

THE EVOLUTION OF BUSINESSES DURING THE COVID-19 PANDEMIC

CLAUDIA ISAC, SIMONA CUCĂILĂ *

ABSTRACT: *In this paper we made a theoretical presentation of the business environment, with emphasis on its classification from several points of view, emphasizing the turbulent environment. Hereinafter of the paper we presented the characteristics of this environment in the contemporary economy and the crisis caused by the world pandemic. Most of the paper is devoted to the measures which the Romanian state and other European states have implemented to reduce the negative effects of the pandemic and to stimulate the economic environment.*

KEY WORDS: *turbulent environment, economic crisis, protection measures, COVID 19, pandemic*

JEL CLASSIFICATIONS: *D-21, L-26*

1. INTRODUCTION

The business environment is “the environment in which the business will evolve and sums up all the external factors, outside the area of influence of the enterprise, that affect the evolution of that business in the future” (Dura & Rascolean, 2012).

The notion of business environment (environment) is complex and includes a heterogeneous set of economic, social, political, scientific-technical, legal, geographical, demographic, etc. factors, which act nationally and internationally on the organization (Gavrilă & Lefter, 2004) and presents the following fundamental characteristics (Nicolescu & Verboncu, 2007).

1. **The environment has a complex character**, considering its making-up of a set of factors belonging to extremely diverse categories. In order to adapt effectively to

* Assoc., Ph.D., University of Petroșani, Romania, isacclaudia@gmail.com

their evolution, the company must gather a block of relevant information on their characteristics and trends;

2. **The environment acts as a system**, in the sense that among the environmental factors a series of interconnections and interconditionings are established and manifested on which the manager must form an integrative vision. In order for the middle function of marketing - to adapt to environmental changes - to be correctly performed, it is necessary to analyse the foreseeable events and phenomena triggered by the changes produced in the structure of environmental factors;

3. **The environment decomposes in subsystems** which can be delimited in relation to the level of aggregation at which the analysis is performed. Taken as a whole, the marketing environment comprises mainly two elements: **external environment and internal environment**.

The external environment is in its turn made up of the external macro-environment and the marketing micro-environment. The basic feature of the external environment is that the company cannot control the full variety of its components, which makes it necessary to conduct research to determine the dynamics of the main structural elements. Regarding the internal environment, the company has the necessary levers in the control and verification of the variables on which their success on the market depends. Depending on how the components of the environment change, the relationships between them and the effects generated, three distinct categories can be highlighted. (Flităr 2002):

1. **The stable environment** – in which changes are rare, on a small-scale and easy to predict both in the short, medium and long term. It is a very favourable environment for investments in economic infrastructure and production activities;

2. **The unstable environment** – characterized by frequent but generally predictable changes in most components. At present, this is the usual type of environment that companies belonging to a wide range of fields of activity face. Changes in various factors can be anticipated only in the short and medium term (1-3 years), a feature that favours investments in the financial and commercial field;

3. **The turbulent environment** is a relatively hostile environment for the company, able to cause it serious adaptation difficulties (or even survival problems) due to sudden and unpredictable changes in the evolution of its components. The frequency of oscillations and the amplitude of variations of economic phenomena and processes are extremely high, and the changes are almost impossible to predict, even in the short term (less than 1 year).

2. THE CHARACTERISTICS OF THE TURBULENT BUSINESS ENVIRONMENT DURING THE COVID-19 PANDEMIC

The current socio-economic context, influenced by the crisis both locally and globally, has highlighted, more than ever, the entrepreneurial phenomenon, as an engine to support measures in the labor market, facilitating the creation of new jobs and implicitly stimulating the real economy. Entrepreneurship is one of the pillars on which European employment strategies are based, along with improving the employment capacity (employability), promoting the adaptability of businesses and

their employees (adaptability) and ensuring equal opportunities for women and men. (equal chances).

The emergence and spread of the new coronavirus COVID-19 (SARS-Cov-2) in early 2020 has put the whole world in a situation unprecedented in the last hundred years, and the crisis generated by COVID-19 has created a turbulent environment generator of a world economic and social crisis .

Economists perceive the crisis as a phase of transition between two economic cycles, i.e. the starting point of a new period of growth or recession.

There are four interpretations of the economic crises (Pribac, 2011):

- The liberal interpretation - the market is self-regulating. The crisis is due to an external intervention (the state) that disturbs the market;
- Keynesian interpretation - the market does not have a self-regulatory role. Investments are unpredictable and pro-cyclical. Keynes emphasizes the importance of the state, which can regulate the market.
- Schumpeterian interpretation - the economy is cyclical, going through phases of economic boom or recession.
- Marxist interpretation - crisis is an element inherent in capitalism, and it is part of its mechanism. It comes from the anarchic and unequal nature of production.

The analysis of the statistical data presented above shows that in the crisis period good business can be done for years (Albu, 2020), even if the business environment seems to be characterized by a high economic risk. However, the consulting firm "Boston Consulting Group" shows that the external environment of the company allows many opportunities and has already identified 5 types of alternatives on which management can focus during the crisis years (Gica, 2018):

- detecting and discerning critical changes that occur in customers, consumers and in the organization;
- reacting faster than the competition, to the "openings" in the perception of brands, buying behaviours, etc. of consumers and customers;
- accelerating restructuring, which in the current context, can be more permissive and flexible;
- "capturing" cheap assets of other organizations that are for sale;
- capitalizing on the incentives and facilities offered by the government.

During the Covid 19 Pandemic, the growth of some economic sectors and the decline of other economic sectors, is due to the fact that "the solution adopted in most countries of the world was to isolate the population and close / limit all non-essential economic activities" (Albu, 2020).

As the global spread of COVID-19 infections has the potential to cause a new global recession, under the already visible recessionary impact of the spread of coronavirus, governments will intervene to support the most affected industries. Member States can design comprehensive support measures, in line with existing EU rules. First, they may decide to take measures, such as wage subsidies, the suspension of the payment of income tax, value added tax or social contributions. In addition,

Member States may provide direct financial support to consumers, for example in the case of cancelled services or tickets not reimbursed by the operators concerned.

3. THE EFFECTS OF THE PANDEMIC ON THE ECONOMIC INDICATORS

The coronavirus pandemic is a major shock to economies, both in the EU and worldwide, with very serious socio-economic consequences. Despite the rapid and comprehensive political response, both at EU and national level, the EU economy will experience a historic recession this year.

According to the economic forecasts from the spring of 2020, in Romania, the GDP will decrease by 6% in 2020, and will increase by 4.2% in 2021. Inflation will reach the value of 2.5% during 2020, followed by a 3.1% in 2021, while the unemployment rate will reach 6.5% in 2020 and 5.4% in 2021.

Table.1. Economic Projections

No.	Indicator	2019	2020	2021
1	GDP growth (% , from one year to the other)	4.1	- 6.0	4.2
2	Inflation (% ,from one year to the other)	3.9	2.5	3.1
3	Unemployment rate (%)	3.9	6.5	5.4
4	Budget deficit (% of GDP)	-4.3	-9.2	-11.4
5	Public debt	35.2	46.2	54.7
6	Current account balance (% of GDP)	-4.6	-3.3	-3.4

Source: https://ec.europa.eu/romania/news/20200506_previziuni_economice_primavara_ro

Also, the euro area economy will register a record contraction of 7¾% in 2020, and will grow by 6¼ % in 2021. The EU economy is expected to contract by 7.5% in 2020 and grow by around 6 % in 2021. The growth forecasts for the EU and the euro area have been revised downwards by about nine percentage points compared to economic forecasts of the fall of 2019.

The shock felt by the EU economy is symmetrical in that the pandemic has hit all Member States, but both the decline in production in 2020 (from -4% in Poland to -9% in Greece) and the recovery capacity in 2021 will vary considerably. from one country to another.

The economic recovery of each Member State will depend not only on the evolution of the pandemic in that country, but also on the structure of the economy and the ability to respond through frequent stabilization policies. Given the interdependence of EU economies, the recovery dynamics in each Member State will also affect the recovery capacity of other Member States.

4. STATE MEASURES TO REDUCE THE EFFECTS OF THE PANDEMIC

During this period in Romania, the state came up with a series of public measures to support the economy, thus being responsible for declaring, installing and managing the COVID-19 pandemic. In this regard, measures with immediate effect have been applied, namely (Guda, 2020):

- bonus for the advance payment of the profit tax / income tax of micro-enterprises;
- postponement of VAT payment to customs for importers of test kits, medicines and protective equipment for COVID-19;
- postponement of the term of payment and bonus for the advance payment for the property tax, respectively for the taxes on buildings, on the land, respectively the tax on the means of transport;
- changing the amount of advance payments for taxpayers who declare the annual income tax. Taxpayers can make partial payments due in 2020 at the amount of profit calculated for the first quarter of this year;
- the technical unemployment benefits will be able to be reimbursed from the unemployment insurance budget, within the limit of 75% of the average gross salary (5,429 lei), for the employers who reduce or temporarily interrupt the activity totally or partially during the state of emergency;
- days off granted to parents for supervision of children, in case of temporary closure of schools, for all working days during the state of emergency with an allowance of 75% of gross monthly salary, but not more than 75% of average gross monthly salary at national level;
- aid for SMEs in the form of deferred payment for utility services: electricity, natural gas, water, telephone and internet services and rent payment as well as state guarantees for loans and other grants.

It has also been considered a package of measures with direct and indirect effects on the business environment, over a longer period, such as:

- subsidizing technical unemployment;
- stimulating new jobs;
- avoiding the blocking of the retroactive commercial credit;
- avoiding the blocking of the future commercial credit;
- facilitating access to credit for working capital;
- facilitating access to investment credit;
- staggering the tax credit for vulnerable companies;
- bonuses granted to the tax credit paid in advance;
- increasing public expenditure on health and defence;
- restructuring of public expenditures.

However, some entrepreneurs have decided that they cannot expect measures only from the external environment and so they have thought of their own strategies, tools and opportunities through which they continue to serve their customers and even strengthen their position on the market, by (Dura, et. al, 2012):

- discovering a new segment or partial or total reinventing of the business;
- reinventing the way to reach customers;
- partnerships;

- staying in touch with their customers;
- investments in owned business.

Regardless of the measures taken at governmental level and those implemented at microeconomic level, the economic agents from the most vulnerable sectors, such as tourism and transport, had no choice, and applied the measures proposed by the state, namely sending employees into technical unemployment, with the state subsidizing 75% of its amount, but other sectors have already been prepared for social distancing and work from a distance, from home, such as the IT sector, where long-distance work from home had been done long before the crisis / pandemic broke out. In the same category of "prepared sector" we also find the e-commerce sector and the insurance sector.

The measures taken by the Romanian state are not much different from those implemented by other European states, such as:

- **In Finland**, taxpayers can request an extension for filing corporate tax returns or they can request certain payment methods for related taxes. As in other states, there are no penalties for late submission of VAT returns and a reduction of the social contribution at the employer level by 2.6%, a measure that will be implemented no later than 1 June 2020, and will be valid until December 31, 2020.
- **Italy**, the country most affected by the pandemic, has authorized a moratorium on mortgages. It provides assistance for the payment of services and has adopted the postponement of all payments for utilities (water, gas and electricity) until April 30. In addition, the interest rate for SMEs is reduced for 12 months and the postponement of the payment of taxes is envisaged.
- **Austria** implemented a state aid scheme offering 4 billion euros for companies that have reduced their revenues as a result of the pandemic and adopted the measure to reduce the work schedule to 10% of the previous working time (so up to 90%) during 3 months and the employee has the right to continuity of remuneration, amounting to 80 to 90% of the net remuneration, which must be paid by the employer. The amount representing the difference between the pay for the hours worked and the net compensation rate will be compensated by the National Labour Agency;
- **Portugal** has introduced a € 3 billion credit line for companies affected by COVID 19 (a company can benefit up to € 1.5 million). Companies affected by the crisis, which do not lay off their employees, can trigger a simplified redundancy; more precisely employees will receive 2/3 of the salary (70% paid by the state and 30% by the employer).
- **Spain** has introduced an economic stimulus plan with a budget of 18.23 billion euros and supplemented the budgets of local governments (1 billion euros) and social services (25 billion euros). In addition, 3-month tax in arrears was introduced. A budget of 400 million euros is provided for the tourism sector.

- **France** has applied deferrals from the payment of taxes and social contributions, as well as tax credits for the affected companies, provided financial incentives to SMEs and announced the intention to ensure payments to employees who cannot work from home.
- **Germany** provides loans of up to 1 billion euros, which can be accessed for a period longer than 5 years, either under 5 years or for an unspecified period, by large companies, SMEs and authorized individuals, with a maximum loan of 25% from 2019 revenues or twice staff costs, taking into account financing needs over a period of 18 months for small and medium-sized companies and 12 months for large companies. As far as employees are concerned, the state provides financing of up to 67% of the net salary and limits are imposed for high-paid employees.

5. CONCLUSIONS

Europe has been facing an unprecedented economic shock since the Great Depression. Both the magnitude of the recession and the ability to recover will be uneven, conditioned by the speed with which isolation measures can be lifted, the importance of services such as tourism in each economy and the financial resources of each country. These differences pose a threat to the single market and the euro area, but they can be mitigated by joint and decisive action at European level. We must make every effort to meet this challenge.

The economic, social and educational realities highlight the need to grow and develop a new generation of entrepreneurs with characteristic skills such as responsibility, spontaneity, adaptability, flexibility, initiative and managerial spirit. These skills are essential for the profile of an entrepreneur; they generate specific skills in terms of identifying and implementing appropriate strategies for economic efficiency.

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