

CRISIS AS AN OPPORTUNITY OF ACCELERATED DEVELOPMENT FOR THE BUSINESS ENTITIES

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Abstract:

In the context of corporate activities on an unprecedented scale, the economies of the nations of the modern world have to cope with a number of challenges, some of which frequently develop into issues. Any crisis that needs to be resolved requires careful planning, detailed implementation, and a substantial investment of human and financial resources. On the one hand, a crisis hampers business processes, and on the other hand, it may well turn into an opportunity for quicker business development. The present paper aims at analyzing the process of introduction of an online service – as one of the areas of business development – on the example of business entities carrying out their activities in the Republic of Ajara A.R. The research has been targeted at small and medium businesses of HoReCa sector only. The study has been carried out using an interdisciplinary methodology, namely in-depth interviews with business entities, as well as a survey of business entities in respect to particular components of the research. It was revealed that the business sectors that have developed rapidly in recent years in terms of crises and restrictions caused by the pandemic are the following:

- *online trade;*
- *delivery services;*
- *online educational platforms;*
- *Computer and communication business;*

The analysis showed that:

- *The rapid development of online services of the majority of business entities was significantly caused by the Covid-19 pandemic;*
- *Most business entities would not have considered implementing of these services if not the pandemic restrictions;*
- *Most businesses think the crisis caused by the pandemic and force majeure to be the reason for the rapid development of their business;*

Key words: Business entities; crisis; development; opportunities.

JEL classification: A10; A11; D01; D10; D21; D22; F61; H12.

1. INTRODUCTION

For modern enterprises, the past few years have been exceptionally challenging and full with obstacles. The Covid-19 outbreak and the subsequent war in Ukraine fundamentally altered the global agenda, having a direct impact on all areas, particularly the direction of the economy. Global economic processes were directly impacted by complex logistics, scarce resources, a lack of raw materials, and other issues.

Similar to many other nations, Georgia's economy depends heavily on the performance of its small and medium-sized company sector for both budgetary and macroeconomic stability (Katamadze, G. (2023). This segment is also the largest “employer” in our country and another reason for selecting them as a research object is the advanced number of business entities registered at the Registry of Entrepreneurs and Non-entrepreneur (Non-commercial) Legal Entities of Georgia (National Statistics Office of Georgia, 2023). “The role of business subjects in formation of economic climate is very important and often the most important tool for successful economic

policy.” (Katamadze, G., & Abuselidze, G. 2019). These factors make the efficient operation of this industry crucial now and in the past during times of widespread lockdown and challenging company management. The pandemic has produced a force majeure that has developed into a crisis, and the methodology for managing and eliminating crises requires locating and neutralising each of its distinct actors using sophisticated methods.

Several foreign researchers have devoted their works to crisis, especially E. Altman, who focuses on bankruptcy issues, J.M. Keynes, P. Samuelson, F. Hayek, I. Hann, and A. Hansen, who concentrates on the role of the state in crisis management, and J. Shumpeter, R. Berns, and others who primarily concentrate on crisis management through credit interventions. Taking into account the views of the aforementioned authors on the issue, we believe it can develop in one of three ways:

- it might be overcome;
- it might turn into an opportunity for the company's growth;
- it might result in a company's insolvency or bankruptcy and liquidation.

Our research focuses on the second type of crisis development direction we suggested, specifically the situation where the crisis presents an opportunity for business growth. Many studies have fascinating ideas about the crisis, force majeure, and generally the factors impeding the recent development patterns in the economy. Some of these studies see the crisis as a problem, while others see it as an opportunity (Donthu & Gustafsson, 2020). According to Ritter, T., & Pedersen, C. L. (2020) “This crisis is unique in terms of its global reach, economic impact, and political influence.” The failure of any business entity to take specific measures during a crisis leads to its aggravation and, ultimately, to the liquidation of the company (Katamadze, 2022).

In addition to having a greater reliance on the Internet and using social media platforms more frequently, e-commerce has grown in a number of ways, affecting B2B, B2C, and C2C directions. A sizeable portion of the public sector continues to operate on digital platforms, much as the private sector digitised specific areas. This rapidly evolving process has become an irreversible trend in commercial life. In this regard, suggestions by Almeida, F., Santos, J. D., & Monteiro, J. A. (2020) are interesting on digital transformations, in particular: “COVID-19 has accelerated the processes of digital transformation not only in companies but also in individuals and public entities. The enormous challenge for managers is to get involved in this change, while trying to keep the business running, facing a different and uncertain future.”

Also important is the work of scientists, according to which there are already consequences of the impact of the pandemic, for example: The Coronavirus pandemic encouraged the development of the e-commerce and automation sectors, as well as entrepreneurs' decisions to update their enterprises via the Internet. Furthermore, remote work has become a way for many workers to work from home and for businesses to rearrange their organizational management. (LUCACI, NĂSTASE et al, 2022).

The opinions of Petrova, M., & Tairov, I. (2022) on digitalization and smart technologies are equally interesting, who argue that „As the goal of all smart-solution initiatives is to improve the lives of residents in order to be defined as successful and sustainable, the approaches must reduce pollution risks, increase access to social services, and more”. However, impromptu solutions to the situation are invariably ill-thought-out, dangerous, and disorganised. “The spontaneous decisions double the risk of strengthening the factors triggering the crisis. The only way to avoid crisis situations is to create a prevention anti-crisis strategy considering all the anticipated factors that might cause the crisis” (Katamadze, 2022).

Regarding the World Health Organization's announcement of the new coronavirus (COVID-19) as a pandemic on March 11, 2020, specific instructions were produced for various areas of business on the essential actions to continue operations. (stopcov.ge).

Governments used the same anti-crisis strategies to deal with the Economic Crisis as they did during the global financial crisis of 2007-2009 due to a lack of better ideas. These policies, in particular, are targeted at improving the social position of citizens and strengthening business. (PAPAVA, 2021)

The COVID 19 pandemics had a substantial impact on tourism enterprises in Georgia, particularly hotels, which depended mostly on international tourist flows - incoming tourism. (Katamadze, 2021).

“In the fourth quarter of 2022 the number of employees increased by 4.9 percent compared to the corresponding quarter of the previous year, while the employment rate increased by 2.8 percentage point. The number of unemployed decreased by 14.5 percent annually. At the same time, productivity (ratio of real output to number of employees) increased by 4.6 percent annually, while the average nominal wage of employees increased by 21.2 percent, amounting to 1,773.7 GEL as of the fourth quarter of 2022. In the fourth quarter of 2022, there was 4.9 percent increase in productivity compared to the corresponding period of the previous year. Productivity is calculated by the growth rate of the ratio of real GDP to the number of employees.”

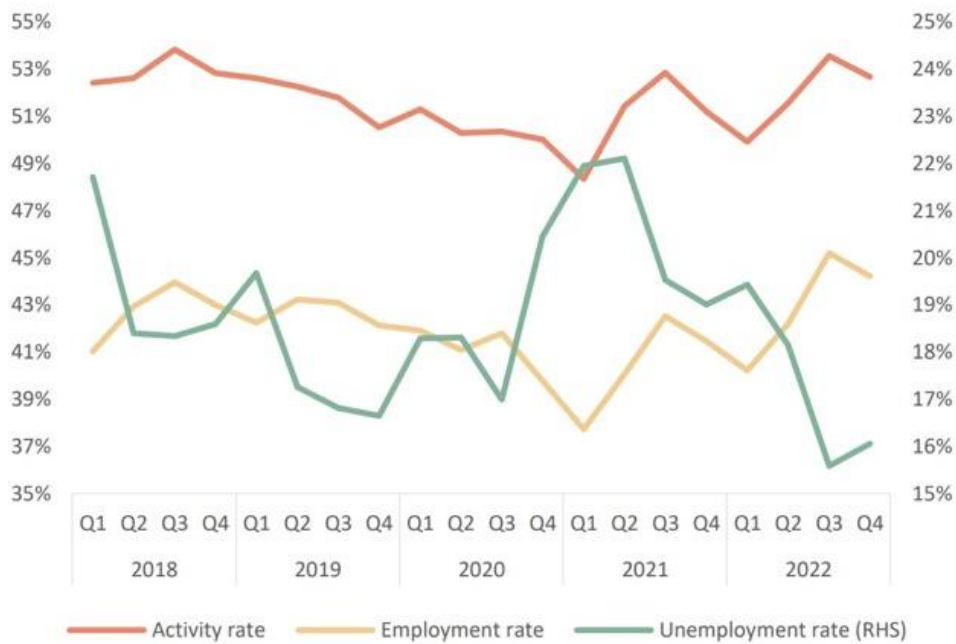


Figure 1. Employment and Unemployment.

Source: www.mof.ge

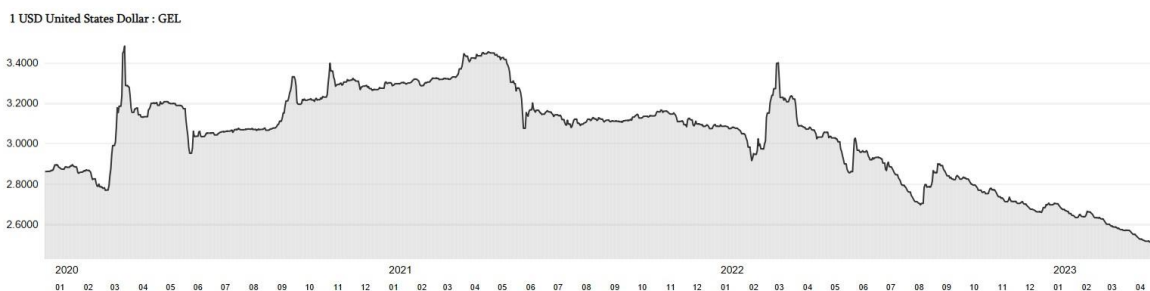
“According to the preliminary data, in the first quarter of 2023 real GDP increased by 7.2 percent relative to same period of the previous year. At the same time, compared to the corresponding period of 2019, economic growth was 11.6 percent”. The determinants of the country's financial development and investment in human capital are the key drivers of economic growth in the twenty-first century for all countries at the macro level, as well as for the success of individual firms at the micro level. In terms of research and conceptions, each of these components have gained significant weight. (Laktionova, Koval et al, 2021).



Figure 2. Economic growth.

Source: www.mof.ge

It is also important to take a look at the dynamics of exchange rate fluctuations. The paper presents the dynamics of exchange rate fluctuations from 2020 to 2023, where the tendency of



strengthening the national currency is clearly visible.

Figure 3. Change of foreign currency against Georgian Lari.

Source: www.nbg.gov.ge

2. RESEARCH METHODOLOGY

More than 48 businesses in Georgia's commerce, tourism, agricultural, production, and other sectors took part in the research we did, which included in-depth interviews about two important topics based on the research objectives, namely:

1. What were the primary issues the Covid-19 epidemic generated for businesses? The majority of the following conclusions were made:
 - unclear regulations;
 - frequent changes in regulations;
 - financial pressure to comply with regulations;
 - non-diversified (by business sector) solutions;
 - Lack of necessary materials, facilities
2. Has the Covid-19 epidemic had any beneficial effects on businesses?

It emerged from the interviews that businesses primarily concentrate on the creation of online and electronic services, necessitating the creation of a separate survey for businesses that included inquiries about online commerce.

Communication, technology and e-commerce are important business factors in a post-pandemic world. A number of authors mention the role of technology in business, including in pre-pandemic research, for example: The communication technology had a direct impact on the competitiveness of the organizations; this thing determined the adjusting of two fundamental dimensions of the competitive advantage: the cost difference and advantage. (Condratov, 2013).

3. RESULTS

The analysis of the results revealed particularly significant answers to the following three questions:

1. Would the company have planned to launch online services if it weren't required due to the Covid-19 pandemic?
2. In general, did the business entity plan to launch its online services, and if so and when?
3. Does the company intend to stop offering online services once the COVID-19 pandemic is over and carry on as before?

The questionnaires' findings are as follows:

1) Would the company have planned to launch online services if it weren't required due to the Covid-19 pandemic?

48% of the respondents to the first question say that they would definitely introduce online services; 31% answered that on-site customer service was more important to them; 21% say that they would not introduce it.

2) In general, did the business entity plan to launch its online services, and if so and when?

48% said they would-but within 3 years; 31% answered that probably after 5-7 years; 21% said they would not introduce an online delivery service at all.

3) Does the company intend to stop offering online services once the COVID-19 pandemic is over and carry on as before?

100% of the respondents do not intend to completely cancel the online service; 19% say they will not cancel online orders, but will prioritize on-site service

Probably the reason for this is the promotion of business, tourist locations (mainly food services).

According to the answer to the first question, the introduction of online services was anyway inevitable in the nearest future, and commercial entities would still have to develop this path; however, the pandemic had the effect of acceleration.

The answers to the second question were also interesting: as it turned out, the business sector had the idea to transform online, but 48% of the interviewed companies were going to introduce these services later, roughly three years later. In summary, 52% of respondents said they would either provide an online service later on or did not plan to introduce it at all. The main argument of representatives of such companies was the advantage of on-site services and their business specifics.

The responses to the third question, which highlighted the benefits of online services for corporate operations, are equally significant. The companies interviewed had no plans to discontinue their online services. In this regard, several companies focused on the resources spent on this system and others highlighted the benefits of online services, like increased turnover. Just a tiny percentage of the study's participating businesses (19%) state that they give priority to on-site services first and then online sales.

4. CONCLUSIONS

As a result of the research, it was discovered that small and medium-sized business entities lacked an intra-city sales and delivery system, whereas inter-city postal services continued to operate throughout the lockdown and allowed for the continuity of business.

Business has awakened, become more adaptable, resilient, inventive, and creative, starting operating in different directions, among them:

- Assessment of strategies, objectives and entire operational cycle has started;
- Risk evaluation and the creation of crisis management plans were taken seriously rather than being treated as a side effect of force majeure;
- The long-term process of implementing and utilising technology and electronic platforms has been sped up;;
- More now prioritise flexibility and market adaptation than sound corporate positioning;
- Thinking about important ways to collaborate and use alternate distribution methods has accelerated and taken priority;
- The attitude towards employees has become more sensitive and the feedback more intense.

Following the lifting of the Covid-19 pandemic's restrictions, the following business-related processes can be observed:

- The pandemic significantly accelerated the development of business online in Georgia;
- The crisis created an opportunity for accelerated development.
- Crisis turned into opportunity;

A full analysis of the impact of the pandemic on business will be possible several years after the official announcement of the end of the COVID-19 pandemic;

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