased production and labor costs, which have contributed to the insolvency of enterprises [2,6]. Several industries that are heavily dependent on the physical presence of employees suffered significant losses during the pandemic, as the movement of people as well as the use of the workforce capacity of the enterprises was limited. On the other hand, some enterprises, which were not so constrained by the possibility to work remotely, were able to adapt to the changes, depending also on the nature of the specific business. Given the problem at hand, it is important to recognize that the risk of losing human resources is an area that requires a great deal of attention. The sustainability of enterprises has become a significant problem that not every enterprise has been able to cope with. The disappearance of several business entities has caused significant consequences for the economies of countries around the world, which has affected the global economy [4,5,9].

Adapting to new, unexpected changes in the environment is a solution to ensure the openness of the enterprise, which has been rare in the past due to measures against the spread of coronavirus. To cope with the pandemic situation, enterprises have had to reorganize their activities and tasks within corporate governance. They had to change their approach to activities and adapt them to the situation. They had to accept the changed conditions and integrate them into their operations so as not to disrupt their operations or cause even more damage than the pandemic itself [7,8]. Graham (2022) argues „*that the pandemic has modified crisis and business continuity thinking, and that organizations are actively reviewing and changing their strategic approach to resilience*“ [1]. It is the strategic approach to business resilience that can be ensured through the implementation of risk management and crisis management into enterprise management. Approaches and activities within these two overlapping areas take into account changes in the environment that could undermine the resilience and stability of enterprises and support the assurance of business preparedness and prevention. The need arises from the requirements of business management that is unable to deal with unexpected negative changes that affect the development of the enterprise and its very existence. Crisis preparedness is a key capability that enterprises should have. In case of ignorance, it is necessary to think about the provision of education and training of employees in the field [3,10,11,12].

Risk management plays an important role in dealing with and preparing an enterprise for unexpected situations. In an enterprise, risk management does not stand out as a separate management system, but should be an integral part of enterprise management. By introducing risk management in an enterprise, it is possible to ensure the continuity of the management activities of the enterprise and at the same time, it becomes a process of continuous improvement of management to achieve the set objectives of the enterprise [4].

Crisis management is a set of measures aimed at minimizing the potential damage caused by a crisis in an enterprise. Crisis management supports the already existing management and at the same time extends its scope to include the part of securing enterprises in connection with other unexpected emergencies that could limit or even interrupt the enterprise's operations. The risk management process is effective both in the preventive elimination of an impending crisis and in the management of the consequences of a crisis [1].

METHODS

In the preparation of the article, analysis and synthesis of knowledge from domestic and foreign scientific and professional sources in the field of risk management and crisis management were carried out. Within the framework of the UNIZA grant project entitled: *Model of risk management in connection with the impact of the COVID-19 pandemic on the business environment in the Slovak Republic*, a nationwide survey was conducted. The survey focused on the interruption of SME activity in Slovakia as a result of the COVID-19 pandemic. The survey was carried out through a questionnaire consisting of 22 questions. The questions focused on risk and crisis management issues and the current situation related to the COVID-19 pandemic.

RESULTS

This chapter has to present the results of my research on the interruption of small and medium-sized enterprises in Slovakia due to the COVID-19 pandemic. As in the world, the pandemic in Slovakia has caused mainly negative impacts on small and medium-sized enterprises. Therefore, a nationwide survey was carried out to identify possible problems encountered by SMEs during the pandemic as well as shortcomings in the management of enterprises. A total of 359 respondents out of 1145 questionnaires sent out took part in the nationwide survey. The survey was conducted during the ongoing COVID-19 pandemic in 2021. 179 (50%) micro, 122 (34%) small, and 58 (16%) medium enterprises participated in the survey. Of these, 67 (19%) enterprises were from the business services sector, 38 (10%) from construction, 12 (3%) from agriculture, 28 (8%) from transport and information, 36 (10%) from industry, and the largest representation was 75 (21%) from accommodation and food services and 103 (29%) from other services.

Figure 1 shows the survey responses to the question from the questionnaire: Has the situation related to the COVID-19 pandemic affected your business (1 - definitely yes, 5 - not at all)?

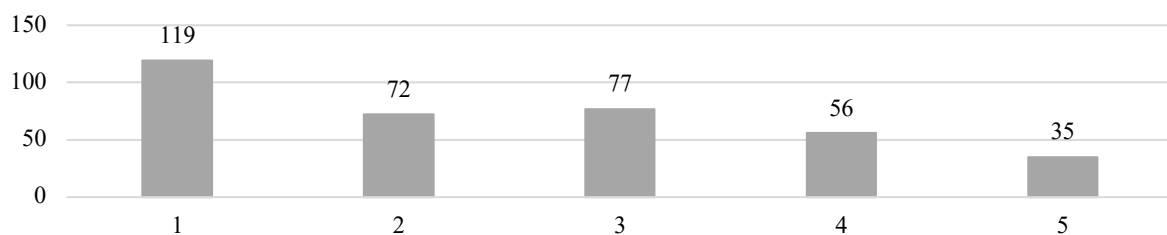


Figure 1 Answers from a nationwide survey to the question: Has the situation associated with the COVID-19 pandemic affected your business (1 - definitely yes, 5 - not at all)?

Source: author

Of the responses, 119 respondents indicated that the pandemic had affected their business. At the same time, 72 respondents answered that the pandemic had affected their business. A neutral response, i.e. neither yes nor no, was given by 77 respondents. As many as 91 respondents said that it had not affected their business at all.

Summary: Based on the questionnaire responses shown in Figure 1, we can conclude that the COVID-19 pandemic has affected the business of SMEs in Slovakia.

Figure 2 shows the responses to the question from the questionnaire that measured the functionality and openness of SME operations in Slovakia during the COVID-19 pandemic.

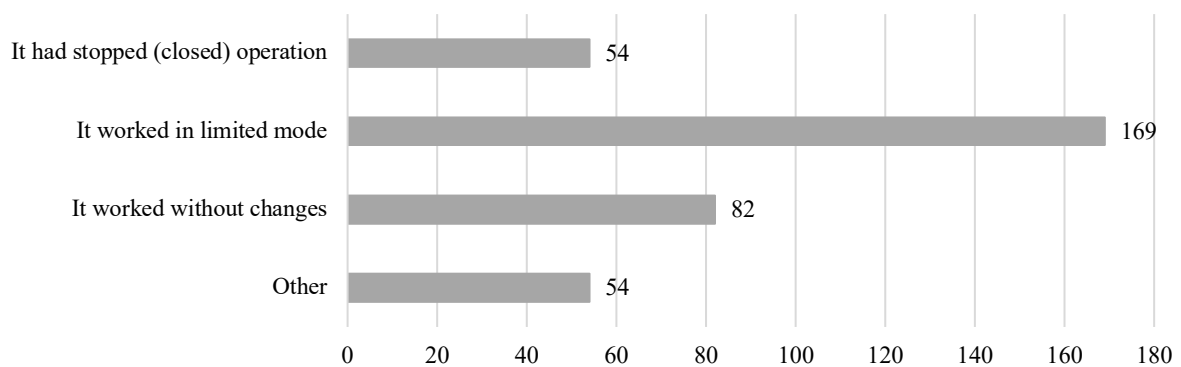


Figure 2 Answers from a nationwide survey to the question: During the COVID-19 pandemic, your enterprise:

Source: author

Among the responses, 169 respondents indicated that they operated in a limited mode during the pandemic, the highest number of enterprises. 82 respondents operated without changes and 54 enterprises stopped (completely ceased) operations. For the remaining responses, enterprises provided complementary answers: had an enterprise open because it was not closed by law, but there were no performances; operated in HO mode; temporary allocation of staff to bubbles; operated without changes with strict pandemic and internal measures; with increased workload and duties; partially restricted mode due to the establishment of backups in case of the spread of COVID-19 in the workplaces.

Summary: Based on the questionnaire responses presented in Figure 2, we can conclude that the Slovak Government's measures concerning SMEs in Slovakia have caused a restriction on the enterprise activities of several enterprises in Slovakia.

Figure 3 shows the answers to the question from the questionnaire: Were you prepared to cope with the COVID-19 pandemic (1 - definitely yes, 5 - not at all)?

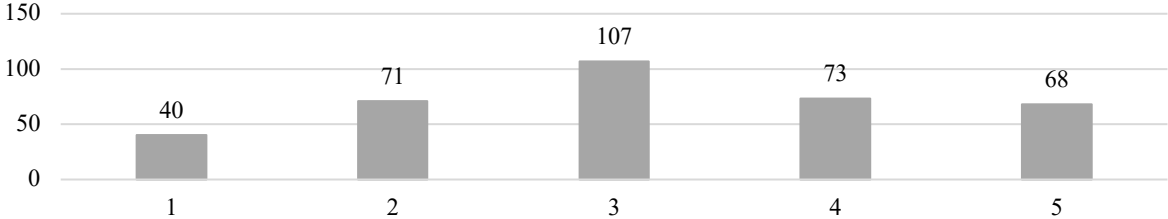


Figure 3 Answers from a nationwide survey to the question: Were you prepared for handling the COVID-19 pandemic (1 - definitely yes, 5 - not at all)?

Source: author

Among the responses, 68 respondents assessed that they were not at all prepared to deal with the COVID-19 pandemic and 73 respondents were rather unprepared to deal with the situation. In 107 enterprises, neither of the options, rather yes or no, were expressed. 71 enterprises were rather coping and 40 enterprises were coping with the situation.

Summary: Based on the questionnaire responses shown in Figure 3, we can conclude that the enterprises did not expect such a situation associated with the COVID-19 pandemic to arise and the measures that were taken to mitigate it and affect the functionality of the enterprise's operations. The enterprises were not prepared to respond.

Figure 4 shows the responses from the survey to the question from the questionnaire: What are the main reasons for the interruption of business continuity in your enterprise (Please give up to three answers.)?

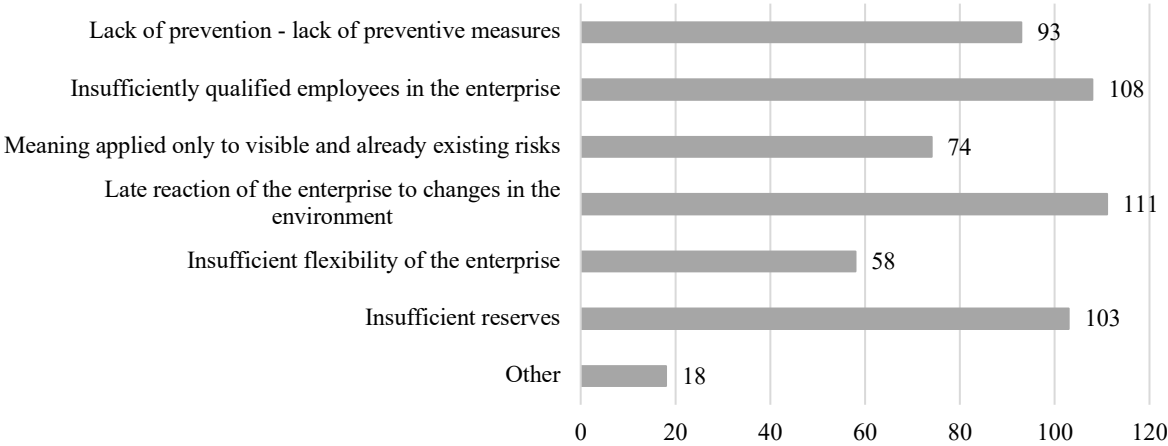


Figure 4 Answers from a nationwide survey to the question: What are the main reasons for the interruption of the flow of operations in your enterprise (Please give a maximum of three answers.)?

Source: author

Figure 4 shows the most common reasons for interruptions in the smooth functioning of SMEs in Slovakia. The greatest importance was attributed by 111 respondents to the delayed reaction of the enterprise to changes in the environment. Another important reason is insufficiently qualified employees in the enterprise with multiple answers 108, insufficient reserves were chosen by 103 respondents, and insufficient prevention - lack of preventive measures was mentioned by 93 respondents. The reason for the interruption of operations was chosen by 74 respondents as a result of giving importance only to visible and pre-existing risks and at least 58 respondents attributed the reason for the interruption of business continuity to the lack of flexibility of the enterprise.

Other reasons for the interruption of operations cited by respondents included: a shortage of goods, political interference, and COVID measures, government restrictions, government political interference, environmental changes, loss of suppliers, supply chain interruption, restriction of customer movement, and loss of customers.

Summary: Based on the questionnaire responses shown in Figure 4, we can conclude that enterprises did not know how to respond to an emerging pandemic, they lacked reserves with which to manage a pandemic. Ignorance in this area was reflected in the lack of prevention and unqualified staff.

DISCUSSION

Based on the presented research, we can conclude that the activities of small and medium-sized enterprises in Slovakia have been affected by the COVID-19 pandemic. It has affected their functioning and interrupted the continuity of their operations. During the pandemic, enterprises had their operations suspended (closed), which in most cases caused a permanent stoppage of their activities. Enterprises were not prepared for the pandemic. There was a lack of prevention, as well as a significant lack of awareness and information to ensure business continuity through risk management and crisis management. Inadequate response to a pandemic was not ensured due to insufficient preventive measures and unqualified staff. Enterprises were unable to respond flexibly to changes in the environment. Enterprises did not have secured reserves.

Risk management and crisis management are appropriate tools, the introduction of which in an enterprise would ensure, above all, the preparation and prevention of changes in the environment and the subsequent response to the situation. Individual procedures, methods, and techniques in these areas would ensure the continuity of enterprise activities, from processes to the readiness of employees to cope with unexpected situations.

CONCLUSION

The COVID-19 pandemic has disrupted the operational capabilities of enterprises around the world. The response to the pandemic played an important role, as did the preparation, but this was inadequate for most enterprises. The impacts of the pandemic have caused losses, which enterprises have limited, and have changed the perception of enterprise resilience.

Business resilience is influenced by various factors from both the external and internal environment of enterprises. On the one hand, it depends on the nature and intensity of the factor, as well as on the ability of the enterprise to operate even in adverse situations. It is, therefore, necessary to pay attention to the training of management in this area or to create a position for a risk manager or crisis manager within the enterprise.

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