

CRISIS-RESILIENCE OF ENTERPRISES AND OVERCOMING THE NEGATIVE CONSEQUENCES OF COVID-19

Professor Natalja Lace, Riga Technical University, Latvia

The health necessitated lockdown and social isolation caused by COVID-19 have stopped most human and business activities, which put forward an unprecedented task to mankind to create new communication, working, economic, political, ecological and other living behaviors. The economic downturn caused by COVID - 19 has affected all sectors of the economy, with reduced economic activity worldwide. Why do some businesses answer better than others during the current economic crisis? What are the determinants and the ability of this “resilience” to economic shocks? This research was conducted within the National Research project “ReCOVery - LV” for exploring the impact of the COVID-19 pandemic on the Latvian companies, specifically analyzing in this paper the crisis resilience of the Latvian companies and the new solutions they elaborated and realized to overcome the crisis despite the shock and stress.

The word “resilience” comes from the Latin verb “resilire”, which means to rebound (Sabatino, 2016). The resilience is as high as the ability of the system to react to shocks with creativity and flexibility (Peterson, 2000). This situation depends on the financial strength, innovative behavior of enterprises, the ability to quickly adapt their business models to new conditions, and create new opportunities, be more productive than their competitors, receiving competitive advantages.

We have analysed and assessed Latvian companies’ financial health and their crisis resilience abilities (Bistrova et al.). We find that Latvian companies’ crisis preparedness sits on a moderate level thanks to the efficient capital management and relatively modest debt servicing cost, but at the same time, the companies have relatively low margin levels at high fixed costs. Despite the atmosphere of the entire shock, distress, and anxiety, some of the companies managed to find new innovative solutions to overcome the crisis and even improve their companies’ work efficiency. Latvian companies took advantage of strategic initiatives for 'persevering' and 'innovating' (Wenzel et al.), saved jobs, and did not reduce, and some even increased turnover. The new business solutions developed and implemented by the surveyed Latvian companies correspond to the response to the Covid-19 crisis adopted by other companies around the world (Bello, J. et al.; Nagel, L.; Reeves, M., et al.; Bhattacharyya, S. S., & Thakre, S.; Joly, H.).

Based on the analysis of expert interviews, sets of factors hindering and promoting the development of innovation in Latvia were created.

References

- Bello, J., Collins, S., Dreischmeier, R., & Libarikian, A. (2020). Innovating from necessity: The business-building imperative in the current crisis. McKinsey Digital, April, 16.
- Bhattacharyya, S. S., & Thakre, S. (2021). Coronavirus pandemic and economic lockdown; study of strategic initiatives and tactical responses of firms. *International Journal of Organizational Analysis*.
- Bistrova, J., Lace, N., & Kasperovica, L. (2021). Enterprise Crisis-Resilience and Competitiveness. *Sustainability*, 13(4), 2057.
- Joly, H. (2020). Lead your team into a post-pandemic world. *Harvard Business Review*. Pieejams: <https://hbr.org/2020/05/lead-your-team-into-a-post-pandemic-world> [Sk. 28.02.2021.]

Nagel, L. (2020). The influence of the COVID-19 pandemic on the digital transformation of work. *International Journal of Sociology and Social Policy*. [30] M. Reeves, L. Faeste, C. Chen, P. Carlsson-Szlezak & K. Whitaker, "How Chinese companies have responded to coronavirus", *Harvard Business Review*, March 2020.

Peterson, G. (2000). Political ecology and ecological resilience: An integration of human and ecological dynamics. *Ecological Economics*, 35(3), 323–336. [http://dx.doi.org/10.1016/s0921-8009\(00\)00217-2](http://dx.doi.org/10.1016/s0921-8009(00)00217-2).

Reeves, M., Faeste, L., Chen, C., Carlsson-Szlezak, P., & Whitaker, K. (2020). How Chinese companies have responded to coronavirus. *Harvard Business Review*.

Sabatino, M. (2016). Economic crisis and resilience: Resilient capacity and competitiveness of the enterprises. *Journal of Business Research*, 69(5), 1924-1927

Wenzel, M., Stanske, S., & Lieberman, M. B. (2020). Strategic responses to crisis. *Strategic Management Journal*.