

THE POSSIBLE MECHANISMS OF FIRMS' WORK AFTER COVID-19 PANDEMIC

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Abstract

This study aims to research the possible changes in the mechanisms of firms' work after Covid-19 pandemic. It implements a qualitative method by taking a purposive sample of 32 managers and deputies who were interviewed online at 8 companies in Austria. The results revealed that three companies achieved great success due to the nature of their work. Two companies achieved success due to new organizational and marketing mechanisms that were strongly taken to adapt to the new crisis. As for the remaining companies, the administrative slack and excessive bureaucracy prevented them from overcoming the repercussions of the crisis.

Keywords: organizational shifts, work mechanism, Covid-19 pandemic

JEL: L20, M14

Introduction

COVID-19 pandemic is considered one of the worst crises that struck the global economy since the Great Depression in 1929, which has cast a dangerous shadow on many aspects of life in societies and has changed the behaviour of people and the ways of work of business organizations around the world, and its effects may continue for long periods in the future (De Vet et al., 2021). What has made the situation worse for many business institutions is that this crisis was not familiar and expected, which has forced governments and firms to take unfamiliar and harsh measures such as long lockdowns to prevent the situation from worsening and to try to save the global economy from collapse (OECD, 2020). Europe is considered one of the regions most affected by this crisis at all levels, especially the economic level. This emerging crisis has caused the bankruptcy of a huge number of business establishments such as restaurants, hotels, and clubs, and the loss of others, such as airlines. Whereas, some organizations have been affected in a limited way, and some of them have taken advantage of this crisis and have made great profits from it, such as international pharmaceutical companies,

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Amazon, Lieferando, Zoom ... so on. The effects that the pandemic has left on business organizations called us to shed light on the lessons learned and research the mechanisms to be enacted to deal with similar or different crises in the future.

Several studies have been conducted on the effects of the COVID-19 pandemic on various economic aspects (Jackson et al., 2021; McKibbin & Fernando, 2020; Gaurav et al., 2022). However, there is a scarcity, according to our knowledge, in discussing the economic future of business enterprises after this crisis and what proactive strategies should be taken in preparation for any future crises. Accordingly, this study comes to contribute to filling this research gap through its main objective of developing a model to help companies face such crises. This model is based on the lessons learned from the crisis of the COVID-19 pandemic and the required changes in the mechanisms of firms' work building on the experiences of a number of companies that were addressed in this study. Thus, the problem of the study embodies in answer the following main question:

What are the changes required in the mechanism of business institutions' operations to face future emerging crises?

In order to answer this main research question, a survey of representatives of business organizations is conducted using an online questionnaire implementing a semi-standardized interview method. Two other questions are asked to the sample members:

1. What are the measures taken by the studied Austrian companies to confront the Covid-19 crisis?
2. What are the most prominent obstacles facing the work of the studied Austrian companies in times of the COVID-19 crisis?
3. The study is subject to a number of limitations that can be categorized into four types:
4. Spatial limitations: The current study is limited to 8 companies in Vienna and Bruck an der Leitha, and therefore there is difficulty in generalizing the results of this study to the rest of the companies in both cities or in Austria.
5. Time limitations: The field study was conducted during the first half of 2022, within a certain status of the international and regional crises. Therefore, if the study had been conducted in a different period of time, the results of the study might have been different.
6. Human limitations: This study was limited to a number of managers and their deputies at the departments of administration and marketing at the eight companies, and thus it is difficult to generalize the results to the rest of the employees in these companies.
7. Objective limitations:

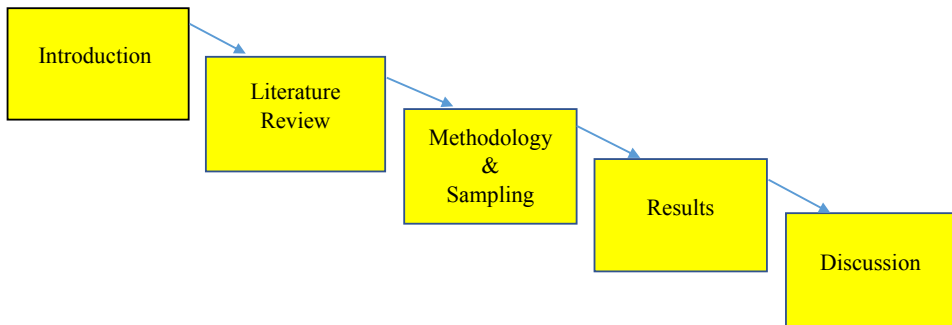
a. The study relied on the qualitative method to collect data, and this method is less general to other individuals from the same study population than the quantitative method (Polit & Beck, 2010).

b. The nature of the work system in some companies studied and confidentiality in dealing with information, delayed the researcher from conducting the interviews with some individuals.

In this study, we define procedurally the terms of the study as the following:

- Work's mechanism: The way and approach that a company adopts to manage and achieve its goals.
- Future Changes: The possibility of modifications in the companies' work methods and way of thinking for the sustainable success of companies.

The current study contributes to providing a deeper understanding of the mechanisms of companies' work during the COVID-19 pandemic and the changes that can be taken in order to reduce the negative effects of any similar future crises. The study will present at the end of the research a proposed model for this purpose based on its results and conclusions. The lessons learned from this study can be beneficial to companies in the future, regardless of their nationality and where they are located, as long as the comprehensive global crises that afflict all countries of the world, as happened with the Corona crisis, leave their negative effects on all companies in the world. The study structure is presented on figure 1.



Source: Prepared by the author

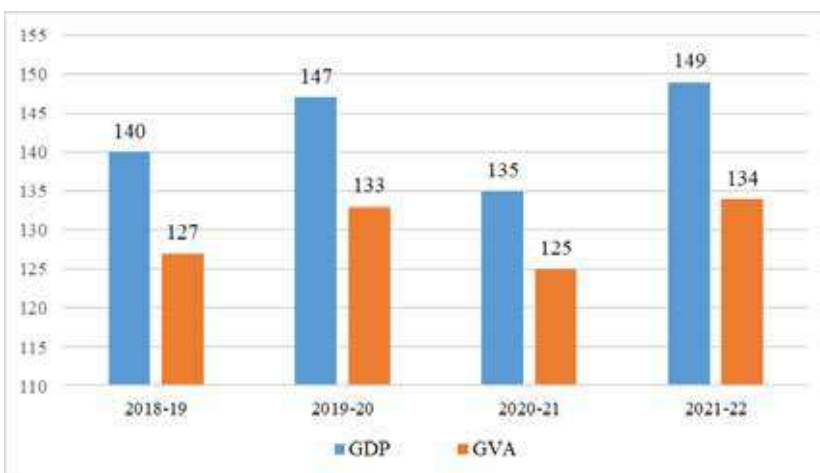
Figure 1: Structure of the Study

Literature Review

Effect of COVID-19 on the Economy

Many comparisons have been made between the COVID-19 crisis and the global financial crisis of 2008, but the truth is that the two crises highly differ in scope, consequences, and origin (internal in 2008 versus external in 2020). The two crises also differ greatly in their impact on regions, with the 2020 crisis having a more disparate impact than the one in 2008 (OECD, 2020). The economic influence of the COVID-19 crisis varies across regions, based on global value chains and the region's exposure to tradable sectors. For instance, regions with economies that rely heavily on tourism are more influenced by the coronavirus than other regions. Capital regions or other metropolitan areas demonstrate a nearly higher risk of job disruption than other regions (OECD, 2020). For example, in the United States, an analysis of county-level infection by economic data finds out that the nation's COVID-19 caseload not only stays highly concentrated but that the hardest-hit counties and urban areas form the nation's production core. According to Brookings, the 50 hardest-hit US counties "support more than 60 million jobs and 36% of its GDP" (Muro et al., 2020, p. 43).

In the past two years after the COVID-19 pandemic, the global economy continues to be affected by unreliability, with renewed waves of mutant variables, supply chain disruptions, and easing deflation in both advanced and emerging economies. After an estimated recovery of 5.5% in 2021, global growth is anticipated to slow down to 4.1% in 2022 (see figure 2), reflecting the upheavals of the novel coronavirus outbreak, reducing financial support, and continuing supply obstruction (Dieppe, 2020; Our World in Data, 2022).



Source: Gaurav et al. (2022).

Figure 2: Consequences of COVID-19 on growth rate globally

The large losses in economic activity in Europe and other countries necessitated the significant expenditure of resources by many governments to assist businesses in an attempt to limit the damage. The pandemic affected GDP and reduced trade and travel between countries to a minimum (Barro et al., 2020). The Eurozone faced a shocking fiscal increase even before the pandemic, with an increase of 0.1% for the maximum three months of 2019. The financial productivity of the 19 countries in the Eurozone fell by 3.8% for the first 3 months of 2020, 5.2% in 2021 and 4.2% anticipated in 2022 (Gaurav et al., 2022). The crisis left strongly negative effects on companies and caused the closure of huge numbers of companies around the world. For instance, Bartik et al. (2020) conducted a study to examine the effect of COVID-19 on more than 5800 small businesses in the USA. Findings indicated that the pandemic has already caused massive disintegration among small businesses several weeks after its onset and before the start of government aid, with 43% of businesses temporarily closed. Personal services, arts and entertainment, retail, food services, and hospitality businesses reported a decrease in employment of more than 50%; in contrast, professional services, finance, and real estate-related businesses showed less disruption, as these industries were more able to switch online.

After the Corona crisis had a strong impact on the economy, many countries began to rethink the way businesses are managed, and globalization itself, which was the basis of global economic growth before the crisis (Haruhiko, 2020). This direction of development is in line with the objective of our study.

Effect of COVID-19 on the Austrian Economy

Austria's economy has been severely affected by the COVID-19 pandemic and related containment measures, as GDP showed a contraction of 3.9% in 2020. The first half of 2020 recorded the deepest recession since World War II. In the third quarter of 2020, the government's supportive measures for the economy, the lifting of travel restrictions, and the gradual easing of containment measures led to a strong and broad-based recovery, reaching a q-o-q growth of 12%. The second shutdown in November as a result of renewed infections led to a 4.3% drop in GDP in the fourth quarter primarily due to low tourism services and private consumption. However, the economic impact of the second shutdown was less extreme than in the spring, as the foreign trade and industrial sector were less affected. GDP shrank again by 2.5% in 2021 as a result of the extension of travel warnings and containment measures in many countries of the European Union. This led to the closure of most of the winter tourism season in Austria, but this contraction in GDP was less than it was in 2020. Overall, GDP is expected to grow by 5.1% in 2022 (Statistics Austria, 2022).

The federal government in Austria responded quickly to face the repercussions of the spread of the virus, but the measures that were taken restricted the economy

and affected the work of companies, especially service companies such as tourism companies and the hospitality and catering sector. Despite the large government aid provided to these companies, it was not enough to compensate for all their losses as a result of the pandemic (Badelt, 2021).

Methodology and Sampling

The study implements a qualitative method by relying on two sources to collect information:

Secondary sources: Previous studies published in scientific journals and websites.

Primary sources: These were adopted through an approach of online interviews by interviewing the respondents from the sampled companies to obtain the required data.

To reach credible results and benefit from the diversity of experiences, it is necessary to take different samples of several companies affected by the crisis at different levels (three categories). The study addressed a sample of companies consisting of 3 companies that have benefited from the crisis and have achieved great profits (Amazon, Lieferando, and Pfizer) (the first category), a sample of companies that have been able to struggle and adapt to the conditions of the pandemic (represented by McDonald's and Landgarten) (the second category), and a sample of companies that were most negatively affected by the consequences of the pandemic in Austria 3 companies working in commercial and service sectors (the third category).

The researcher chose this sample of companies after conducting survey tours and interviewing a number of managers from several companies informally over a period of two months to identify the companies that could be within these three categories. A purposive sample of managers and their deputies in the departments of administration and marketing was selected from each of the eight companies surveyed, with a total of 32 respondents: managers and deputies. Online interviews were conducted by the researcher with the members of the target sample, and using the data obtained, content analysis was performed to reach the results and conclusions.

Results

According to the answers and opinions on the first question of the sampled respondents from the companies studied, the measures taken were divided into two types:

First type: Administrative and organizational measures

1. Measures adopted by the first category of companies:

- Increasing the number of employees, especially in the marketing and operations management departments.

- Expansion in some areas within Austria and the creation of new administrative and organizational tasks.

- Enhancing the remote work system and transforming most of the operational processes according to this system.

- Cooperating with other companies and entities to help in marketing and delivering services and products to customers.

2. Measures taken by the second category of companies:

- Retaining a sufficient number of workers with the help of the Austrian government.

- Creating a new flexible system for working times during the day and the week.

- Reducing clearly the expenses by eliminating unnecessary tasks and merging some departments such as the Operations and Marketing Departments.

- Freezing the plans to expand in Austria temporarily.

3. Measures taken at the third level:

- Reducing working hours to a minimum.

- Closing some of the company's stores.

Second type: Marketing and Sales actions

1. With regard to the first category:

- Depending intensively on online marketing and promotion.

- Providing different offers weekly.

2. As for the Second category:

- Rely on internet marketing instead of traditional marketing.

- Reducing the prices for most of the company's products.

- Opening new export channels instead of closed ones.

- Collaborating with a third party to produce some products or deliver them to the customers.

3. And for the third category of companies:

- Offering discounts and attractive prices to the customers.

According to the answers of the respondents on the second question, the obstacles that have faced the studied companies were as the following:

- Logistical difficulties in transportation and shipping as well as high costs in shipping.

- Lack of qualified human cadres to deal with emerging crises.

- The company was designed to deal with natural conditions, and thus the lack of agility and organizational flexibility caused problems to it.

- Taking decisions sometimes takes a long time due to bureaucratic procedures and hierarchy.

- The number of customers decreased significantly at the beginning of the crisis.
- Frequent and prolonged shutdowns.
- Weakness of the company's revenue before the crisis.
- Bank loans that the company must pay.
- The absence of a clear vision for the government to deal with the circumstances of the crisis, and this was evident through the volatile decisions from time to time.
- Delay in disbursing government aid and incentives.

Discussion and Conclusions

For the five companies that achieved positive results under the Corona pandemic, it turned out that the result of their success was divided into two categories:

The first category: The measures adopted by the companies of this category are part of the nature of the work of these companies in normal circumstances, noting that they performed marketing campaigns more than before and modified some Logistics operations in line with the requirements of the crisis and made some functional adjustments.

The second category: The organizational, administrative, and marketing measures that were taken by McDonald's and Landgarten (e.g., qualifying the staff to work remotely and launching large marketing campaigns via the internet to attract more customers) played a major role in overcoming the repercussions of the crisis and turning them into an opportunity to achieve profits.

As for the remaining companies, it was found that administrative confusion, excessive bureaucracy, and slow response to market changes by the management prevented these companies from overcoming the repercussions of the crisis. Even more, two of the three companies included in the study were on the verge of closure permanently despite government aid provided.

Based on the results and conclusions, the current study suggests a set of recommendations and a model for the mechanisms to be taken in advance to face any future crises, benefiting from the experiences of the eight studied companies.

1) Rethinking the hierarchy inside companies by reducing power distance between top management and other departments, thus get rid of long bureaucratic procedures that slow down the rapid response to crises and emergencies.

2) Establishing a special unit in each company that includes a number of qualified employees in the markets. The main task of this unit is to sense the external environment and submit periodic reports to the company's management on opportunities and threats in the external environment.

3) Establishing a special unit for learning and crisis management. Its mission is to organize workshops and periodic training courses to prepare employees and enhance their learning capabilities to deal with any future crises.

4) Work quickly on developing a permanent backup system for remote operations, especially in the field of restaurants and the hospitality sector.

5) Allocating an annual budget to be deducted from the profits and used only for dealing with emergencies and crises.

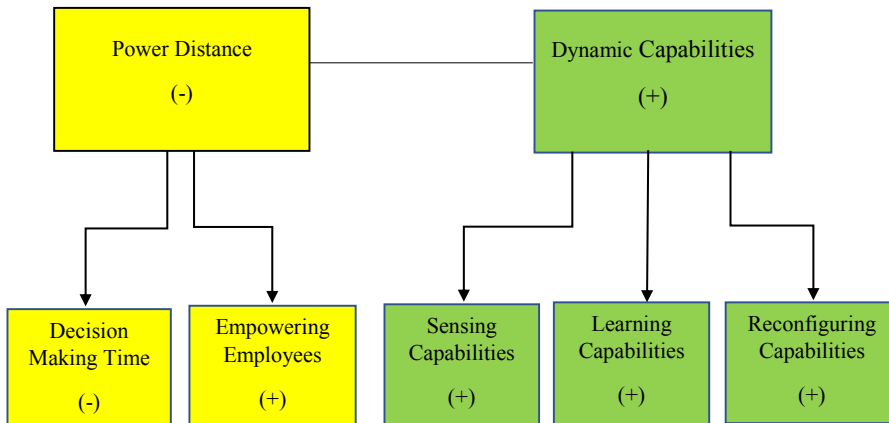
6) Strengthening the company's reconfiguring capabilities through:

- Reconfiguring business processes and the technology landscape to come up with new or more productive assets.

- Recombining resources to better fit the company's assets and service market areas.

- Modifying business processes and the technology landscape in response to crises, market opportunities, or competitors' strategic changes.

Based on the foregoing, we suggest a model for organizational reaction to crises based on: 1. Minimizing power distance between departments by shortening the time of decision-making and empowering employees. 2. Enhancing dynamic capabilities represented by sensing, learning, and reconfiguring capabilities. Figure 3 shows the proposed model for organizations facing any future crises.



Source: Prepared by the author based on experiences of the studied companies

Figure 3: A Proposed Model for Organizational Reaction to Crises

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