_____

Zakharchenko Natalia, Doctor of Economics, Associate Professor, Professor of the Department of Economics, Law and Business Management, Odessa National University of Economics, Odessa, Ukraine

ORCID ID: 0000-0002-9895-531X
e-mail: nvzakharchenko777@gmail.com

Crisis Management in International Business During the COVID-19 Pandemic

Abstract. Introduction. The recent world crisis events triggered by the COVID-19 pandemic have had a significant impact on European and world companies. Specifically, they focused on the first two pandemics, which made the world situation experience similar restrictions on a global scale (Congo flu in Hong Kong in 1968, swine flu outbreak in 2009), various disasters, and natural inevitable Avoided accidents, unforeseen events such as terrorist actions, etc.

Purpose. This article is focused on learning of unresolved aspects of digital transformation of human resource management during the pandemic require further research, particularly to identify and summarize the trends and factors contributing to these changes, and to identify issues and obstacles that arise throughout the process.

Results. The completed study shows that companies should be ready to work in advance, in order to be sustainable and have at least some stability and competitive edge during time of crisises. Crisis management systems are analyzed and based on a four-level circular model, more commonly known as the PPRR model. Also, any organization should be prepared for different crises, which may be short-term or long-term. 3-tier system of crisis response is analyzed, it consists of pre-crisis period of preparations, contingency plan, which is aimed at saving the maximum stream of revenue, while enduring minimal hardships from the crisis and rehabilitation stage, at which thorough analysis should be conducted in order to improve the future reaction for the crisis.

Conclusions. The review found that risk management primarily helps provide post-crisis renewal, stability and growth, reduce revenue volatility, increase stakeholder confidence, protect an organization`s assets, and meet insurance, legal and regulatory requirements. This means that structured risk management must be incorporated into existing operations and become an integral part of key decision-making processes. Therefore, it can be concluded that the risk management plan must be constantly updated, the philosophy must be able to change, and it must be improved taking into account changes in external or internal factors.

Keywords: management risk; crisis management; crisis communication; revenue volatility.

Захарченко Н. В., доктор економічних наук, професор кафедри економіки, права та управління бізнесом, Одеський національний економічний університет, м. Одеса, Україна

Антикризове управління в міжнародному бізнесі у період пандемії COVID-19

Нещодавні світові кризові події, спричинені пандемією COVID-19, мали значний вплив на європейські та світові компанії. Зокрема, вони зосередилися на перших двох пандеміях, через які світова ситуація зазнала подібних обмежень у глобальному масштабі (грип Конго в Гонконзі в 1968 році, спалах свинячого грипу у 2009 році), різні катастрофи та природні неминучі нещасні випадки, непередбачувані події, такі як терористичні дії тощо.

Метою статті є вивчення невирішених аспектів цифрової трансформації управління людськими ресурсами під час пандемії, які потребують подальших досліджень, зокрема для виявлення та узагальнення тенденцій і факторів, що сприяють цим змінам, а також виявлення проблем і перешкод, що виникають у процесі.

Результати дослідження свідчать, що компанії повинні бути готові працювати заздалегідь, щоб бути стійкими та мати хоча б певну стабільність і конкурентну перевагу під час криз. Системи антикризового управління аналізуються і базуються на чотирьохрівневій циркулярній моделі, більш відомій як модель PPRR. Також будь-яка організація повинна бути готова до різних криз, які можуть бути короткостроковими або довгостроковими. Проаналізовано трирівневу систему кризового реагування, яка складається з: передкризового періоду підготовки; плану дій на випадок непередбачених ситуацій, який спрямований на збереження максимального потоку надходжень, витримуючи при цьому мінімальні труднощі від кризи; етапи реабілітації, на якому необхідно провести ретельний аналіз, який здійснюється з метою покращення майбутньої реакції на кризу. Огляд свідчить, що управління ризиками, в першу чергу, допомагає забезпечити посткризове оновлення, стабільність і зростання, зменшити нестабільність доходів, підвищити довіру зацікавлених сторін, захистити активи організації та відповідати страховим, законодавчим і нормативним вимогам. Це означає, що структуроване управління ризиками має бути включене в існуючі операції та стати невід'ємною частиною ключових процесів прийняття рішень.

Отже, можна зробити висновок, що план управління ризиками має постійно оновлюватися, філософія повинна мати можливість змінюватися та вдосконалюватися з урахуванням змін зовнішніх чи внутрішніх факторів.

Ключові слова: менеджмент; ризик; антикризове управління; кризові комунікації; волатильність доходів.

_____

_____

_____

Formulation of the problem. The recent world crisis events triggered by the COVID-19 pandemic have had a significant impact on European and world companies. Millions of companies have lost their sales targets, and millions of jobs are at risk. The economic mechanism cannot stop the process without jeopardizing the future of the company. If the economy collapses, as we encountered in the second and third quarters of 2020, many business relationships may end temporarily or permanently. This crisis also has a huge socio-economic impact. Most of the population will fall into poverty, unable to pay for housing, unemployment, health problems and family depression, and the death rate in the world will increase significantly. Personal problems become the problems of the entire society.

As international demand picks up again, companies need to be able to quickly resume production and return to previous routines. Many companies can no longer do this. Unemployment statistics show that the unemployment rate worldwide has increased significantly. The COVID19 crisis has affected the development of the global economy and threatened businesses all over the world because the economies of all countries have suffered devastating damage. In order to maintain social distancing, most of the business has been cut off from the economy, and office work has been replaced by a home office. Many job profiles have been revised to cover key functions to help keep the economy running or work remotely from home.

Considering the importance of the topics discussed, many scholars have conducted various discussions on crisis management. Specifically, they focused on the first two pandemics, which made the world situation experience similar restrictions on a global scale (Congo flu in Hong Kong in 1968, swine flu outbreak in 2009), various disasters, and natural inevitable Avoided accidents, unforeseen events such as terrorist actions, etc.. Crisis actions caused by attacks at the national level, economic conditions or other factors. This issue has been discussed from different perspectives at the company level. There should also be a planning scenario for emergency times and crises. Leadership, stress management, crisis response system research, etc. (Ali, 2014; Bhaduri, 2019; Gonzalez Guerrero, & Pratt, 1998; Haus et al., 2016; Kossiev, 2020; Mayer et al. 2007; Ojiri, 2020; Signorini, et al., 2010, Unlu et al., 2011.;; Wisittigars and Siengthai, 2019). But affected by the epidemic.

The rest of this scientific article has the following structure: First, we analyze the scientific literature on the actions that companies and organizations have managed to take during the Covid-19 pandemic, which helps them continue to operate. Second, it presents the main findings about the nature of the article analyzed and the type of practice observed. Finally, we discussed the contribution and practical significance of this article as well as suggestions for further research.

Analysis of recent research and publications. Sociologists are rigorously putting effort to introduce the concrete determination of social change, so at this point they concluded the changes in interaction and interrelations are things, that currently change the culture and social systems in modern era. These changes will continue to occur over time, and in the long run, they tend to have a profound impact on society (Dunfey, 2019). Despite the variety of changes, research on social change continues, spanning disciplines with different perspectives and controversial issues (Julkenen 1987). A good example is the "computer revolution" that began in the 1980s and 1990s, which brought general changes to all aspects of our lives, work, society, and culture. Recently, the COVID-19 pandemic, which lasted for more than a year in 2020 and 2021, has begun to bring about global social changes (Jiang & Wen, 2020). For example, as per Makridakis (2017), Sun and Medaglia (2019), governments in majority of developed countries/regions use artificial intelligence-based chatbots to reduce requests for help, thereby accelerating the adoption of digital government. Other scientists, for example Hagen (2017) and Rao (2020) underline the use of social media such as Twitter as a means of communication for crisis management as still very important. But other authors, like Lai and Wond (2020), say that although these social changes are usually triggered by technologically innovative structural changes, they also occur during long-term unpredictable crises, such as the Zika virus or coronavirus pandemic.

Organizations are forced into position to deal with emergencies, crises, and risks, e.g. natural disasters: such as floods, fires, earthquakes, or recent pandemics such as COVID-19, or large-scale power outages that affect an organization's ability to operate its business. However, only a few organizations have effectively predicted this situation. One of the reasons for this is the different interpretations of organizational sustainability. The idea of sustainability originated in the field of ecology. It shows the number of violations a system can tolerate without changing its structure by changing the variables and processes that govern its behavior. (Bell, 2019) [1].

The definition of «sustainability» was originally created by the World Commission on Environment and Development (WCED) as «development that meets the needs of the present without compromising the ability of future generations to meet their own needs that contain two concepts, namely needs and the idea of limitation». Bansal and De Jardin also gave definition business resilience (BS) as a company's ability to react to short-term financial needs and changes without compromising one's ability to meet planned future needs. The Sustainability View was developed by another organization. The concept of future business resilience for organizations needs to be updated, especially with regard to economic crisis in the face of a global pandemic. For example, Yu et al's study of the dynamics and resilience of global supply chains requires further

_____

study and coordination. In their research, environmental dynamics focuses only on the volatility and instability in the market of products and services, changes in technology, and demand for innovations in commodities existent in the market, not specifically the global health crisis. The classic view of business sustainability generally sees a closed integration between corporate financial performance (FP), a shared social commitment (known as the corporate social commitment or CSC) and environmental concerns (known as the corporate environmental commitment or CEC). It starts from a theoretical sustainability perspective that includes It is said to be the three pillars of BS. Also, some studies show that it is not easy to tie these pillars together. We start with the WCED concept of sustainability and start from a systems perspective. Therefore, for these pillars to be macro-balanced, resources must be finely allocated over time. On the other hand, businesses are systems linked to larger macro systems, and trade-offs must be made over time if businesses want resiliency. Moreover, when it comes to sustainability, companies may have different approaches to what they imagine when using the term of business sustainability [2]

Formulation of research goals. The purpose of this study is set to better comprehend how companies and various organizations have reacted to the outbreak of the COVID-19 pandemic and to identify best management practices. Answers to the following research questions: What is the impact of the COVID-19 pandemic on organizations and what best practices are organizations using to respond early to the pandemic?

The unresolved part of the digital transformation of personnel management during the epidemic still needs further research, especially to identify and summarize trends and factors that exacerbate this transformation, as well as to identify challenges and obstacles that arise throughout the process. Mandatory acceleration of the personnel management system during the digitization period during the COVID-19 pandemic to find the best way to overcome these problems.

Outline of the main research material. First of all, we will discuss the basics about crisis management. The British Standards Institute (BSI)`s European Guidance on Crisis Management defines a disaster as `an unparalleled or fantastic occasion or scenario that threatens a company and calls for a strategic, adaptive, and well timed reaction so that it will hold its viability and integrity`. A disaster can emerge from an incident or from a longer-jogging issue. It is characterized with the aid of using an acuteness of scrutiny, strain and organizational effect with a want for pace in decision-making, motion and communication. [3]

Boards of directors must pay keen attention to a leader's ability to respond to crises. Together with the fiduciary's duty and responsibility to protect the interests of shareholders, it falls under the direct power of the Board of Directors to oversee good corporate governance and risk management. This should be part of the board's routine assessment of the sustainability of the business. BSI refers to factors such as the speed of events, the complexity of the problem at hand, the severity of the problem, and the atmosphere of uncertainty that «amplify» factors that can drive an organization from business to crisis as usual. Each of these is an excellent reference point for a board to decide whether or not it is facing a crisis.[4]

Organization should look at the risk management and crisis situation as broadly, as possible, in order to be more resilient as a whole. The list of potential crises we can foresee is limited only by our ability to present, so boards should not focus solely on «domain risk», a harsh but plausible business-specific risk. The board's joint experience should seek to gain a broader view of the environment, study the impact of «if this happens...» and obtain financial and operational sustainability assurances to address it.

Board of directors or CEO should be aware if the organization has officially identified a potential new (unforeseen) or black swan risk. This is an area overlooked by most risk assessments, but can help develop a risk management plan and follow-up exercises. There should be developed a policy for writing report about exercises by workers who underwent them, in that case, managers can have a clear view of what's going to happen under unforeseen circumstances

Exercise plan is one step toward a coordinated response, but it should be reviewed to see if the plan is fit for purpose. The team should be familiar and comfortable using the plan. Crisis training is the best way to achieve these goals and include different ways of working. Plans can be tested or "executed" in a variety of ways, suitable for different teams and different levels of crisis maturity. Scenario exercises are best for inexperienced teams and untested plans. Countertops provide a more discursive environment and simulations allow for quick stress testing with multiple teams. The latter should be reserved for the most mature teams. Board members must attend these exercises in person as participants or observers. We've seen that this can give the board directly to how prepared the management is. Attending this exercise will enable board members to ensure that a leader is a good fit for their role in crisis planning. Ensure that testing is performed regularly and results are documented in post-workout reports. Boards should focus on challenging the findings of the report and applying the lessons learned [5].

The prevention phase consists of risk mitigation measures to prevent a crisis from developing.

If prevention is unsuccessful, preparation includes developing a strategic plan and crisis scenario to mitigate the consequences of the crisis.

Crisis management systems are analyzed and based on a four-level circular model, more commonly known as the PPRR model [6]:

_____
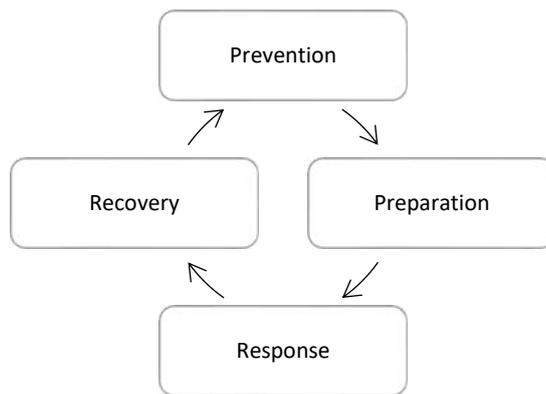
Figure 1- **PPRR model**

Source: built by the authors according to [6]

When a crisis occurs, a contingency plan (if any) is prepared, but in situations where actual cases do not fully match the prepared scenarios and practices, an immediate and specific response is required to minimize the negative impact of experienced danger.

When the immediate threat is removed, the recovery phase begins. Rehabilitation of affected institutions, reconstruction of infrastructure, restoration of population well-being, assessment of previous steps, including accountability to management, and coordination of crisis management systems. In response to identified vulnerabilities in the plan or the previous crisis contingency plans, there should be a reassessment and analysis of the previous events

Crisis control is contingent on the character of the emergency due to the fact the various and unsure traits require flexibility in reaction. An herbal catastrophe poses one of a kind demanding situations to emergency control than a terrorist assault or a monetary disaster and the equal sort of emergency has one of a kind implications relying on institutional and situational contexts. Preparedness is a prerequisite for correctly coping with a crisis. This consists of administrative and analytical potential to foresee and/or locate an emergency and screen its development, in addition to frequently exercise and updating strategic reaction plans. Preparation approach the cap potential to reply to an unknown hazard inside a brief time body on a strategic and operational level. The high-quality fire breaks out plan isn't very beneficial in case of a fire, if it's far unknown and now no longer frequently exercised. It is similarly useless if the fire, and its quantity, isn't detected early. The cap potential to correctly become aware of a disaster, its nature and the quantity of its implications rely on data processing, organizational shape and cultural and expert experience [7].

In order to fully comprehend the effect of unexpected and unprepared crisis we can view the economic effect across the various industries by the percentage of lost revenue and by the GDP losses of major EU countries (figure 2) and how many people lost employment during Crisis in USA, in order to understand economic impact on the enterprises around the world (figure 3).
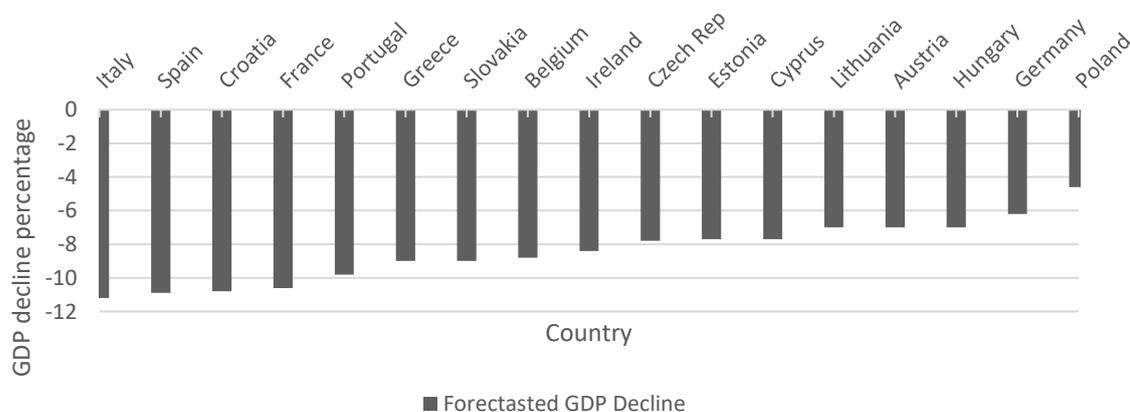

Figure 2 – **GDP decline in EU countries during COVID-19**

Source: built by the authors according to [8]

_____

_____

COVID-19 has accelerated technology adoption and digital transformation as a priority. As most organizations become tech or centralized companies, they may face crises triggered by new digital risks, such as the introduction of new software, required IT updates, or cyber events such as ransomware attacks. As a data-driven organization, regulatory changes and public expectations increase governance responsibilities. View the new digital risk landscape and informational crisis planning through this lens.
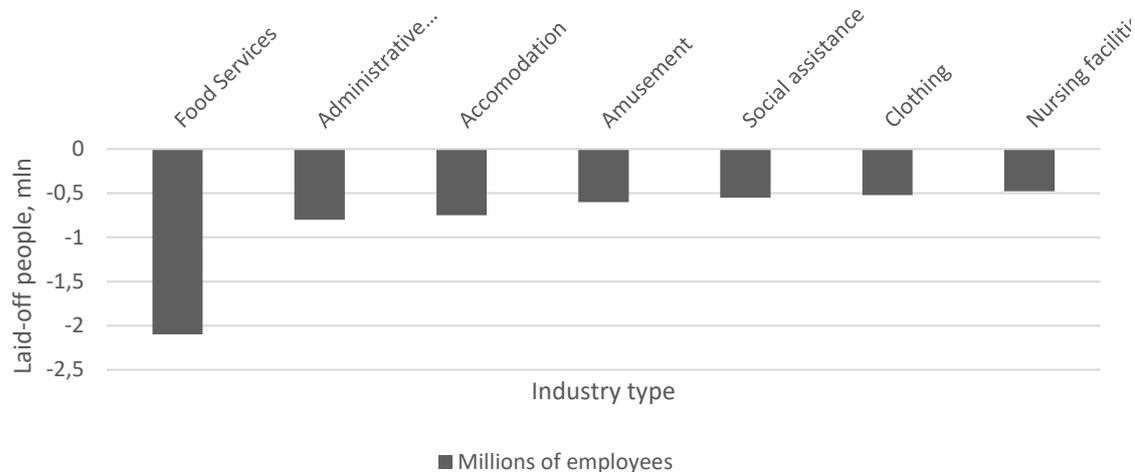
Figure 3 – **Hardest-Hit Industries by Employment Loss, by November 2020**

Source: built by the authors according to [9]

Every organization needs to prepare for chaos. This could be an accident (eg, a short, sudden event) or a problem (eg, a slow burn), but any disruption will affect your organization. Your ability to successfully handle these outages depends on:

Resilience: Have strong plans and capabilities to enable organizations to resist, absorb, or recover from any disruption to avoid unacceptable impact. Plan to maintain continuity and recovery when preventing impossible or unsuccessful Crisis preparedness: The ability to achieve an organization's strategic objectives and return to a viable operational state when remedial actions are inadequate, failed, or overwhelmed (usually due to the scale or nature of the disruption).

Organizations should begin preparing for chaos now so that they can identify gaps and close them with attention, preparation and action. You have survived a global crisis, but you can now use the knowledge you gained and focus on preparing your organization for other important events identified during risk planning [10].

As well as getting ready your organization to reply to an incident pushed disaster, consisting of a ransomware assault, realize that your crises may also come from troubles, a non-acute danger to an organization`s strategic goals.

Organizations could gain from recognizing that troubles have to now no longer be controlled as enterprise as usual; if left unmanaged they may be induced through an outside event and strengthen right into a disaster.

Treat troubles with the identical diploma of seriousness as an incident-pushed disaster, consisting of a climate event. Review your organization`s functionality to pick out and control troubles. A trouble control functionality does now no longer want to be complicated and have to be easy to pressure powerful and rapid choice-making to gain control – control a problem with a clean shape, methods and agreed pathways for escalation – earlier than they could threaten the strategic goals of your organization.

Well installed 3-tiered disaster reaction structures, consisting of gold-silver-bronze or strategic-operational-tactical, have their place. However, it`s vital to realize that today`s hazard panorama calls for disaster managers to adapt their preparedness strategies.

The 3 tiered shape won't be agile sufficient for a powerful organizational reaction to era-pushed crises or certainly be suitable for an increasing number of lean and agile organizational structures. The reaction to excessive effect events, pushed through international technologies, can't depend on escalation thru a couple of layers of groups that can have a constrained knowledge in their remits. Tactical moves in those eventualities generate strategic challenges, consisting of technical choices taken for the duration of a cyber-assault that restrict strategic reaction options. Far too frequently choice making is postponed or delegated due to a loss of technical knowledge on the strategic level.

To allow rapid choice-making while responding to era or digital-pushed crises, take into account setting up a shape aligned to effect categories, with clean responsible owners, as opposed to a 3-tiered reaction [11].

_____

_____

Manager will do better if all decision-makers answer following questions directly and upheld their words in actions: if they are proposing some behavior and then not doing it (refusing temperature checks, force people to work in closed quarters, like offices, while underlying the need for workers to be more cautious, etc.)

Therefore, this is the top priority for leaders to develop crisis communication. Decide what the answers to the four standard questions are, and then make sure what they're saying matches what they're trying to convey. Here are some guidelines to answer abovementioned questions for crisis communication.

(1) Formulation and description of an event in terms that stakeholders want it to understand and respond to. How serious is it? How long does it last? Who is particularly affected by this issue?

(2) Clarification of how to define the community involved. Who is included? Whose interests are they considering? Are there significant differences between subgroups within this larger community?

(3) Description what values and interests are at stake. What can be affected and what is important to the organization? What are you most interested in saving

and securing? What is necessary to do in order to withstand the crisis time? What can management be compelled to leave behind as the company moves forward?

(4) Description how you want people to behave. What should they do? What should they not do? What sacrifices will they make to preserve what they truly care about?

Management should answer those questions, when forming a communication strategy. They should keep in mind that stakeholders are looking for answers, whether provided or not, will definitely find them. It is highly advised to express thoughtful answers to these questions clearly and genuinely, because based on that, both employees and stakeholders will know what is going on and plan their next moves. In crises, people get nervous and distracted, so it's very important to be concise as well as articulate so that stakeholders can understand and retain the important information management wants to convey [12].

Many companies do not have those communication policies in place, which is shown by the following survey (figure 4).

71%	•Prepared to communicate with employees about crisis situation
63%	•Prepared to communicate with customers about crisis situation
45%	•Prepared timetables for rapid responses during crisis
37%	•Pre-scripted social media engaging during crisis
33%	•Pre-drafted statements about possible crisis situtations
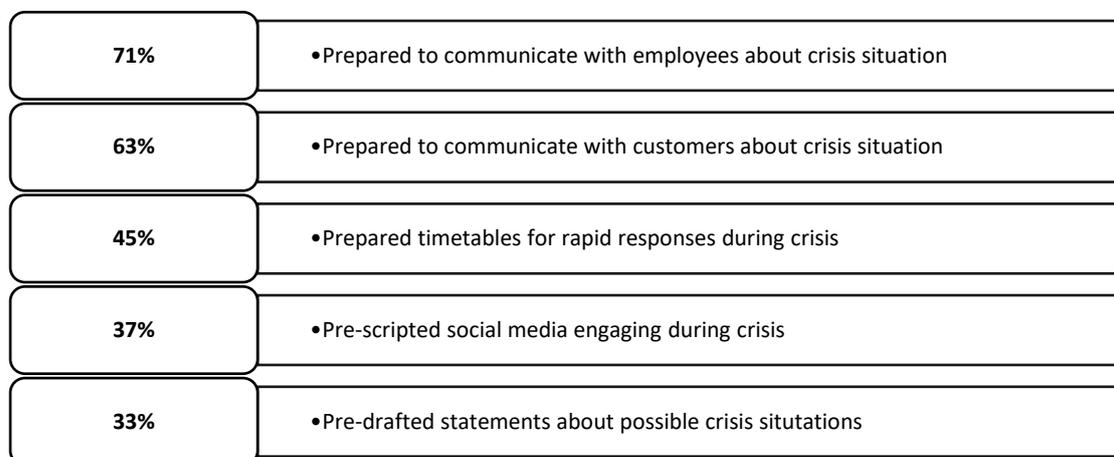
Figure 4 – **Key elements of companies' crisis communication planning (Among those who reported having strong communications plans)**

Source: built by the authors according to [9]

Conclusions. In conclusion, it doesn't matter, in which sphere organization is working, because different types of crises can significantly disrupt your processes and revenue stream. No community or organization is immune from crisis. Understanding and managing the internal and external risks that can affect the organization can be the difference between any organization's success or failure. The review found that risk management primarily helps provide post-crisis renewal, stability and growth, reduce revenue volatility, increase stakeholder confidence, protect an organization's assets, and meet insurance, legal and regulatory requirements. it is clear that it will be, to prevent serious harm to stakeholders, loss to the organization or the end of existence itself, to overlook the importance of pre-crisis preparation. Uninterrupted business in

an unstable environment can give you a competitive edge. However, creative thinking defines an approach to risk management not only as a business practice, but also as a way of life and more general climate called a crisis culture. Moreover, crisis management is interdisciplinary in nature and includes psychological, socio-political and public relations factors to consider. This means that structured risk management must be incorporated into existing operations and become an integral part of key decision-making processes. Therefore, it can be concluded that the risk management plan must be constantly updated, the philosophy must be able to change, and it must be improved taking into account changes in external or internal factors.

_____

_____

References:

1. Bell, S. (2019). Organisational resilience: A matter of organisational life and death Contin Resil Rev, 1, 5-16 [in English].
2. Glossary of summaries-EUR-Lex (2021). *Official web-site*. Retrieved from : https://eur-lex.europa.eu/summary/glossary/sustainable_development.html [in English].
3. Borodzicz, E. (2014). *BS 11200:2014: Crisis Management. Guidance and Good Practice*. BSi. Retrieved from : https://shop.bsigroup.com/ProductDetail?pid=000000000030274343 [in English].
4. European Committee for Standardisation (2018). Crisis management - Guidance for developing a strategic capability [in English].
5. Deloitte (2019). Stepping in: The board's role in crisis management. Deloitte Touche Tohmatsu Limited. Retrieved from : https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/deloitte-uk-risk-global-on-the-boards-agenda-crisis-management.pdf [in English].
6. Coppola, D. (2020). *Introduction to International Disaster Management*. Aufl. Oxford: Butterworth-Heinemann [in English].
7. Directorate-General for Structural Reform Support, & Tubb, H. (2021, October). Crisis management, coordination and capacities. European Commission. Retrieved from : https://doi.org/10.2887/476769 [in English].
8. Sapir, A. (2020) Why has COVID-19 hit different European Union economies so differently? *Policy Contribution,* 18, 1-13. Retrieved from : https://www.bruegel.org/wp-content/uploads/2020/09/PC-18-2020-22092020-final.pdf [in English].
9. Weinstock, L. R. (2021). COVID-19: Employment Across Industries. *Congressional Research Service.* Retrieved from : https://crsreports.congress.gov/product/pdf/IN/IN11564 [in English].
10. Servane Gueben-Venière, Valérie November. (2020). *Crisis management as an evolutive and adaptable infrastructure*. Retrieved from : https://hal-enpc.archives-ouvertes.fr/hal-02518041/document [in English].
11. Peterson, J., Ramsden-Knowles, B., & Butler, M. (2021). Crisis management in the age of disruption. *PricewaterhouseCoopers LLP.* Retrieved from : https://www.pwc.co.uk/risk/assets/pdf/crisis-management-age-of-disruption.pdf
12. Leonard, H. & Howitt, A. (2020). *Crisis Communications for COVID-19*. Harvard University. Retrieved from : https://www.hks.harvard.edu/sites/default/files/centers/research-initiatives/crisisleadership/files/PCL_Crisis-Communications_Web20200427.pdf [in English].
13. Deloitte. (2016). A crisis of confidence. Deloitte Touche Tohmatsu Limited. Retrieved from : https://www2.deloitte.com/content/dam/Deloitte/us/Documents/risk/us-aers-global-cm-survey-report.pdf [in English].