

RESILIENCE AND ENTERPRISE RECOVERY IN RESPONSE TO COVID 19 CRISIS

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ABSTRACT

Resilience of economy of a country cannot be achieved if the organizations are not also resistant to negative impacts. By organizational resilience, we do not imply only “survival” and “existence” of the company, but also comprehensiveness in the access to business success. Therefore, organizational resilience is not a defensive strategy, but a strategy aimed to the improvement of business, which enables business leaders to take risk with a higher level of security. This paper showed that only those companies that have managed to rapidly reorient and adapt to the emerging crisis of COVID 19 have continued operations (flexibility and high level of resistance).

***Key words:** Small and medium-sized enterprises organizational resilience, building resilience, globalization*

***JEL classification:** M10, M19*

INTRODUCTION

Resistance testing is increasingly taking place both at the level of a national economy and at the level of organizations themselves. Smaller countries are thought to be more exposed to external shocks than larger ones [1]. Economic vulnerability is related to one of the following factors:

- (a) Openness of small countries because of trade "shocks" in the external environment. "This is not a matter of policy choice, since small countries have to

export a large part of their production and import a large proportion of products in order to survive"[1, p.65].

- (b) Dependency on strategic imports such as food and fuel, which also exacerbate the open economies' exposure to "shocks"; and
- (c) Countries' inclination to natural disasters, leading to "economic shocks" [1].

The resilience of a country's economy cannot be achieved unless organizations are also resilient to negative impacts. Therefore, these are two sides of the same coin [2].

THEORETICAL OVERVIEW

In the literature, social and organizational resilience are most often investigated and analyzed separately. Nevertheless, in order to improve the resilience of a society, it is important for organizations to make the connection between flexibility and organizational competitiveness, as well as invest in resilience. In line with this claim, Radović-Marković [2] in her research emphasizes that the resilience of a country's economy cannot be achieved unless organizations are also resilient to negative influences.

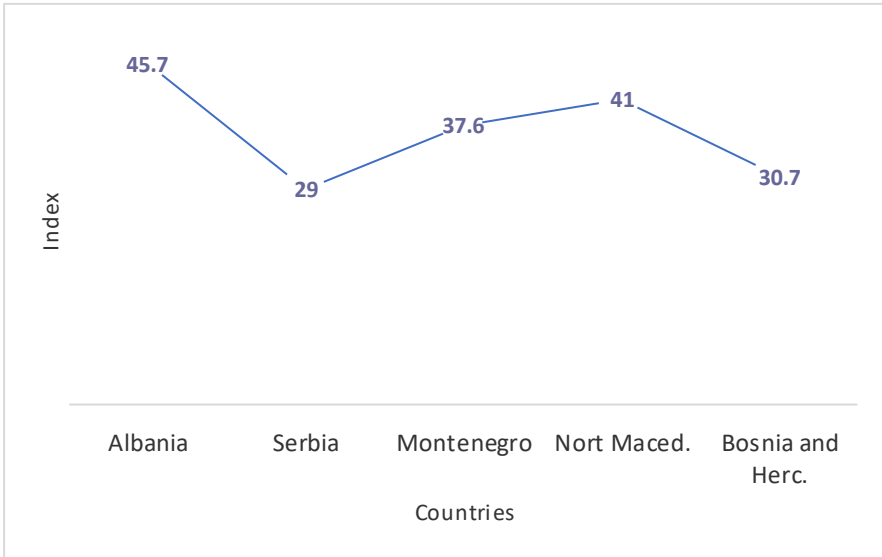
According to a number of experts, the resilience of a business can be considered as its immune system [3]. In line with this view, understanding how an organization is resilient is crucial to developing strategies to strengthen it.

Research has shown that about half of all businesses experiencing external or internal disasters and shocks that do not have effective recovery plans fail to recover within the next twelve months [4]. In order to survive in the aftermath of a disaster, an organization must carefully pre-plan. However, due to frequent non-planning, businesses, employees and shareholders are exposed to rather unnecessary risks. In addition to insufficient planning, businesses have also shown inefficiency in implementing these plans. "One of the major obstacles to the successful implementation of a business continuity plan in SMEs is the lack of understanding of the importance of business continuity" [5]. In addition, it is necessary to consider that when integrating businesses into global business flows, current and potential business partners will see resilience as a key criterion for collaboration.

More than many other concepts, resilience or resistance represents adaptability and response to disorders and changes [6]. How much economies deal with "shocks" depends on various factors, including the political environment, the depth of economic and financial diversification, and especially on the quality of institutions and the economic structure of the economy [7]. In addition, countries that have well-developed business plans and a disaster risk action plan, as well as enterprise resilience assessment programs, have shown a higher resilience index than those that did not [8].

The speed of enterprise recovery depends on what is planned in advance in response to potential negative incentives from the external business environment [8, 9].

Figure 1. Global Resilience Index
 Source: Author according to FMglobal Data, [10].



According to data for 2019, the Republic of Northern Macedonia is ranked 100th. Compared to 2018, the global resistance index has decreased, and Northern Macedonia has dropped in the ranking by 22 places. The deterioration in resilience is primarily due to a decrease in production productivity, an increase in reliance on oil and an increase in the rate of urbanization. After Northern Macedonia, Albania ranked 95th, while Serbia and Bosnia and Herzegovina (63rd and 70th respectively) ranked the best.

Table 1. Global Resilience Index for the Western Balkans, 2019

Global Resilience Index	100	Rank
Serbia	45,7	63
North Macedonia	29	100
Montenegro	37,6	82
Bosnia and Herzegovina	41	70
Albania	30,7	95

Source: [10].

REGIONAL RESILIENCE IN TIMES OF A PANDEMIC CRISIS

Resilience implies an adaptation of corporate strategy as well as a solution for organizations that have a high level of threat in all aspects of their work environment. Accordingly, the aim of our research was to determine the extent to which the resilient organizations in Montenegro, and especially in crisis conditions, were caused by the COVID-19 pandemic.

Organizational resilience deals with the ability to circumvent disorders through proactive planning, adaptability to a new situation, or recovery from shocks and crisis situations.

Our research is based on testing two hypotheses set, serving us to test the resilience of companies in Montenegro. Accordingly, we conducted a research in Montenegro on a sample of 525 respondents. The questionnaire consisted of ten questions relevant to the hypotheses set.

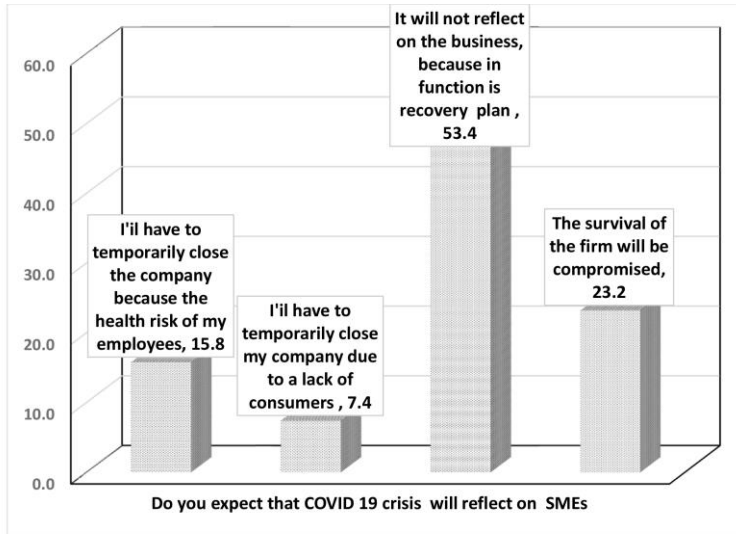
H1. The crisis caused by the COVID 19 virus will not affect the mass closure of companies

H2. The worst-case scenario is for the company to lose the market in a crisis situation and thus stop working.

KEY FINDINGS AND DISCUSSION

This research found that there is a correlation between the degree of awareness of the situation, identification and management of vulnerable factors and the degree of adaptability of the capacity of each organization. The link between some of these indicators is obvious. For example, the awareness of organizations about the range and impacts of dangerous events affects their recovery priorities, commitment to planning and engaging in simulating such situations. Further, our research confirmed both hypotheses, i.e. that the crisis caused by the COVID 19 virus will not affect the mass closure of companies (H1), i.e. the respondents expressed great optimism about the survival of their firms during and after the crisis (Figure 2).

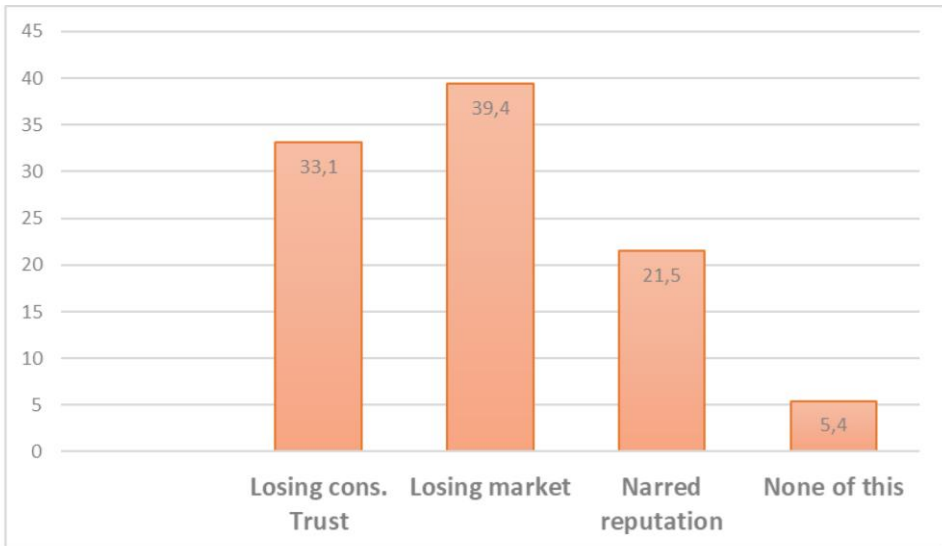
Figure 2. Do you expect that COVID 19 crisis will reflect on SMEs?



Source: [11].

The worst-case scenario (Figure 3) would occur if the company lost the market in a crisis situation and thus ceased to operate (H2).

Figure 3. Worst scenario



Source: [11].

Based on the obtained research results, several common factors that are crucial to the resilience of the companies have been identified:

- a) awareness of the situation in which the company found itself,
- b) the ability to adapt and
- c) putting into operation an effective recovery plan.

The organizations that study the cases and reactions of other companies in crisis situations have received good indicators on how to recover as quickly as possible and keep up their continuity.

CONCLUSION

The pandemic crisis will be the best test for small and other countries in terms of their economic resilience and the response to such a large "shock". This paper indicates that enterprise resilience can be achieved by reducing vulnerability as well as increasing flexibility, which indicates the ability of the enterprise to return to the "right path" when disruption occurs. With great resilience, not only will businesses achieve short-term economic success, but they will be able to sustain it in the long term despite the continued pressure to adapt to changing international competition.

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