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NOTES FROM THE EDITOR-IN-CHIEF



Dear authors,

Journal of Entrepreneurship and Business Resilience (JEBR) welcomes manuscripts focused on protective factors and processes that promote resilience in the face of organizational challenges. The Journal encourages empirical articles, informed practice reviews, literature reviews, brief reports, book reviews, and policy papers.

We will have to narrow our focus in comparison to previous issues, which is again a request from those who evaluate our journal.

Finally, I would like to ask you to follow technical instructions for writing your papers and to not send papers that exceed 10 pages of text. Also, your paper should be in Times New Roman, font size 10, line spacing 1 and B5 page format.

In the end, I would like to thank my colleague prof. Dr Zhanna Mingaleva and prof. Dr. Md. Shajahan Kabir who collected quality articles from Russia and Bangladesh. Both served as guest editors of this edition.

July, 2021.

Yours faithfully,

Editor-in-Chief

Prof. Dr Mirjana Radovic-Markovic

A handwritten signature in blue ink that reads "prof. dr. Mirjana Radovic-Markovic". The signature is written in a cursive style.

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FOR WRITING AND PREPARATION OF MANUSCRIPT

TECHNOLOGICAL MODERNIZATION AS THE BASIS FOR BUSINESS RESILIENCE

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ABSTRACT

Purpose. The purpose of the article is to assess the results of scientific and technological activities of enterprises and organizations in Russia to create new technologies in the conditions of quarantine in 2020. The importance of the study is determined by the need to maintain a continuous cycle of technological modernization of production in order to preserve and increase the stability of business in the context of the global crisis, which was provoked by the COVID-19 pandemic. Methods. The methods of bibliographic analysis, comparative analysis, methods of collecting and processing statistical data and the method of graphical presentation of data were used to carry out the analysis. Conclusions. As a result of the study it was revealed that in the context of the COVID-19 pandemic and severe restrictions on most business processes, the activities of Russian enterprises and organizations in creating new production technologies not only did not decrease, but even increased.

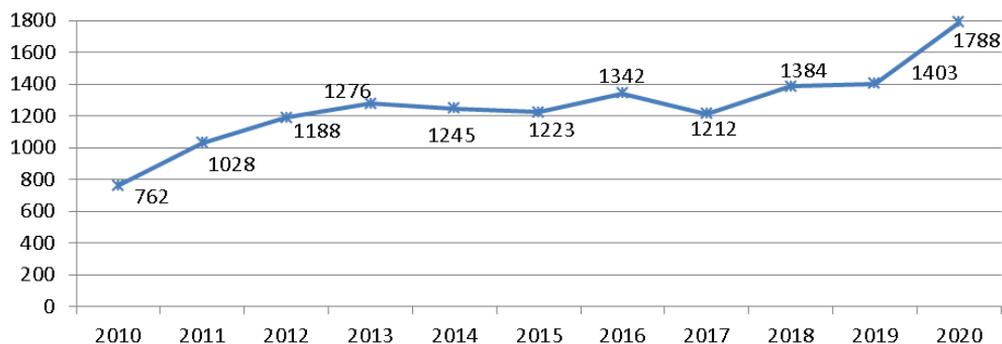
Key words: *business resilience, COVID-19, technological modernization, innovative development, new technologies, technology export*

JEL Classification: *O14; O32.*

INTRODUCTION

A study of the experience of Russian industrial enterprises in quarantine and lockdown conditions has showed the presence of multidirectional trends in their activities. At the end of 2020 in many sectors and industries were recorded such negative trends as a decrease in production, a decrease in profits, a decrease in

investment activities, dismissal of workers and other. The trends turned out to be opposite for the indicators of research and inventive activity. It is noteworthy that despite the difficult economic conditions prevailing in the global and Russian economies in 2020, the activities of organizations in creating new advanced production technologies in Russia did not decrease, but increased significantly - by almost 30% compared to the previous year. The dynamics of the number of developed advanced production technologies new to Russia for the period 2010-2020 is shown in Figure 1.



Source: [2].

Figure 1. The number of developed advanced production technologies new for Russia, the number

Particular attention is drawn to the fact that in the crisis year of 2020 the number of new technologies has increased significantly. This requires theoretical understanding and assessment of the situation.

THEORY AND METHODOLOGY

For the study, the main provisions were used within the framework of the theory of crises, management theory, and the theory of innovation.

The main conceptual approach to assessing business sustainability at various stages of economic and social development, in modern conditions is the thesis that business sustainability largely depends on the technological state of production and the economy as a whole. At the same time at the stages of stagnation and crisis the technological component acquires special significance. The use of innovative technologies ensures the competitiveness of enterprises in the face of heightened price competition and allows them to maintain stability in a situation of active transformation of supply and demand in the market.

The second basic conceptual provision used in this study is the thesis that in order to achieve a high degree of business sustainability, it is advisable to use primarily

domestic technologies. The use of imported technologies can face a number of difficulties [3]. Moreover, in some cases, technology imports have a negative impact on business sustainability and economic development. Thus, G. Jones, A. Lanltot and H. Teegen note: “It is obvious that the acquisition of external technologies is not a panacea, and great care must be taken to ensure the success of the company” [4, p.256]. Moreover, G. Jones, A. Lanltot and H. Teegen make more categorical conclusions regarding the use of external technologies by large firms. They celebrate: “...the results taken together suggest that firm performance is negatively impacted by external technology acquisition, firms with internally available resources typically do not tend to seek external technology, and when they do, and in some cases the negative relationship between external sourcing and performance is increased.” [4, p.256].

This controversial influence of external technologies on the competitiveness and efficiency of production in a number of industrial sectors was noted by other researchers [5-6].

Russian scientists have repeatedly noted that it is necessary to create and introduce domestic advanced technologies into real production in order to increase the stability of business, to achieve technological security of enterprises and organizations, to reduce their dependence on imports (especially in the context of international sanctions) [7-9]. Crises of all kinds, especially at the global level, are objectively a powerful factor disrupting the stability of functioning. The COVID-19 pandemic has become such an unexpected and powerful crisis factor.

In the course of the study, theoretical approaches were used to interpret the crisis and cyclicity in the economy, taking into account their manifestation in the context of the COVID-19 pandemic.

The conceptual provisions of the study were supplemented by expanding the term "technological state", which in this study means not only a complex of production technologies for manufacturing products, methods of processing materials, assembling finished products, but also modern technologies for organizing the production process, management, sales, interaction with customers and etc. In recent years special emphasis has been placed on digital technologies, which ensure the use of more progressive methods of management and decision-making [10-11].

The method of bibliographic analysis and the method of comparative analysis were used for this. Methods of collection and processing of statistical data were used to obtain factual data on the state of the research object. The method of graphical data presentation and other analytical methods were also used.

RESEARCH RESULTS

As has already been noted, the key approach in assessing the driving forces and factors of ensuring business sustainability in modern conditions is based on the thesis that business success largely depends on the technological state of production and its readiness to apply innovations [12-13]. At the same time many authors note that

actively developing countries including the BRICS countries are focusing on creating new national technologies: "...the 'technology-augmenting' R&D units are often found in the BRIC (Brazil, Russia, India and China) countries (D'Agostino and Santangelo 2012; Pogrebnyakov and Kristensen 2011; Reddy 2010; UNCTAD 2005) [6, 14-16], as well as South Korea (Giroud et al. 2014) [17] and Taiwan (Tseng 2011) [18]..." [19, p.95]

COVID-19 has affected all spheres of society, including the long-term closure of many businesses and organizations in the manufacturing sector. Many enterprises have undergone a transformation of their business models in accordance with the conditions of the pandemic. Business processes such as interaction with customers, distribution channels, consumer values have been affected to the greatest extent and the most evidently by the changes. Less noticeable to external users were changes in the implementation of investment plans, revision of production programs, research and development. However, changes in these blocks of business strategies can significantly affect the stability of the business in the future.

An analysis of the results of innovative, scientific, technical and technological activities of Russian enterprises during the period of quarantine restrictions caused by COVID-19 has showed that such an area of activity as the creation of new advanced production technologies has preserved and even strengthened growth and development trends in contrast to the general trends of a decrease in all macroeconomic indicators of activity. The results of the analysis also have showed that there was no reduction in scientific and technological activity in all key sectors of the economy in 2020. Moreover, in some key areas of production the number of advanced Russian production technologies created exactly in 2020 increased by 2 or more times. These are such industries as:

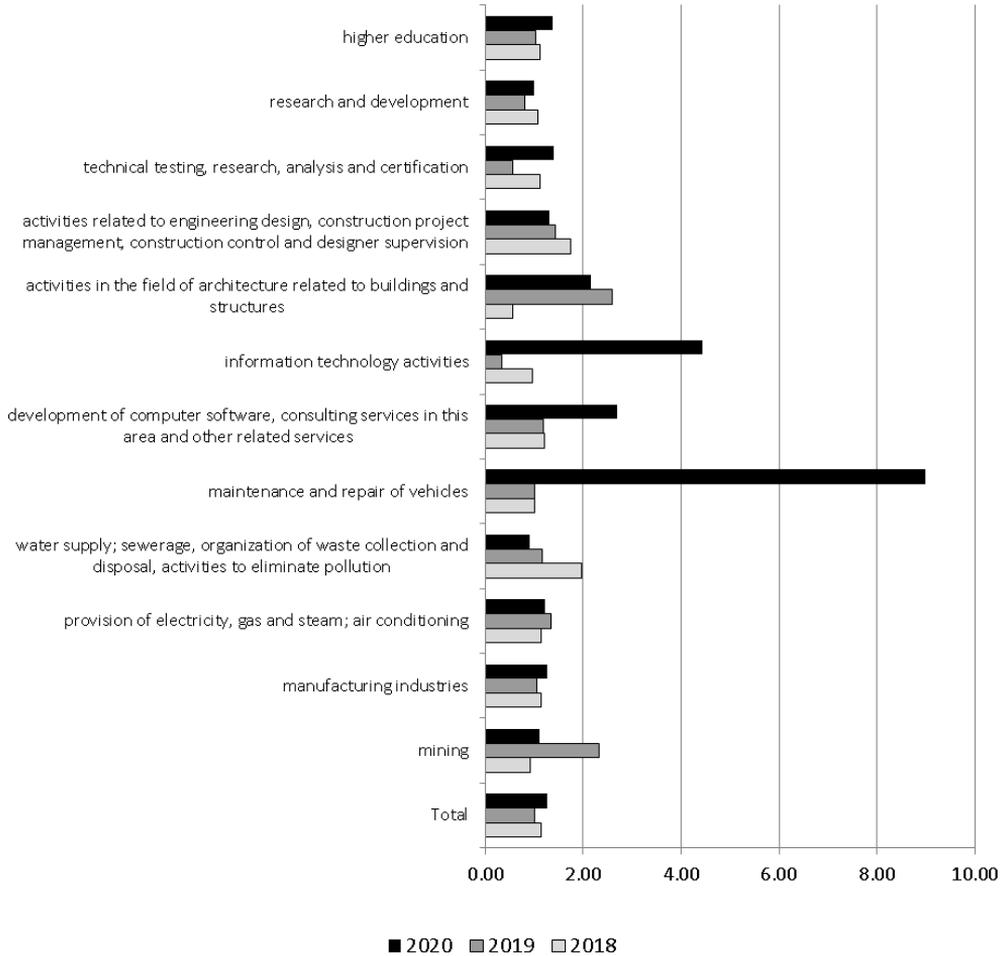
- food production - growth by 2.17 times;
- production of textiles - 2 times growth;
- production of leather and leather goods - an increase of 10 times;
- production of chemicals and chemical products - 2 times growth;
- production of rubber and plastic products - an increase of 2.08 times growth;
- production of non-metallic mineral products - an increase of 5.29 times growth;
- development of computer software, consulting services in this area and other related services - an increase of 2.69 times growth;
- activities in the field of information technology - an increase of 4.44 times growth, etc.

In general, the collective classification grouping of types of economic activities "Industry of information technologies" showed an annual increase in newly created technologies by 2.56 times.

Other sectors and branches of the economy grew less strongly, but there was overall growth. The activity on the creation of new technologies has slightly decreased only in 6 areas of activity: water supply; wastewater disposal, waste collection and disposal, pollution control activities (-9%), electrical equipment manufacturing (-10%),

beverage production (-29%), printing and media copying (-37%) and publishing activity in overall (-79%).

Figure 2 shows the dynamics of the number of new technologies developed annually by type of economic activity in Russia for the last three years (2018-2020).



Source: [2].

Figure 2. Growth rates of the number of new technologies developed annually by type of economic activity in Russia, %

As can be seen from Figure 2 there was an increase in the number of newly created advanced production technologies for all sectors of the economy and types of economic activity in 2020. This is a confirmation of the fact that despite the difficult

and unforeseen conditions of production and sales activities in 2020 technological modernization of production remains one of the most important goals in the activities of most companies. And it is in technological modernization that many business leaders see the source for achieving business sustainability.

CONCLUSIONS AND FURTHER RESEARCH

In the process of analyzing the results of research activities of Russian enterprises and organizations on the creation of new advanced production technologies in 2020 it was revealed that this activity did not decrease in the context of the covid-19 pandemic and even increased in a number of areas of economic activity. “However, a serious problem for Russian enterprises is still the task of introducing these technologies at domestic industrial enterprises” [1]. This question will be the focus of further research. The results of the study will supplement the scientific discussion on the prospects of using two methods of technological modernization of production (import of foreign technologies and the creation of domestic ones) by generalizing the experience of Russian enterprises taking into account the conditions of activity in the situation of COVID-19.

ACKNOWLEDGMENT

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THE INNOVATIVE ACTIVITIES FOR THE RESILIENCE OF THE SMEs IN THE REPUBLIC OF SERBIA

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ABSTRACT

Today's business environment is characterized by numerous challenges and changes. The challenges arising from changes in the global business environment can be addressed through the development of an innovation-based economy. The Republic of Serbia belongs to the group of moderate innovators with an economy characterized by the growth of the level of innovation, which is still lagging behind the EU average. Innovation categories in which the Republic of Serbia stands out the most are innovators, company investments and effects on sales, as well as ICT training and innovation activities of small and medium enterprises. The main goal of this paper is to analyze the current state of innovative activities in the sector of small, medium enterprises and entrepreneurs (SMEEs) in the Republic of Serbia and the factors that affect this situation. In the article the authors concluded that, entrepreneurial resilience is a dynamic adjustment process that enables business owners to “look and move forward” that can be supported by the good innovative policy.

Key words: innovation, SMEEs, Serbia

JEL Classification: O3, L3

INTRODUCTION

In today's business conditions, one of the most important factors for the survival and development of companies and entrepreneurs is innovation. They are the key to a company's success, because with their development, companies adapt to changes and at the same time respond to market demands, which are becoming more complex every day. The definition of innovation mainly refers to the development and successful transformation of invention into a useful product (innovation of products) or technique (innovation of the process) which are believed to be worth presenting in the market, or using within the company[1]. Innovation is one of the most important sources of competitive advantage and many companies see innovation as a means to profitable growth that will improve the performance and position of companies. Competitive advantage should therefore not be increased by reducing costs, but by quality production, innovation, continuous product and service development, comprehensive service concept or ability to respond quickly to customer requirements[2] because competitive advantage has been an important issue in management and strategic planning in recent years[3].

The role of innovation is particularly important in transition countries facing problems of high unemployment, low economic activity, insufficient competitiveness and lack of investment, and where large inefficient state-owned enterprises are still present[4].

The authors [5] believe that innovation is at the heart of every organization's success, because it enables the organization to improve product quality and reduce costs, increase efficiency and increase sales. It can also provide enterprise resilience [18]. The majority of companies mostly use the innovative project management strategy, which via efficient planning and coordination can help a firm use its resources and the available time in a much more productive way[17]. According to one number of scholars one of the biggest lessons the pandemic has given us, is that innovation is a non-negotiable function for organizational resilience, especially if an enterprise is to maintain its longevity [19].

The analysis of innovation in the SME sector is a very current topic in all countries, as shown by studies of many authors from around the world and from our country [6][7][8][9].

SMES SECTOR IN THE REPUBLIC OF SERBIA

The sector of small, medium enterprises and entrepreneurs (SMEEs) is undoubtedly of great importance both at the national and international level. Today, this sector has a tendency to make more use of intensive production processes than large companies and thus significantly contribute to increased employment, income generation and poverty reduction[10]. In addition, the SMEE sector makes fuller use of its staff and equipment, maintaining a lower level of inventories.

The advantage of the SME sector in relation to large companies is reflected in the ability to reduce production costs through narrow specialization. Starting a small business requires a relatively small initial capital, the time required to build production capacity is shorter, and capital turnover is significantly faster than in large

companies[11]. Thanks to their flexibility and easier entry and exit from the market, SMEs take advantage of market opportunities faster and easier.

The global economic crisis that Serbia faced in 2009 caused a halt in the positive trends of economic development, which was reflected in the decline of economic and foreign trade activity of Serbia, rising unemployment, reduced investment, changes in the number of small, medium enterprises and entrepreneurs, etc. However, since 2014, the entrepreneurial sector has been recovering with a slight increase in employment, so that the level of employees in 2018 almost reached the level from the pre-crisis period. Serbian Government in March 2015 has adopted the Strategy for support to development of SME, entrepreneurship and competitiveness for the period from 2015. to 2020. in order to improve the development of entrepreneurship, increase the number of small and medium companies, increase employment and train SME to answer the increasing pressure of competition in the market[12].

In the period from 2008 to 2018, the number of companies and entrepreneurs in the Republic of Serbia varied (Figure 1).

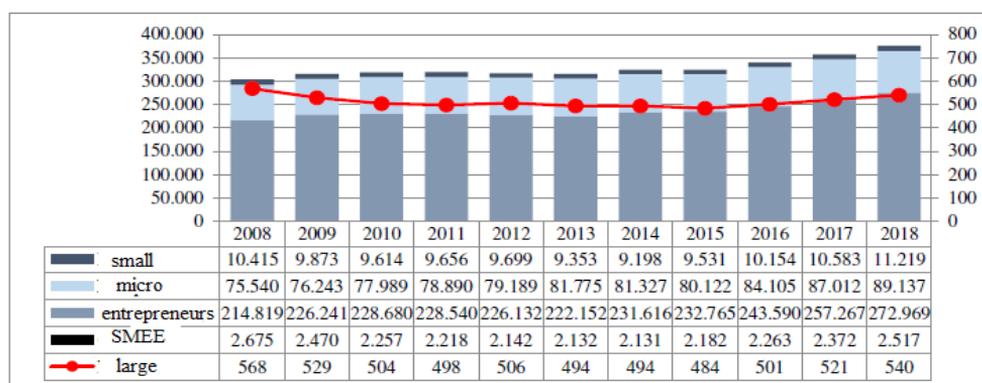


Figure 1. Number of economic entities in the period from 2008 to 2018.

Source: Report on SMEE for 2018, 2021.

Table 1 shows the movement of productivity, labor costs and employment in the period from 2008 to 2018 in the SMEE sector.

Table 1: Trends in productivity, labor costs and employment in the period 2008-2018 in the SMEE sector

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	growth rate 2018/2017	average growth rate 2008-2018
productivity	1480,3	1366,3	1443,6	1446,5	1502,1	1398,9	1465,3	1455,0	1534,2	1548,8	1620,5	4,6	0,91
labor costs	916,8	918,8	921,9	923,9	942,3	916,9	933,2	939,4	963,7	993,5	1047,5	5,4	1,34
employment	940,159	872,540	814,585	786,873	782,026	768,550	761,539	801,719	837,532	873,462	917,116	5,0	-0,25

Based on the movement of average labor productivity (whose average growth rate in the observed period was 1.1%) and labor costs (0.9%), the non-financial sector increased its competitiveness compared to the pre-crisis year of 2008. In contrast to the non-financial sector, compared to 2008, the competitiveness of the SME sector decreased, as average labor costs increased by (1.3%), labor productivity (0.9%), with a lower level of employment (2.4% compared to 2008).

ANALYSIS OF THE INNOVATIVE ACTIVITIES OF THE SMEE SECTOR IN SERBIA

The work of a company on the realization of innovative activities leads to the improvement of the overall performance of that company, the competitiveness of the company, but also the competitiveness of the state. According to the Global Competitiveness Index - GCI (Report on Global Competitiveness of the Economic Forum - WEF 2019), Serbia is ranked 72nd, which is 7 places lower than in 2018. In relation to other countries in the region, the Republic of Serbia is ranked 57th in the world in terms of innovation performance for 2019, which is 2 places lower than the year before.

Table 2: Global Innovation Index of Serbia and neighboring countries 2014-2019

Country	2014(143)		2015(141)		2016(128)		2017 (127)		2018(126)		2019(129)	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Leader - Switzerland	64,78	I	68,3	I	66,28	I	67,69	I	68,41	I	67,2	I
Slovenia	47,23	28	48,49	28	45,97	32	45,8	32	46,97	30	45,3	31
Bulgaria	40,74	44	42,16	39	41,42	38	42,84	36	42,7	37	40,4	40
Hungary	44,61	35	43	35	44,71	33	41,74	39	44,9	33	44,5	33
Croatia	40,75	42	41,7	40	38,29	47	39,8	41	40,7	41	37,8	44
Romania	38,08	55	38,2	54	37,9	48	39,16	42	37,6	49	36,8	50
Montenegro	37,01	59	41,23	41	37,36	51	38,07	48	36,5	52	37,7	45
Macedonia	36,93	60	38,03	56	35,4	58	35,43	61	29,9	84	35,3	59
Serbia	35,89	67	36,47	63	33,75	65	35,34	62	35,5	55	35,7	57
Bosnia and Herzegovina	32,43	81	32,31	79	29,62	87	30,23	86	31,1	77	31,4	76
Albania	30,47	94	30,74	87	28,38	92	28,86	93	30	83	30,3	83

Source: Authors based on - The Global Innovation Index, Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO) Reports: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019

The innovative activities of SMEs in the Republic of Serbia are not sufficiently developed, but the innovation of SMEs in the surrounding countries also lags behind

the more developed EU countries. The reason is that small countries have limited funds for the development of innovation [15].

Table 3: Innovation indicators of the Republic of Serbia[13]

Group		Performance in relation to the EU 2010 in 2018		In relation to the EU 2018
		2011.	2018.	2018.
	Total innovation index	43,7	63,7	58,5
I	Human Resource	29,2	66,8	54,7
	Attractive research systems	31,7	35,2	31,3
	An environment conducive to innovation	27	63	39,9
II	Financing and support	38,5	40,1	36,7
	Company investments	80,4	95	79,7
III	Innovators	50,9	87,4	96,3
	Networking	35,3	65,6	63,2
	Intellectual property	25,1	23,8	24,5
IV	Impact on employment	36,6	39,8	38,1
	Sales impacts	46,9	69,3	67,3

The innovative performance of small and medium enterprises is measured by the following indicators [13]:

- *Innovation of SMEs in products and processes* – the number of SMEs that have introduced a new product or new process in one of their markets. Technological innovation measured by the introduction of new products (goods or services) and processes is key to innovation in production activities;
- *Marketing and/or organizational innovations of SMEs* – the number of SMEs that have introduced new marketing innovation and/or organizational innovations in one of their markets. This indicator shows the extent to which SMEs innovate through non-technological forms of innovation;
- *Innovation activities of SMEs within the company* – This indicator measures the extent to which SMEs that have introduced a new or significantly improved product or production process have innovated internally;

– *Cooperation of innovative SMEs with others* – this indicator measures the extent to which SMEs are involved in cooperation in the field of innovation. It measures the flow of knowledge between public research institutions and companies as well as between different companies;

– Developing strategies for strengthening SMEs resilience.

Based on the above indicators, Serbia has a better performance than neighboring countries except Slovenia. Weak cooperation with the commercial sector, the education sector and with researchers stands out as a problem in the development of innovative activities of SMEEs in Serbia. The Report on Small, Medium Enterprises and Entrepreneurship states that "the analysis of innovation and openness of SMEs in the surrounding countries shows a significant lag compared to more developed EU countries, i.e. that this sector in Serbia is often not very innovative" (Figure 2).

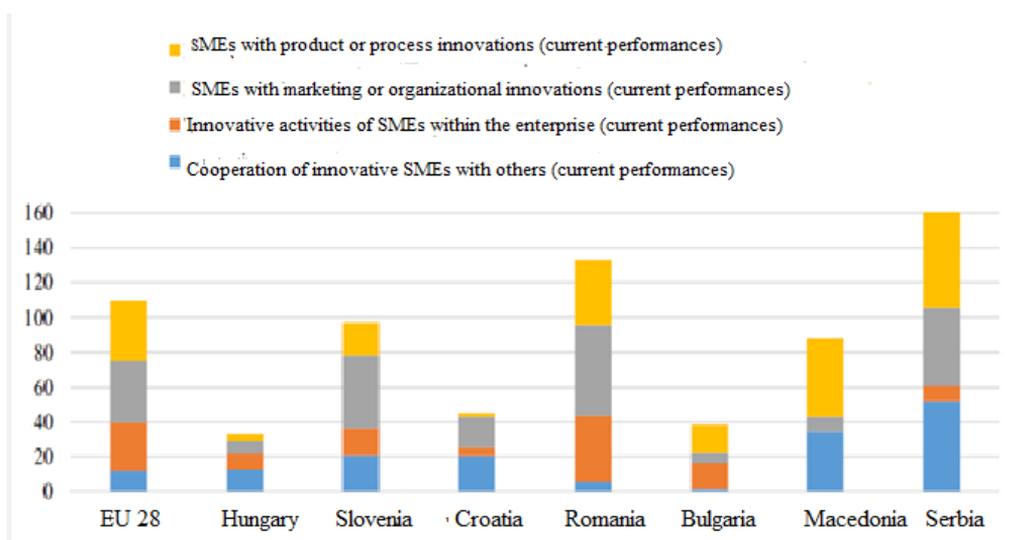
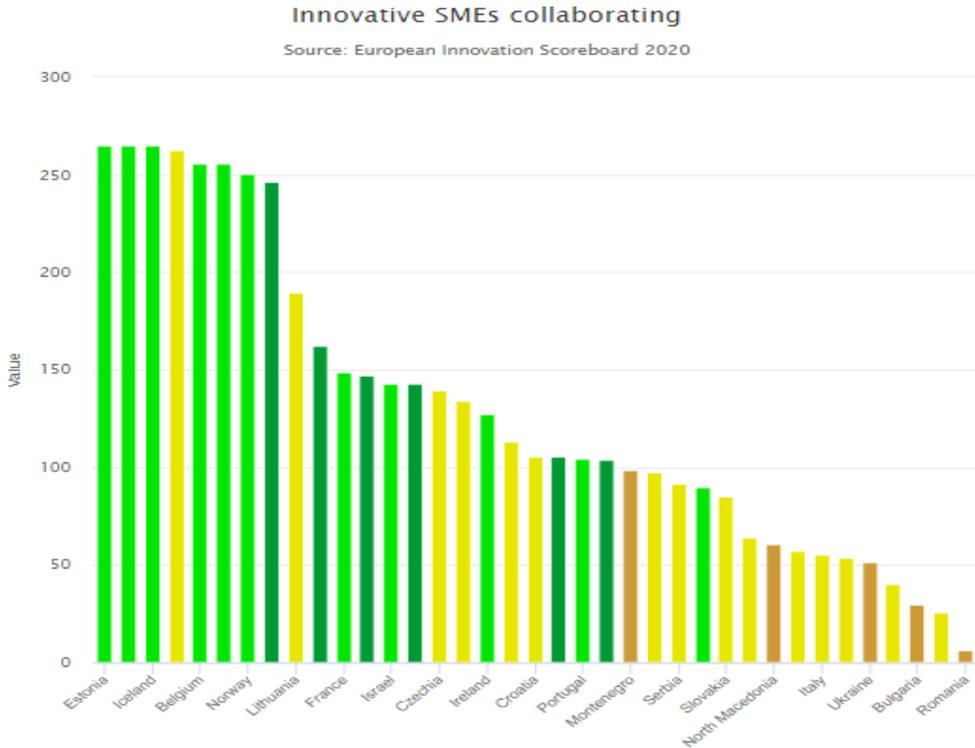


Figure 2. Innovation indicators of SMEs in Serbia and neighboring countries in 2018

Source: Ministry of Economy, Report on small, medium enterprises and entrepreneurship for 2018, MP - research according to the European Innovation Scoreboard 2019

Figure 3 shows the cooperation between innovative SMEs in Serbia and selected countries.



Source[14]

Figure 3. Innovative SMEs collaborating

Innovation in companies that do business in Serbia is a prerequisite for its competitiveness because these innovations enable companies to create added value, meet the needs of consumers and the needs of the company. Good innovation policy will allow the introduction of changes and innovations in the way of doing business with the aim to improve the situation and achieve a competitive edge [16]. In addition, the recent studies in Serbia (2018) have shown that Serbian organizations have a low resilience level [18]. So, entrepreneurs and managers should deal with high rates of failure of small companies and pay greater attention to their liquidity, money flow and seasonal fluctuations. Also, if Serbia wants to make economic progress and development, it is necessary to develop a competitive economy based on knowledge, innovation and new technologies [8].

CONCLUSION

The sector of small, medium enterprises and entrepreneurs (SMEs) is a very important factor of economic development, it affects employment, as well as the reduction of

regional disparities. Innovations in this sector in Serbia are at a low level, because the development of innovations is far behind compared to the same sector in developed countries. In order to improve the innovative activity of this sector, it is necessary to create favorable conditions for innovation, raise awareness of the need for innovation, create a favorable climate that supports and encourages innovation. In the process of developing innovation in the sector of small, medium enterprises and entrepreneurs, the state should provide conditions for the development of innovation and enable an innovative climate. At the first place, it needs an adjustment process that enables business owners to “look and move forward” and be more resilient. In line with this, the resilience thus emphasizes the importance of flexible and more innovative enterprises. Policy makers and theorists in this field should propose various models to improve the adaptive capacities of SMEs by concentrating on identification of risks and opportunities for strengthening their institutional and innovative capacities.

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BUSINESS RESILIENCE DURING THE COVID-19 PANDEMIC

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ABSTRACT

The COVID-19 pandemic has completely changed the way of life for most people over the past year. Simple practices such as going to the grocery store or conducting a meeting look entirely different. This includes the way that businesses operate. Those that have come out of this pandemic showing resilience have adopted the mindset of quick innovation that has allowed them to maintain relevancy to the changing times. Several characteristics of these resilient businesses have emerged including adaption of new technology, innovating quickly, and developing scenario plans. This has resulted in a fundamental change to how business is being conducted lending more towards e-commerce, digital products, and contactless methods of payment and delivery. These trends became necessary during the pandemic and many are likely to maintain into the post-pandemic time. Companies desiring to stay successful must be willing to adopt these changes and continue to be flexible in the inevitable unpredictability of the future.

Key words: *business resilience, COVID-19 pandemic, business innovation*

JEL Classification: *M21*

INTRODUCTION

Just a few short months after the discovery of the COVID-19 virus, the world began to shut down. As people began to quarantine, the fundamental workings of everyday life changed dramatically. Businesses began to close, people lost their jobs, others started working remotely from home, and new health protocols were put in place throughout the community. Life completely changed and that included how businesses operated.

They were no longer able to continue with business as usual in the way they were pre-pandemic. With restrictions from world health agencies and governments, businesses that wanted to remain in operation needed to change how they functioned. This sudden need to adapt, separated the businesses that were able to change with the times and remain successful and those that struggled and even unfortunately had to close their doors. From this crisis emerged organizations that were able to remain resilient and showcased a pattern of characteristics that helped these companies remain effective during the changing times.

LITERATURE REVIEW

With the shifting face of business due to the COVID-19 pandemic, it has been necessary for companies to alter the way they conduct business. Now over a year after the start of the pandemic, surveys and business leaders have begun to establish what has transpired in the wake of the pandemic and specifically its effect on business. An overarching theme is how businesses that have succeeded have demonstrated resilience. According to McKinsey & Company, “resilience is the ability of a business to withstand, adapt, and thrive in the face of shocks that are internal and external, as well as known and unanticipated” [1]. This is exactly what organizations encountered during the pandemic as the massive external shock of a virus necessitated their unanticipated need to adapt.

A recent study conducted by McKinsey & Company, surveyed 300 senior executives in Europe to understand their response to the pandemic. Eighty percent of executives responded that they believed their organization to have effectively responded to the changing times with 90% of those citing business-model innovations as an important strategic initiative [2]. There were several overarching themes of the finding of this survey including the importance of business-model innovation, how the pandemic exposed weaknesses, and the predicted continuation of business innovation past the pandemic. These business innovations were found to be in five main areas: new digital products, new partnerships, adjustments to the supply-chain model, sales-model changes, and faster product development [2]. These modifications in business largely focused on the consumer as the pandemic completely changed the type of products customers were interested in and how they went about interacting and purchasing these products.

Similar to the finding of McKinsey & Company, Firth, a cybersecurity Practice Leader for EY, commented on the changes from the pandemic in several areas including customer demand, global supply chain, and workforce management. He continued on to conclude that future health emergencies are a given and in order for a company to maintain resiliency, a business continuity plan is necessary as well as an evolving resiliency strategy [3]. Other business leaders such as Akash Takyar, CEO of Leeway Hertz, express similar sentiments in what it takes to remain resilient during changing times. He stresses the importance of engagement with employees, remodelling supply chains, communicating with stakeholders, and developing a resiliency plan [4]. Although having a contingency plan has not been found to be enough, but instead, “businesses need to embed resilience, once established, more

deeply in their language and especially in their practice, to prevent it from atrophying” [5]. The business environment is ever evolving, and a continual analysis of possible scenarios and the development of plans is a common sentiment among business leaders during this COVID-19 pandemic.

EMERGING TRAITS OF RESILIENT BUSINESSES

From the existing literature and online articles, some trends have emerged from what resilient businesses have done during the COVID-19 pandemic to stay successful. One large theme is business innovation. It is clearly established that consumer needs changed during the pandemic as priorities shifted from extra spending on items such as concerts and dining out, to more foundational basic needs and those that supported health. Being able to access groceries and basic necessities such as toilet paper was at the forefront of many consumers minds. Additionally, accessing these products in ways that protected their health was of utmost importance. These changes to consumer’s needs required innovation for businesses. In order to stay relevant, businesses needed to develop products that catered to the new priorities of the consumer as well as the limitation in access many experienced.

Business innovation extended beyond meeting new consumer needs, to the day-to-day operation of organizations. This included supply chain models as new health protocols limited warehouse workers and production, as well as changes in transportation, especially on an international scale. Marketing and sales operations required reinvention as people were not out in the community being exposed to the same messages as before the pandemic. Resilient businesses were able to innovate in a variety of areas to be able to continue with production and sales.

Along with the emerging trend of innovations in areas such as products, delivery, and operations, adaption of technology was a characteristic seen among effective businesses during COVID-19. Many of the new innovations put in place relied heavily on technology to be implemented. As people were quarantined, technology became the main method of communication, marketing tactics, and browsing and purchasing of products. This required many businesses to expand their infrastructure to accommodate such needs. Microsoft CEO Satya Nadella said during a recent quarterly earnings call, “We’ve seen two years’ worth of digital transformation in two months” [6]. Successful businesses either had these types of technology systems in place or were able to rapidly implement the necessary technology in order to stay relevant to the changing times.

A characteristic of resilient businesses that were able to maintain success during the pandemic was speed. The world shut down, changing everything in just a matter of weeks and those that waited to implement changes, hoping things would just go back to normal, quickly fell behind. Time was of the essence in order to maintain business operations and those willing to be flexible and shift to the changing demands got a jump forward in their position among competition. A result of the speed of changes is a widening of the gap between the top and bottom performers in industry [6]. Some of this gap widening is due to shifts in demand as discussed with consumer needs, but much is

due to the acceleration of trends before the crisis. Those companies that were quick to implement the emerging trends began to pull ahead of the competition and those who were stuck in the ways they had always conducted business started falling behind.

BUSINESS ADAPTATIONS DUE TO COVID-19

These trends of innovation and technology adapted by resilient businesses have led to some specific adaptations in how business is fundamentally being conducted. There has been an increase in online shopping and purchasing as well as digital services and products. Being quarantined led to minimizing contact as much as possible which resulted in new ways of conducting sales such as with contactless payment and pickup. Consumers were also no longer being exposed to marketing and advertising throughout the community so increases to targeted marketing on the internet was experienced. Companies that were able to quickly create digital services and contactless ways of doing business were able to continue to meet the needs of their customers.

With many businesses being urged or required to close their offices, the emergence of remote working soared. Instead of commuting and coming into the office every day, employees were working from computers from the safety of their own homes. This required increases in technology for communication, meetings, and conducting business. Resilient businesses were able to quickly adapt to allow their employees to work remotely while those that did not have the structures in place to do so, quickly fell behind and lost weeks or months of productivity.

LASTING EFFECTS OF COVID-19 ON BUSINESS

Many of these changes that have been implemented during COVID-19 are not just passing trends but, in many ways, may be here to stay and have lasting effects on how companies operate. While many believed remote working would lead to a decline in productivity, the opposite was seen in many situations. Instead, employees were able to be more flexible to accommodate the needs of their family during this uncertain time. While there are advantages to coming together as a business community, such as establishing a feeling of belonging, the future may see an adoption of a hybrid model. [7]. This allows for the benefits of both continued flexibility with some remote work while still gathering a few times a week to build community.

E-commerce is another trend that is likely to continue past the pandemic. In 2020, e-commerce grew at two to five times the rate of before the pandemic [8]. Many consumers have become accustomed to finding products online and the ease of being able to search for what they need from the comfort of their own home. According to McKinley Consumer Pulse, “roughly three-quarters of people using digital channels for the first time during the pandemic say they will continue using them when things return to ‘normal’” [8]. E-commerce as well as in-home consumption are expected to continue to a large extent past the pandemic and is a changing environment business must be willing to adapt.

It has been necessary for business to adopt these trends and others to stay relevant during the pandemic and those companies that are waiting for this all to pass hoping things will go back to the way they were before, are going to be left behind. The COVID-19 pandemic has fundamentally changed the way that business is being conducted and many of the innovations that resilient businesses have established during this time will continue into the future.

MAINTAINING RESILIENCY INTO THE FUTURE

As a whole, the COVID-19 pandemic has clearly showed that being resilient is a necessary quality for a business to remain successful throughout change. This pandemic is not the final crisis that organizations will face and being prepared for the future and the possibility of other disruptions is of utmost importance to remaining resilient. Looking into the future, businesses would benefit from preparing for the inevitable crisis to come by developing scenarios that take into account the wide range of possible circumstances. This will allow for stress testing of the portfolio and planning strategic moves [2]. Having a plan to maintain resilience also increases the ability to recognize threats faster, reduce initial shock, recover more quickly, and have better outcomes [9]. The difference in these areas is what largely contributes to companies being able to effectively navigate crisis situations and avoid being left behind.

Additionally, being fast and bold with innovation has been a cornerstone characteristic of organizations that have been successful, and this will continue to be necessary during future disruptions. Taking risks with speed allows a business to take steps forward and innovate, which during the COVID-19 pandemic largely contributed to the widening of the performance gap within industry sectors. No one is able to exactly predict what the next crisis will bring but developing scenarios as well as being willing to implement bold strategies in quick time will continue to separate those businesses able to stand in resilience.

CONCLUSION

The COVID-19 pandemic has deeply changed the way that business is conducted throughout the world. In a short matter of time, businesses were forced to close and completely change the way that they operated. Those that were ill-equipped to deal with the shifting circumstances, didn't have a plan in place, or were simply unwilling or slow to innovate, struggled. Those companies that were willing to step up and make bold moves in confidence were able to transform and adjust to continue to meet their customer's needs. The underlying importance of being adaptable and innovative during the COVID-19 pandemic has emerged which has led to the implementation of new practices such as digital services and contactless transactions. Many of these changes are here to stay and businesses that have been open and willing to change have emerged as resilient despite the very uncertain times.

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FEATURES OF THE TRANSFORMATION OF THE MAIN BUSINESS PROCESSES IN THE CONTEXT OF A PANDEMIC CRISIS

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ABSTRACT

The particular importance of business resilience and its compliance with modern development trends is manifested in the conditions of modern crises, which are characterized by greater unpredictability, scope and depth of coverage of all social processes. The article presents the results of a theoretical generalization of the key directions and features of the transformation of business processes of companies and organizations in order to maintain the stability of business in the context of the pandemic crisis of 2020-2021. The main research methods are bibliographic analysis, systems approach, methods of scientific abstraction and logical generalizations. As a result of the study, it was concluded that the process of adaptation to crisis conditions took place on the basis of the transformation of the business models of companies in general and key business processes. A feature of the current transformation is a high degree of digitalization of business processes, the creation of integrated value chains, as well as a more active implementation of Industry 4.0 elements.

Key words: *Covid-19, pandemic crisis, business resilience, business model transformation, business processes, digitalization.*

JEL Classification: *E3; L16; D92*

INTRODUCTION

The resilience of business is becoming an increasingly important indicator of the success of its activities in the context of globalization of all social, economic processes. Economic growth is also important, but only if its goal is defined, clearly measured, risk factors are considered and minimized, and business processes are streamlined. The transformation of the social order, the transition to a new formational model also increases the importance of the factor of resilience [1]. And in combination with global crises, achieving business resilience becomes vital. First of all, this refers to the processes of introducing elements of Industry 4.0 into production, the transition to which began long before the Covid-19 [2]. However, the spread of the Covid-19 pandemic has had a huge impact on the speed of adoption of the elements of Industry 4.0, as "... this pandemic has expedited the efforts to ensure better strategies are available to realize the full benefits of Industry 4.0." [3, p.1].

In such conditions it is important to theoretically understand the changes taking place in business models and approaches to managing companies in non-standard conditions of a pandemic crisis and to supplement the theory of business process management (BPM) with empirical experience in maintaining business stability in difficult conditions of quarantine and a sharp restriction of international contacts.

THEORY AND RESEARCH METHODS

Studies of the most important and significant changes occurring in the business processes of various companies in the context of a pandemic of COVID-19 can be grouped in several directions.

Firstly, these are studies on changes in business processes related to the supply and sale of products, the formation of supply chains, and sales activities [4]. These areas of companies' activities have been most impacted by drastic restrictions on transport links (transportation and delivery of goods), bans on off-line retailing, including complete closures of stores and the disruption of resilience supply chains. This significantly influenced such business processes and blocks of business models as interaction with customers, distribution channels, and consumer segments.

Secondly, the process of forming values is closely intertwined with the listed business processes. This area has also undergone a dramatic transformation during the pandemic, which has had a particularly strong impact on the consumer market. The pandemic of COVID-19 has made major changes in the consumer behavior of people and companies. As a result of self-isolation and quarantine, people had to abandon many of their traditional behaviors. However, the construction of new value chains strongly depends on "on chain actors capacity to adapt to change, namely to be resilient" [5, p.1].

Thirdly, these are the issues of Industry 4.0 implementation already identified earlier [6]. "The Industry 4.0 paradigm has opened high potentialities to implement new business and operational models" [7, p.119]. And as studies by Butt, J. from Essex

University (United Kingdom) have shown, “The pandemic of COVID-19 has expedited the planning phase, with organizations moving swiftly towards Industry 4.0 implementation” [3, p.26].

Based on modern scientific approaches and empirical studies of assessing internal and external factors of business resilience, we formulated the features of business process management in companies during a pandemic crisis and the main conclusions and directions for improving the management of individual business processes to achieve higher business resilience in a pandemic crisis.

The work is a theoretical generalization of the main conclusions and theoretical hypotheses available in the modern scientific Russian literature on the problem of business processes transformation of commercial organizations in the conditions of Covid-19. The main research methods are bibliographic analysis, systems approach, methods of scientific abstraction and logical generalizations.

The main conceptual provision underlying the analysis is the thesis that business processes can be depicted as a value chain, differentiating the main stages of the results formation, and a step-by-step analysis of the necessary changes in the value chains should be started from the end of the chain, that is to begin with an assessment of the result that the external client, the consumer, receives. Results can be formed both by one and by different value chains and at different stages of the chain they can connect and diverge.

The main sources of information are scientific papers published in 2020-2021 in scientific journals, as well as reports of large companies on their activities during the quarantine and lockdown period in 2020-2021 posted on the Internet.

RESEARCH RESULTS

Business resilience depends on achieving a balance of such important components as goals (strategy, mission, and policy), system (processes, organizational structure, projects, indicators) and people. At the same time the COVID-19 pandemic affected these components, changing their ratio and in some cases completely changing their content.

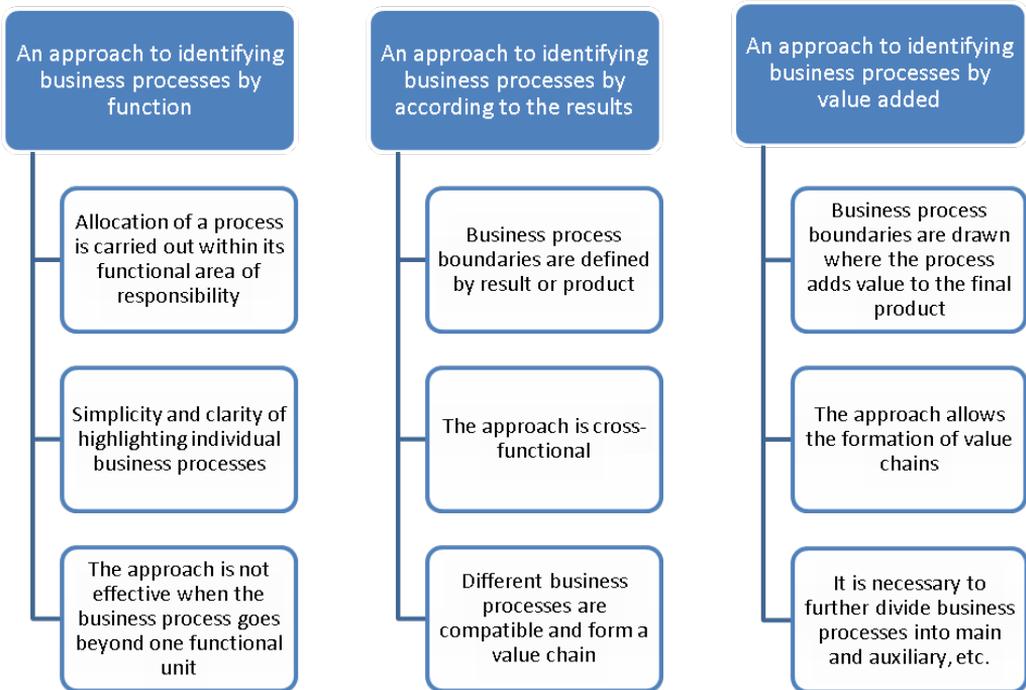
One of the main actions taken by companies and organizations in a crisis is the adjustment of the organizational structure. In the context of the pandemic most of the business models of companies have undergone this adjustment. The adjustment process was carried out on the basis of the results that were obtained in the process of forming a new organizational concept that meets the needs of society for business in the context of the fight against the pandemic.

The choice of a method or a combination of methods for transforming individual blocks of a business model to ensure a new system of interconnection of various business processes depended on the scope of the company, the business model it used, the initial level of the company's economic development, as well as on the orientation of the company's managers towards specific methods and methods of management.

Under the influence of the special conditions of the current pandemic crisis, there has been a change in approaches to the identification of business processes and their design. Management of individual business processes and their groups. Most often in the practice of business planning, three approaches are used to distinguish and delineate business processes:

- by function;
- by according to the results;
- by value added.

Features of identification and design of business processes based on these approaches are shown in Figure 1.



Source: compiled by the authors.

Figure 1. Basic practical approaches to identifying business processes

In the process of companies' response to a sharp change in the conditions of doing business and economic activity and the transformation of business processes, the ratio between these three approaches changed towards the widest possible use of the second approach (in terms of effectiveness) and its application to transform the business models of companies as a whole.

The results of studies of the companies' behavior in different countries in the context of severe sanctions and restrictions on doing business in a pandemic showed that during this period business processes related to the supply and sale of products, the formation of supply chains, and sales activities were most affected. These processes have undergone the greatest changes. At the same time, as shown by the research results, the most effective way to maintain business resilience in a pandemic in the framework of business processes related to the functioning of supply chains (supply and distribution) is to integrate supply chains into a single system. As Siagian, H., Tarigan, Z.J.H., Jie, F. proved in 470 Indonesian manufacturing companies, the "supply chain integration affects innovation system, supply chain flexibility, and supply chain resilience because of its ability to share complete product information and share production planning. Innovation systems and supply chain flexibility enhance supply chain resilience through the ability to deal with sudden changes in customer demand and production problems. Supply chain integration improves business performance through innovation, supply chain flexibility, and supply chain resilience in the COVID-19 era" [4, p.1].

These research results have shown such important theoretical and practical significance of the observed transformation of the supply chain system as they clearly indicate the strong influence and importance of the innovation management business process block for increasing business resilience in a pandemic crisis.

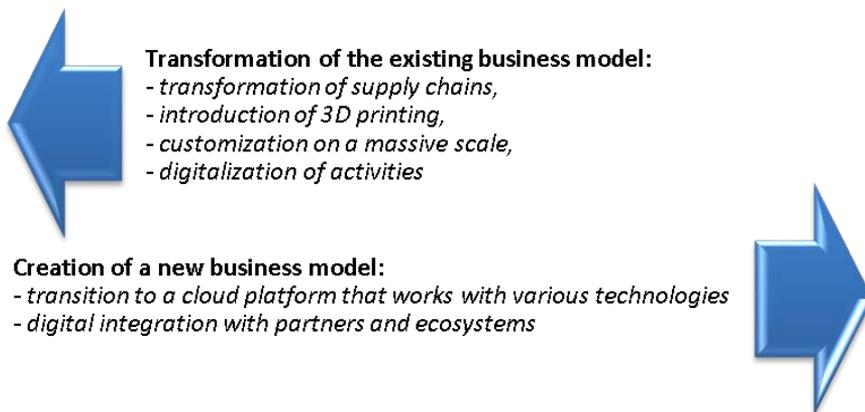
The second block of fundamental changes in business processes is the block of value propositions. As noted by Carraresi, L., Bröring, S. "The new value proposition needs to reach new customer targets more sensitive to resilience issues and / or to enhance the awareness towards bio-based technological solutions into extant customers." [5, p.1]. In turn, the success of the transformation of this block leads to the restructuring of the entire business model, which is necessary to build new value chains.

The mechanism for transforming these business processes in accordance with new goals, objectives and conditions of activity includes the identification of processes and the identification of their parameters: suppliers, consumers, outputs, inputs, performers, tasks and target data. In particular, data ownership and customer management will be critical within these business processes. However, it is necessary to keep in mind that companies need to have access to both areas.

In these conditions, the issues of digital transformation of business models in general and its differences from the digital transformation of individual business processes has become extremely important [8]. The analysis of the features and benefits of introducing digital technologies in the business models of organizations, when digital technologies become an integral part of the organization's value creation architecture, received a special impetus for development in the context of a pandemic crisis [9]. In particular, there was a clear highlighted difference between digitalization of the existing business model and digital transformation to create a new business model. While process automation, rethinking and changing the operating model is most often done locally in the engineering department, the business model transformation affects all departments and business functions and is implemented at the highest level of company management.

Analysis of 250 examples of successful digitalization by Linz, C., Müller-Stewens, G., & Zimmermann, A. showed that in the world before Covid-19, most companies focused on automating individual business processes and improving operating performance efficiency [10]. And only very few organizations have adopted digital technologies to transform the existing business model. Thus, one of the key challenges in COVID-19 is the digital transformation of the entire business model of a company, “which implies fundamental changes in the activities of organizations based on the use of digital technologies” [11, p.945].

However, it should be noted that the process of digitalization of business models in the analyzed period (2020-2021) took place in two fundamentally different directions. This allowed us to distinguish two types of digitalization of business models: 1) aimed at adapting the existing business model and 2) aimed at creating a new business model (see Figure 2).



Source: compiled by the authors.

Figure 2. Two types of digitalization of business models to maintain business resilience in a pandemic crisis

It should also be noted that as a result of active research of methods and tools for automating business process modeling that can be effectively applied, including in the context of a pandemic crisis, the first flexible iterative methodologies for designing business processes have already been created. This is, for example, a methodology for developing business processes using tools to automate the transformation of user stories into a business process model [12]. These areas of business model transformation should also be considered when shaping management approaches in the post-pandemic period.

In addition, an analysis of the behavior of various companies in the context of COVID-19 showed that a sharp increase in electronic interaction and the transfer of many business operations online led to an intensification of the transition from the process of digitization (data conversion into digital form) to digitalization, which is

focused on “ organizational process "or" business process "of technological change in industries, organizations and markets [13]. The digitalization of the manufacturing industry has allowed the creation of new production processes using the key technological trends of Industry 4.0 and its design principles [14].

Thus, the main transformational efforts to maintain business resilience in the context of COVID-19 were concentrated in such basic blocks of business models as value management, sales and supply management, customer interaction and digital transformation.

CONCLUSIONS AND RESEARCH DIRECTIONS

An organization is a holistic and interconnected organism with a certain stability and resistance to various external and internal changes. However, in conditions of sharp and crisis shocks this stability can be violated that leads to bankruptcy. Disruption of resilience within the framework of individual business processes of the company can also lead to negative consequences.

Maintaining business resilience is ensured by improving the business model of the organization and should be carried out in an integrated manner, considering all the relationships, not based on a separate element. The degree of resilience is determined by the increase in results while reducing costs, not necessarily in monetary terms.

The article shows that in a pandemic crisis business resilience can be achieved through the transformation of individual business processes integrated into the system of closed value chains. It also shows the high importance of the mechanism of digitalization of the business model and of individual business processes.

Further research on maintaining business resilience in a pandemic and in the post-pandemic period is expected to be carried out on the basis of an analysis of the transformation of approaches to personnel management of the company, an assessment of the transformation of the personnel motivation system, as well as issues of digitalization of workplaces.

The importance of this line of research is determined by the fact that it is people (workers, managers, and owners) who have experienced all the variety of pandemic’s consequences.

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IMPACT OF COVID -19 PANDEMIC ON SMALL ENTREPRENEURSHIP IN BANGLADESH

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ABSTRACT

This paper observes the impact of COVID-19 on SMEs based on secondary sources in Bangladesh. When Covid-19 hit Bangladesh, the first reaction from the government was to shut down the economy to protect the people by asserting isolation and lockdown all over the country. This incident caused a great disaster for SMEs in Bangladesh by severely impacting the country's economy. Being the largest sector of Bangladesh's economy, SMEs faces various problems, ranging from retail marketing to financing, including a shortage of funding, disruption in continuing, depriving the working forces in SMEs and a low cost of capital inclusion. Bangladesh's true economic potential lies in SMEs, so the sector should be given more attention to the country's long-term growth and development.

Key words: *SME, Micro Economy, Covid-19*

JEL Classification: *G00, L22*

INTRODUCTION

SME sectors tend to be under-represented in the international market compared to their role and influence on national and local economies, even though they are a significant driver of economic growth and job creation globally. Currently, every government offers a set of services and programs to help businesses increase

internationally. However, governmental economic programs are not generally oriented toward or targeted at small businesses. Larger businesses are faring even better than micro, cottage, and small businesses (Islam et al., 2020a). The COVID-19 pandemic has far-reaching consequences, including financial, economic, and social consequences. Many jobs have been lost due to social distance, self-isolation, and travel limits, which have resulted in a decreased workforce in all sectors of the economy (Sarwar et al., 2020). The actual monthly salary has drastically declined. Unemployment and truncated salaries as well as non-activity or lack of small/medium business activity, have all contributed to the dramatic drop in wages. The amount of monthly spending is recorded as more significant than the monthly revenue after the lockdown. Dissavings and low-cost sale were imposed on families as a result of the income-to-expenditure mismatch. During the lockdown, households encountered a never-before-seen lack of everyday necessities in the market sector. People have also seen an increase in the cost of food. As a result, households had no choice but to reduce their food intake (Cookson, 2020). In the midst of the crisis, household coping mechanisms and government support were inadequate to maintain precise living standards, resulting in severe food shortages and desperate economic circumstances (Egger, Dennis et al., 2021). A one-day complete lockdown results in a \$64.2 million equivalent economic loss (Mottaleb, Mainuddin, and Sonobe, 2020). It was suggested by Islam et al. (2020b) that governments should use capital from various independent entities to develop Micro, Small, and Medium Enterprises to deal with this problem (MSME). As the SMEs sector is the core of the Bangladeshi economy, it can act as the shield of the cracked economy in our country (Rahman and Habib, 2019).

RESEARCH OBJECTIVES

The study aims to learn about SMEs' current condition during Covid-19 and future challenges and gain insight into the obstacles they encounter and how they deal with them.

METHODOLOGY

A descriptive compilation of primary and secondary data was used in this research. Both quantitative and qualitative analysis methodologies were included from various publication sources. The related journal articles, reports, secondary data, authors' estimations, and newspaper articles about the economic effects of Covid-19 on SMEs were used in this article. Initial review papers on the COVID-19 pandemic were included from Science Direct, PubMed, Google Scholars, Semantic Scholar and other reputed sources. Projections of the affected person have been made using information from official sources. They have been supplemented with data from other studies and research. Qualitative and quantitative data and personal interpretations of societal behaviour were gathered from several sources.

FINDINGS AND DISCUSSION

Overview of SMEs in Bangladesh

Small and medium businesses (SMEs) play an essential part in a country's economic growth. It is directly employing 7.8 million people and making a living for a total of 31.2 million. However, SMEs get one of the hardest hit by the COVID-19 pandemic due to their reliance on a shorter cash period, supply chain instability, and lack of revenue. Bangladesh's SMEs account for 20.25 percent of the country's GDP. Their importance in productivity, job creation, export contribution, and promoting fair income distribution cannot be overstated (MTB, 2020).

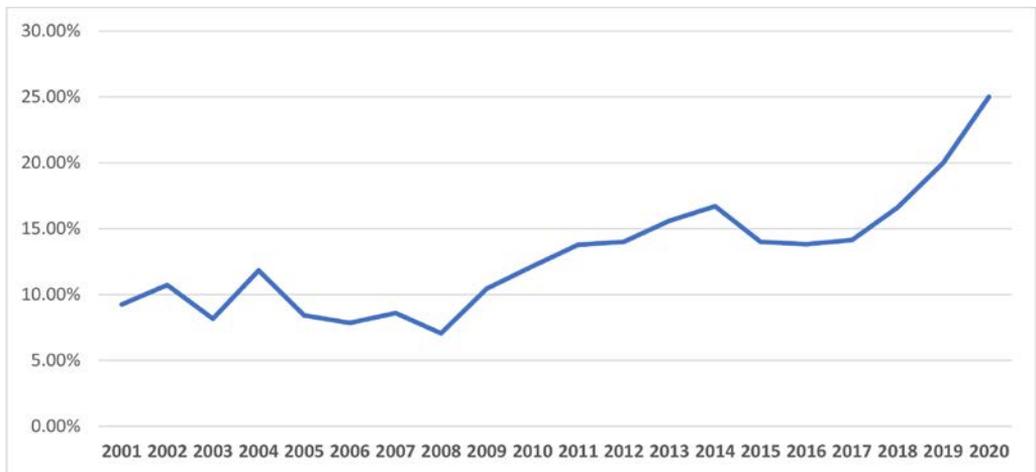


Figure 1. Contribution of SMEs to GDP of Bangladesh (SME Foundation of Bangladesh 2017; Author's Calculation, 2021).

From figure 1, we can see an increasing trend of contribution in GDP. Before 2013, it was under 15% of the total GDP. In Bangladesh, the capacity of SMEs has not been completely realized. SMEs can be identified as a wide range of industry practices. A village artisan, a coffee shop, an internet cafe in a small town, a tailor in a remote village, a sophisticated light advertising agency or a tech firm marketing their goods in international markets, and a medium-sized parts and components manufacturer are examples. A total of 7900000 SMEs are predicted to exist. 93.6 percent are small, while 6.4 percent are medium (Ministry of Planning, nd).

Actions, Policies and Measures Taken by other Nation to Save SMEs

To aid the recovery of the SME market, governments in various countries have implemented a wide range of policies. Steps to keep the company running during the Covid-19 containment cycle are among them. Deferring payroll and dividend tax contributions, providing tax reliefs, relaxing mortgage reduction plans, and deferring rent

and utilities fee payments are among the measures (Ahmed, 2020). SMEs, unlike European countries, most Asian countries have promoted their small businesses. South Korea has allocated USD 29\$ billion to SMEs with difficulty paying their employees' salaries and childcare subsidies. Enterprises in Shanghai, China, will benefit from lower leasing, tax, and fee burdens, as well as rental waivers or reductions, tax declaration deferral, preferential tax policies for corporations and individuals, tax waivers for single traders, and lower pledge deposit for travel agencies. As worries grow, the Japanese government has unveiled a second set of policies worth around USD 4\$ billion in spending, centered on funding for small and mid-sized businesses. Saudi Arabia's central bank has put together a SAR 50 billion (USD 13 billion) plan to assist SMEs. The Saudi Arabian Monetary Authority's funding will be used to provide SMEs with six-month deferrals on bank payments, concessional lending, and deductions from the expenses of a loan guarantee scheme. The United States is the only non-Asian government that has taken action to help SMEs so far, with the Small Business Administration providing capital and liquidity to businesses impacted by the coronavirus epidemic (CPD, 2020).

The effect of Bangladesh's Covid-19 crisis on SMEs is still uncertain, whereas small and medium enterprises are at the main focus of the COVID-19 crisis (Organisation for Economic Co-operation and Development [OECD], 2020). Many sources have provided little details about the ground realities. COVID-19 appears to be a challenge to Bangladesh's small and medium business market (Hossain, 2020). Small formal and informal businesses will be harmed by shutdowns, lockdowns, and social distancing because they will lose their loyal customers (Shammi et al., 2020). Many small businesses are already closed and can not attract an adequate customer number (Barkat et al., 2020). People who own small businesses, on the other hand, receive centralized assistance frequently, according to (Paul et al., 2021). Finding new work prospects has been a distant hope for many during this time of deep economic recession. They consider starting a small business to run from home and make enough money to survive economically. Human distress, destitution and deprivation are apparent due to the shocks in micro and small business (Barkat, 2020). Khan and Newaz (2020) surveyed small and medium-sized company owners to draw attention to the liquidity situation and operating activities. They discovered that if the lockdown lasts four months, more than half of the respondents would have to close their companies.

The concept of new poor is in dominating position at this moment. Some non-poor households, most likely a part of the "lower-middle class" (possibly also a section of the mid-middle class) prior to COVID-19, have become "poor" ("transitory poor") as a result of COVID-19; even many of the households who were "poor" before COVID-19 have become "poorer" as a result of COVID-19 (Barkat et al., 2020). The condition of women in SMEs is attributed as more underprivileged. The distribution of loans to women-owned small businesses is yet to be determined (Rahman, 2020). In our country, micro-businesses are mainly clustered in the country's rural areas, but any monitoring does not cover them by the centre (Jaim, 2019). So, women were more vulnerable concerning the continuation of their businesses (Jaim, 2021). It's also worth noting that in developing countries, maidservants play an essential role in

assisting women with domestic tasks (Alexandre & Kharabsheh, 2019; Roomi, Rehman, & Henry, 2018). In this moment of the pandemic, part-time servants will not be able to work at home to ensure social distance.

As a result, a large number of servants are forced to resign in order to preserve social distance and lockdown. So, women entrepreneurs are suffering severe financial losses, and a large number of them have permanently closed their businesses during the early stages of the pandemic, according to a survey (Chmura, 2020).

However, during the coronavirus outbreak in this country, it was common to see employees laid off from small businesses (Atoshi, 2020). As SMEs may help alleviate poverty and unemployment in the region, they should be encouraged to rise (Hasan & Jamil, 2014; Alauddin & Chowdhury, 2015).

Thus, due to a variety of restrictions and obstacles, SMEs in Bangladesh are unable to function correctly, produce the expected GDP, and are sometimes forced to close their doors (Emine, 2012; Hoque, & Awang, 2016; Hoque, Awang, Jusoff, Salleh, & Muda, 2017). The SME Foundation in Bangladesh is trying to assist the condition and facing many challenges. Typically, the issues are economical, regulatory, or performance-related in nature (Andalib and Halim, 2019). Though there has been very little research into the effect of this pandemic era on entrepreneurship to date (Henry, 2020; Orser, 2020; Welter, Wolter, & Holz, 2020), this essay provides unique and valuable perspectives in helping SMEs envision. It also makes suitable recommendations to policymakers for designing appropriate strategies to assist SMEs owners during the crisis.

CONCLUSION AND RECOMMENDATIONS

The pandemic of Covid-19 will exacerbate persistent socio-economic inequality, marginalization, hunger, and unemployment. Small and medium-sized enterprises (SMEs), especially in rural areas and the informal sector, are likely to be the hardest hit. With insufficient cash flow, limited liquidity, and fluctuating sales profits, SMEs will be severely strained. Bangladesh's economy is in an excellent position to revive the previous faster economic growth. The GDP growth rate has an increasing trend compared to other South Asian countries. However, doing so would take time, and the evidence does not suggest that it can be accomplished in a year (Islam et al., 2020b). . The universe after COVID-19 will be different. The established economic and social structure and the norms of society will also be affected by the changes triggered by Covid-19. So, setting up a separate SME ministry and dedicated SME bank in the country could help the SME sector get off to a good start and deal with the complexities of SME financing. It is hoped that it will accelerate Bangladesh's inclusive and long-term growth. These are needed to get out of the economic problems related to the SME sector of Bangladesh.

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INSTITUTIONAL AND FINANCIAL STRUCTURE OF SUPPORT TO SMALL AND MEDIUM-SIZED ENTERPRISES IN ORDER TO INCREASE THEIR RESILIENCE

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ABSTRACT

The main goal of this paper is to provide an overview and analysis of the institutional and financial structure of support to small and medium enterprises and their resilience and overcoming the problems they face. The paper gives an overview of institutional support to small and medium enterprises in the world and Serbia, the structure of the financial system of Serbia to support small and medium enterprises, donor and credit lines of international financial institutions, ways of financing by public institutions, local support agencies in Serbia, financing instruments. Financial instruments and institutional support, tailored to the needs of small and medium enterprises, are the basis for improving the financing and development opportunities of small and medium enterprises. The authors analysed the support that small and medium enterprises have in the world and in Serbia for their development, the problems they face in obtaining that support, as well as the possibility of obtaining adequate institutional and financial support that will contribute to balanced development and survival of small and medium enterprises.

Key words: *small and medium enterprises, institutional and financial support, resilience*

JEL Classification: *L44, G00*

INTRODUCTION

The beginning of the third millennium is characterized by constant changes in the business environment. The challenges faced by modern companies today are increasing, and the complexity and dynamics of change are becoming more pronounced. The pace of change in the business world is very fast, and modern business conditions are more complex today than ever before.

New knowledge enables the development of innovations (new products, services, processes, etc.), and innovations as the most significant source of change enable the development of a knowledge-based economy.

The essential factor, i.e., the condition for the creation, functioning and development of small and medium enterprises (hereinafter: SMEs) is the relationship of society, i.e., state and public opinion according to the role, importance and problems of small and medium enterprises. This relationship was and remains different from country to country, but it is beginning to be universalized. Thus, an increasing number of countries are creating special institutions to support SMEs, recognizing their importance for economic and general prosperity.

Bearing in mind that institutions are an important factor of economic growth and development, the construction of institutional infrastructure is one of the priorities of the state, which manifests its responsible attitude towards social, economic, political, social, developmental and institutional issues. On the other hand, given the existence of certain decisions that can be made and implemented only at the national level, the state, as an entity that has the potential and ability to represent national interests, should formulate a clear vision and strategy for the future of the economy as a whole so that the right decisions will be made, which will give the state the status of an entrepreneur. If there is a clear vision at the national level, the state is obliged to build institutions that will enable it to be realized. However, the process of building institutions is not simple and can result in numerous conflicts, and the role of the state is to mitigate and manage these conflicts [1].

A state that wants to successfully implement reforms and build strong and efficient institutions needs to be subordinated to achieving long-term and very complex goals. SME support is an important part of the state's incentive policy for the development of this important segment of the economy. SMEs, given the relatively low value of assets and insufficient resources and staff, have an inferior position in the market, so they must be protected and supported in their growth and development, especially in the initial phase of realization of an entrepreneurial idea, i.e., starting a business [2].

In this context, the aim of the support is to help SMEs to start their business and to provide them with all the necessary infrastructure, i.e., knowledge and resources that will enable them to survive, grow and develop, in order to provide conditions for normal business within stimulating and competitive business environments. The fact that SMEs are a pillar of the development of any economy has led to the development of institutional frameworks so that companies have the best possible conditions for

growth and development. SME support includes a large number of stakeholders in each sector of the state and the economy [3].

1. INSTITUTIONAL SUPPORT IN THE WORLD

There are several types of standard institutions. The first part of these institutions is of public or semi-public character, depending on whether the state organizes them independently and for its own needs, or does it with other bodies (institutes, banks, foundations, etc.). These institutions are centralized or decentralized. However, as a rule, they are non-profit. An increasing number of countries have ministries for SMEs, special sectors within economic departments, commissions, advisory and consultative bodies.

The second most common part of these institutions is related to the achievement of specialized goals such as education and training, scientific and technological research. They are also not for-profit and are subsidized (permanently or occasionally) by the state, banks or SMEs and their associations. This is sometimes done by large companies, their foundations and endowments.

The third part of the institutions arose from the daily needs of SMEs. These institutions function as national, regional and local associations with their own work programs or as specialized bodies within existing chambers of commerce, industry and commerce. In recent times, some institutions are internationalized either by creating committees (and other bodies) for SMEs in already existing international organizations, or by forming a bilateral, trilateral or multilateral association.

In the EU and the USA, Governments promote a wide range of support services for start-ups. The services can be provided directly by the government, or indirectly through subsidized SMEs and private sector consultants. The scope of services includes: information on the legal and regulatory environment, tailored to the type of business under consideration; information or guidelines for access to finance; grants or cheap funding for disadvantaged groups; marketing guidelines and available sources of information for planned business, advising on the decision when and how to establish a company, referral to specific training to acquire the necessary qualifications before starting a business [4], [5].

Favourable institutional infrastructure to encourage the development of SMEs should:

- 1) provide stable macroeconomic conditions that will support the entrepreneurial environment;

- 2) provide reduction and simplification of administration and costs related to the start-up and operation of SMEs;

- 3) promote entrepreneurial society and culture through various forms of education and training, ensure the integration of development directions at the local and national level;

- 4) ensure that programs are realistic in terms of costs and implementation time so that their results are measurable,

- 5) provide a developed statistical base on developments in the SME sector, which will be available and relevant for the needs of decision makers [6].

One of the most current tendencies is the creation of an institution of the European Union, within which is the creation, functioning and expansion of specialized bodies for SMEs. Now there is no developed European country in which SMEs are not accompanied by appropriate, even specialized ministries, chamber and local institutions, associations, agencies, etc. The activity of these institutions to support SMEs is very broad and starts from solving the daily problems of SMEs and through promotion, coordination, recommendations and initiatives - to unification and strategic direction at the highest levels [7].

In the European Union, good awareness and simple administration are in the forefront. Further activities are aimed at strengthening the connection with financial institutions so that financial assistance would be purposeful and timely and communication with banks as good as possible.

Provision of financial services is performed by:

- *European Investment Bank (EIB)* - which is owned by the member states of the European Union and approves long-term funds for good investment projects in accordance with the objectives and

- *European Investment Fund (EIF)* - established in 1994 to facilitate access to credit for the SME sector. The European Investment Fund has three main sources of financing, namely own funds, funds of the European Investment Bank and funds from the budget of the European Union. It functions through a number of financial institutions that are intermediaries in providing financial resources. The Fund approves guarantees and thus assumes part of the risk for the placed funds.

From the institutional point of view, we will cite examples from the most developed countries about the great importance of SMEs. Thus, for example: the United States Small Business Administration (SBA) was formed in the United States in 1953, founded with the aim of helping, protecting and promoting small business, while today the White House also has a Committee (Government) for small businesses whose task is to monitor the development and success of SMEs in America, and former US President Ronald Reagan also established a "small business week" [8].

Further, in 1948, the Japanese Agency for Small and Medium-sized Enterprises (METI) was established in Tokyo directly on behalf of the Central Government in charge of implementing state policy and development strategy, and today the Japanese state helps SMEs through institutions such as: Institute of Public Corporation for Small Enterprises, Advisory Centres for Small Enterprises, Information Centres for Small Enterprises, Agency for Small and Medium Enterprises, Public Research Institutions and Universities and a network of schools offering education in the field of SME management.

As an example of institutional support for SMEs in the world, we will mention the Republic of Korea and their Association of Small and Medium Business, founded in 1996. Korea has achieved significant economic development in the last 20 years and its experience shows how great the environment and the creation of a climate in which

SME assistance is provided in every way can give excellent results. In addition to the Agency, there have been six organizations under the auspices of the Ministry of Trade and Industry in the Republic of Korea since 1980, which deal with the promotion of SMEs: Korean Small Business Federation (KFSB), Bank for Small and Medium Industry (CNB), Korean Credit Guarantee Fund. KCGF) and the Corporation for the Promotion of Small and Medium Enterprises (SMIPC).

1. INSTITUTIONAL SUPPORT FOR SMES IN SERBIA

In Serbia, after the political changes in 2000, the process of institutional changes began, which resulted in the improvement of the business environment and significant progress in building a system to encourage and support the development of SMEs [9]. The SME sector has made a significant contribution to the economic growth of the Serbian economy in previous years; however, the effects of the global financial crisis have halted positive development trends and further deepened the problems of the entire Serbian economy, especially the SME sector [10], [11]. Today, the creators of economic policy in Serbia are facing numerous challenges related to the fuller use of the potential of these companies and the intensification of their role in the process of overcoming the economy from the crisis.

The basic institutional infrastructure for SME development in Serbia consists of: The Government, the Ministry of Economy, the Development Agency of Serbia (RAS) and a network of accredited regional agencies.

The institutions that are in the function of supporting the SME sector are: the Serbian Chamber of Commerce, the National Employment Service, the National Bank of Serbia, financial institutions, universities, associations of entrepreneurs, etc. [9].

1) The Ministry of Economy - is the hierarchically highest level to support the development of SMEs and as such has the greatest responsibility for the development of SMEs in Serbia and the creation of a stimulating business environment for this sector. The strategic commitment of the ministry must be to offer each target group from the SME sector an appropriate funding instrument [12].

The Ministry was also in charge of coordinating the activities of the COSME¹ program. COSME (Program for the Competitiveness of Enterprises and SME) is a European Union program for the competitiveness of enterprises and SMEs with a budget of 2.3 billion euros in the period 2014-2020. The COSME program provides support to SMEs in the following business segments: facilitated access to funding sources; support for internationalization and access to foreign markets; opening a favourable business environment for the development of competitiveness; fostering an

¹ The agreement between the European Union and Serbia, which was signed on November 10, 2015 in Brussels, confirmed the participation of our country in the SME Competitiveness Program, COSME until 2020. The agreement establishes the possibility of financing activities aimed at raising competitiveness and the establishment and growth of SMEs in Serbia. The program came into force on January 1, 2016.

entrepreneurial culture. "One of the main goals of the COSME program is to improve access to finance at different stages of the enterprise's life cycle: establishment, growth or change of ownership." [13].

2) The Development Agency of Serbia (RAS) was established to perform development, professional and operational activities to encourage and realize direct investments, promote and increase exports, develop and improve the competitiveness of economic entities, reputation and development of the Republic of Serbia in the field of economy and regional development.

Accordingly, the main objectives of the establishment of the RAS are²: providing reliable service to domestic and foreign investors, with the highest level of reliability, trust and predictability; providing support to activities that will materially contribute to the capabilities of Serbian companies, especially in the field of increasing number of local suppliers for multinational companies (MNCs), internationalization of Serbian private business and attracting investment projects with greater impact on the economy of Serbia; support for exports and new investments; providing professional support to SMEs [14], entrepreneurs, craftsmen and other economic entities for the needs of their and regional development; performing activities of coordinating the work of regional development agencies; institution and capacity building, as well as international and interregional cooperation, strengthening partnerships with all relevant factors in the country and the world; providing conditions for access and implementation of projects financed from European funds, donations and other forms of development assistance; continuous staff training and building competent human resources; customer satisfaction, through continuous improvement of service and work quality [15].

3) Accredited Regional Development Agencies (ARRA) is organizations established for the purpose of providing services to individuals and legal entities in the creation and development of SMEs and ensuring their successful functioning. The number of these services determines the level of development of ARRA and can include practically all forms of assistance to SMEs, from providing information, legal advice to direct participation in investments. ARRAs are institutions that fully specialize in SME development in a specific territory. The result of specialization is high quality services. ARRAs do not aim to make large profits, which is why their services are far cheaper than the services of other organizations that provide them [16].

ARRA are professional institutions for the development of SMEs through the identification and promotion of local investment opportunities, in order to create appropriate sustainable jobs, generate income and integrate the most vulnerable social groups into the labour market. By focusing on building institutions to support SMEs, and not just on individual ad hoc actions, long-term effects can be achieved from which the entire local economy of the region can benefit." [17].

² The National Agency for Regional Development (successor of the Republic Agency for Development of Small and Medium Enterprises and Entrepreneurs since 2009) was established in 2009 by the Decision of the Government of the Republic of Serbia as a public agency for development, professional and regulatory affairs of regional development.

ARRAs act as a catalyst for local and regional needs and resources, participate in the implementation of relevant national policies, programs and projects in their jurisdiction, thus practically representing a bridge for communication and coordination of development policies and programs between national and local authorities in Serbia. The scope of ARRA is very wide, from socio-economic development to infrastructure, and most of the projects implemented so far have been funded through various EU programs [9].

Table no. 1 shows a view of the portfolio of services provided by ARRA dominated by two areas of services, namely: Support to the development of entrepreneurship and support to the development of the public sector.

Table 1: Area and types of services provided by ARRA

Area	Types of services
Support for entrepreneurship development	Business information
	Tips
	Business networking
	Training
Support to public sector development	Strategy/Analysis/Study Development
	Tips
	Project development and management
	Support for vulnerable groups
	Training
	Project development and management

So far, 16 regional development agencies have been accredited in the Republic of Serbia, with their headquarters in the following cities in Serbia: Novi Sad, Subotica, Zrenjanin, Pančevo, Ruma, Požarevac, Loznica, Kragujevac, Zaječar, Užice, Kraljevo, Kruševac, Niš, Novi Pazar, Leskovac and Belgrade.

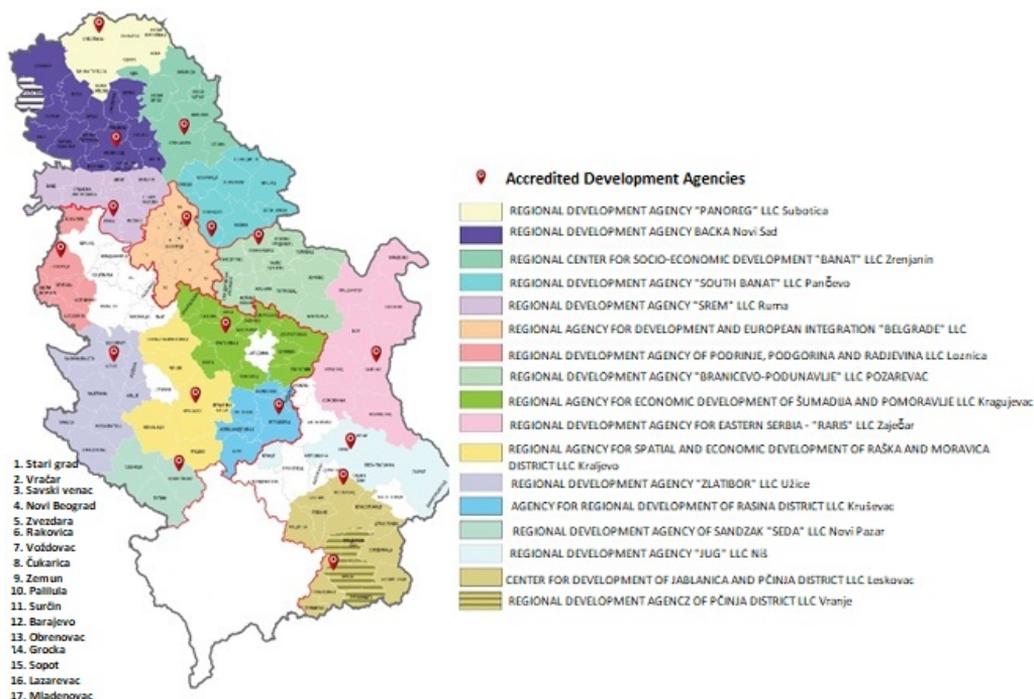


Figure 1. Map of Accredited Regional Development Agencies of Serbia

4) Business Registers Agency (APR) - established in 2004 by the Law. The establishment of the Agency was assisted by the Swedish Government (Swedish International Development Cooperation Agency - SIDA), the World Bank (World Bank), Microsoft Serbia and Montenegro (Microsoft SCG) and United States Agency for International Development - USAID [18].

APR allows you to easily start a business through the principle of "All in one place" (One-stop Shop). Established with the aim of keeping business registers as unique, central and public electronic databases.

The goals of APR are: reduction of administrative barriers to starting a business, reduction of time and costs for closing a business entity, increasing the degree of legal certainty in the field of financial crediting [17].

5) The Chamber of Commerce of Serbia (SCC) is an organization of economic entities defined by law. It is independent, non-governmental, and business-professional and interest association of legal and natural persons who perform registered economic activity. The members of PKS are: companies from all economic areas and branches in all forms of ownership; banks and other financial organizations; insurance organizations; agricultural cooperatives as collective members through their union; craft and other shops as collective members through their associations [19].

PKS is independent in its activities, and businessmen participate in the work of its administrative management and bodies. It represents the interests and views of

members by participating in the creation of laws and other regulations important to the business community; promotes economic cooperation with foreign countries; provides information and analytical support to the economy; encourages export activity and the involvement of domestic companies in international supply chains. Within the network of 16 regional chambers of commerce and the chamber of the capital, professional support and efficient representation of the interests of the economy by regions is provided. Through the work of representative offices in several European countries, the main foreign trade partners, special importance is given to the internationalization of business and the international connection of the domestic economy.

SCC is continuously working on the promotion of entrepreneurship, its advancement and better networking of our entrepreneurs.

3. STRUCTURE OF THE FINANCIAL SYSTEM OF SERBIA FOR SME SUPPORT

The existence of a healthy and dynamic SME sector is a stable source of new jobs, increasing employment, innovation and tax revenues through and contributing to the reduction of the informal and gray economy [20].

An important factor that determines the survival and growth of SMEs is financing, i.e., establishing a company, expanding business activities, developing new products and investing in plants, equipment and human resources is directly conditioned by the ability of the company to meet capital needs [21], [22]. If the company is successful, the need for business expansion and innovation will arise very soon.

With the growth of business volume, SMEs in Serbia have a growing need (demand) for financing (EY Entrepreneurial Barometer).

However, a major obstacle to economic development, which can lead to illiquidity of the banking system, is the absence and underdevelopment of the financial system.

The financial system in a country is considered successful: if by collecting domestic savings it encourages stable economic growth and development; increases the mobility and efficiency of resources in the economy; provides a sufficient level of liquidity and stability of the system [23].

One of the main reasons why many countries in transition are developing more slowly is precisely the underdevelopment of their financial systems [24].

The financial system in Serbia consists of the National Bank of Serbia, commercial banks and other financial organizations.

1) The National Bank of Serbia (NBS) - is independent in performing the functions determined by the Law on the NBS and other laws, and is responsible for its work to the National Assembly of the Republic of Serbia. The main goal of the NBS is to achieve and preserve price stability. In addition, without compromising the achievement of its basic goal, the NBS contributes to preserving and strengthening the stability of the financial system [25]. The role of the NBS, for the development of the

SME sector, since 2001. was especially intensified in 2006, since it became very important in lending to SMEs from foreign credit lines.

2) Commercial banks - form the basis of the banking system, because they are related to the system of financing reproduction, i.e., financing of companies, through funds and loans.

Micro-lending is an important mechanism for smaller investments, up to 20.000 euros, for companies that are starting a business and developing their business, through the establishment of small companies. Although there has been a significant improvement in financial sector reform in the last few years, as recognized in the evaluation of the implementation of the European Charter, as well as in the World Bank report, SMEs continue to face difficulties in financing their operations. Research has shown that the vast majority of SMEs still finance their operations from their own sources, that very few SMEs use bank loans, and that the total available funds in the public sector are minimal compared to the needs of SMEs. Favourable credit lines implemented through public institutions do not meet all needs, while banking products are still expensive, not sufficiently available and require large collateral for SMEs. Other forms of financing, such as venture capital and business angels, are underdeveloped. If we look at the three basic criteria for financing SMEs, availability, affordability and accessibility of funds, we come to the conclusion that SMEs in Serbia have serious difficulties in obtaining capital to maintain, grow and develop their business.

Banks are the leading source of credit for SMEs; their services are not used to the extent that could be expected given their market dominance. Banks are still not prone to be exposed to the risk of lending to small businesses. Many also do not recognize that small portfolios can be high quality and are concerned about transaction costs, as these two factors greatly affect the return on investment in a situation where there are strong pressures to make a profit and preserve capital. In addition to the growing need for additional financing, the domestic banking sector, which in addition to the equity of entrepreneurial companies has primarily a major role in financing their operations, has a moderately conservative policy of financing the domestic economy.

According to the European Bank, "There are 30 banks operating in Serbia, and they are the main source of financing for SMEs. About 10 of these banks compete intensively with each other for SME companies, with the exception of a few foreign banks, most banks in Serbia are ready to offer loans to SMEs [26].

For innovative and fast-growing companies, access to financial instruments based on investments in the company's capital is of particular importance (e.g., capital or mezzanine investments). In the European Union, public mezzanine providers include supranational institutions. For example, the Mezzanine Facility for Growth (MFG) of the European Investment Fund (EIF) is a €1 billion fund approved by the EIB for investments in hybrid debt instruments/equity funds across Europe, acting as a catalyst in this market segment. In Serbia, however, due to the restrictive conditions associated with bank loans, including financial statements for at least one year of operation, business start-ups and smaller companies are often excluded from access to finance.

Most loans are short-term loans, because SMEs have problems accessing long-term loans." [26].

Further, the European Commission expresses the opinion that access to finance is a key issue for SMEs in Serbia, stating: "Widespread measures to improve access to finance for SMEs remain a priority and should be implemented with less delay than has been the case so far. As part of macroeconomic stabilization efforts, the government and the central bank have addressed many issues related to access to finance for SMEs. The main remaining challenges include strengthening investment funds, facilitating access to EU funds, and engaging venture capital to support SMEs and start-ups. The measure addresses these challenges and proposes the development of a regulatory framework for microfinance. However, there is no information on how this new regulation on microfinance could help the market and whether there is interest among financial institutions to get involved in this type of lending. In addition, the regulatory framework for new financial instruments, such as venture capital funds, crowdfunding, etc., also needs to be updated." [27].

4. DONOR AND CREDIT LINES OF INTERNATIONAL FINANCIAL INSTITUTIONS

The presence of numerous foreign funds has been noticeable since 2001 on the territory of the whole of Serbia. Their donations cover financial assistance, as well as providing technical support to the development of the entire country. The availability of capital through its donor credit lines for SME development is made possible by numerous foreign funds and embassies. Here are just a few of them: the European Union Revolving Credit Fund for SMEs; Loans from the German Development Bank KfW; Loans for small and medium enterprises of the Republic of Italy; European Bank for Reconstruction and Development credit line; Donation of the Kingdom of Denmark; European Fund for Southeast Europe (EFSE); USAID; Balkan Fund for Local Initiatives (BCIF); Open Society Foundation, Serbia [28].

The development of SMEs in the Republic of Serbia was supported by numerous countries through their embassies and made a significant contribution in financial means, namely the Dutch Embassy, the Romanian Embassy, the Austrian Embassy, the Norwegian Embassy, the Italian Embassy, the Swiss Embassy, Embassy of Japan, Embassy of Canada, etc. Of the total amount of grants that came to Serbia in the period 2000-2015 dominates the EU with over 70% of total grants (donations), or with 3 billion euros. The following are the United States with nearly 680 million individual and Germany with a little over 350 million euros.

In the context of the support of the European Union, it is important to say that in Serbia today the implementation of the following programs is underway:

- o **COSME program** – the program for the period 2014-2020 intended for SMEs. The main goal of this program is to increase the competitiveness of SMEs, and thus reduce unemployment in the country. Funding: The Program budget is € 2.3 billion [29];

○ **HORIZON 2020 program** is an EU program for the budget period 2014-2020, and is intended for SMEs that have innovative potential. The main goal of Horizon 2020 is to accelerate the realization of the idea from the laboratory to the market. The budget of the Program amounts to 77 billion euros and is above the national character; there is no specific budget for the Republic of Serbia. Horizon 2020 is a European program, which requires cross-border, pan-European cooperation and connection, the results of which shift the scientific and economic achievements at the European level.

○ **WB EDIF Program** (Western Balkans Enterprise Development and Innovation Facility) - is a program established by the EU with the aim of providing SMEs in the Western Balkans with easier access to finance. The WB EDIF program is implemented through three funds, which are created according to the type of financial instruments they use (loans and capital investments) and the type of beneficiaries for which they are intended:

- *The Enterprise Innovation Fund* (ENIF) was established to improve the financial position of innovative, highly specialized SMEs operating in the Western Balkans.

- *The Enterprise Expansion Fund* (ENEF) is a fund of venture capital to support SMEs with high development potential, i.e., it provides capital and "quasi-capital" in order to improve their financial position and provide the necessary liquidity in order to realize the development potential of the company.

- *Credit Guarantees* - Guarantees and counter-guarantees to financial intermediaries (primarily banks) for loans to the SME sector in the Western Balkans;

○ **Instrument for Pre-Accession Assistance (IPA)** - is an EU grant program that provides financial and technical support for further development of reforms during the enlargement process to candidate and potential candidate countries, including the Republic of Serbia. The policy areas under the IPA II 2014-2020 instrument are: Reforms that lead to preparations for countries in the accession process to assume the obligations and rights arising from EU membership, which are related to institution building and capacity building; Socio-economic and regional development; Employment, social policy, education, promotion of gender equality and human resources development; Agriculture and rural development; Regional and territorial cooperation.

5. FUNDING BY PUBLIC INSTITUTIONS

1. The Development Fund of the Republic of Serbia - was established on April 15, 1992, and its activity is focused on encouraging the business of legal entities and entrepreneurs in the Republic of Serbia. The Fund is a state institution that finances investment programs, including SMEs, especially those engaged in production. The Fund performs loan approval, issuance of guarantees, deals with the purchase of securities and other activities in the name and for the account of the Republic of Serbia. The source of the Fund is funds from the budget of the Republic of Serbia and funds from the collection of approved loans. The loan amount can be from 40 to 80%

of the value of the total investment. With 80% of the funds, the Fund participates in programs implemented in underdeveloped municipalities. For an even distribution of funds by districts and municipalities, preference is given to investments aimed at: winning a new production program; technical-technological modernization; elimination of bottlenecks in production; economic and financial consolidation, in order to revive production and make fuller use of capacity.

One of the main goals in the work of the Development Fund of Serbia is lending to SMEs, through: *Loans for permanent working capital – i.e.,* funds needed to finance current liabilities arising from the regular business activities of the end user of the loan, and relate to the procurement of raw materials, inventories, as well as other production costs, trade receivables, trade payables, intended for SMEs, *Short-term loans to stimulate competitiveness and liquidity of the domestic economy, Investment loans needed by SMEs.*

The main objections of SMEs are forwarding in the direction of insufficient transparency of procedures and decisions, lengthy procedures and high costs of obtaining a bank guarantee [20]. In addition, the centralization of decisions makes it difficult for companies to contact decision-makers in the Fund.

2. The Development Fund of AP Vojvodina LLC Novi Sad – was founded on 11.02.2013 in Novi Sad and is registered in the form of a limited liability company in ABR. The share in the share capital of the Development Fund is: Autonomous Province of Vojvodina of 78.11% and the Republic of Serbia of 21.89% The Development Fund participates in the implementation of programs and projects based on economic principles for achieving the following goals in APV: Economic Development; Agricultural development; Encouraging the establishment of SMEs and the development of entrepreneurship; Encouraging social entrepreneurship; Encouraging employment; Export promotion; Encouraging balanced regional development and other programs and projects from original or entrusted competencies [30].

3. The Development Agency of Vojvodina - DAV was established under the auspices of the Provincial Government, i.e., the Provincial Assembly decision on the establishment of the Development Agency of Vojvodina LLC Novi Sad [31], with the aim of supporting the implementation of development, agricultural and rural development policy of Vojvodina. The Development Agency of Vojvodina also provides information on available domestic and international funds and programs that provide companies from Vojvodina with access to financial and non-financial support.

4. The National Employment Service is a public institution in charge of providing services to unemployed persons and employers. The NES provides financial resources for the following purposes: new employment; self-employment of war invalids; exercising the rights of workers whose work is no longer needed; exercising the rights of workers to establish employment in another company; exercising the right of workers to vocational training; additional training or retraining to work in the same company.

The users of the services of the Service's business centres are unemployed persons who are interested in starting their own business and potential redundancies, but also the entrepreneurs themselves. The model of entrepreneurship development that is promoted by educational programs for founding and running a business and the formation of entrepreneurship centres is very important for beginners. Entrepreneurship development is carried out by the Service through information and advisory services, educational and mentoring services and one-day seminars for entrepreneurs. [32].

6. LOCAL SUPPORT AGENCIES

1. Serbian Association of Small and Medium Enterprises, Crafts and Entrepreneurs - was founded in 2000 as a non-governmental, non-profit and non-partisan organization consisting of the founders of SMEs in Serbia, united by regional and branch principles. The Association was formed in response to the EU Development Strategy adopted in 1999/2000, which is dedicated to regional development, as well as the development of SMEs and entrepreneurship and the improvement of national policy towards this sector. The goals of the Association are: to improve the efficiency and competitiveness of the Serbian SME sector; positioning small and medium-sized businesses in the domestic market and supporting their performance in foreign markets, primarily in the countries of the region and the European Union; directing policies at all levels towards measures that contribute to and ensure growth, prosperity, stability of the SME sector and crafts at the national level, in the region and in the European Union; assistance in the development of the business of both the community and each individual member.

2. The Association of Business Women of Serbia (ABW) - is the largest national organization of women entrepreneurs. ABW has a leading role in organizing business women and providing top support, as well as the promotion of Serbian entrepreneurs. The association is actively advocating for the purpose of improving the business climate and encouraging networking at the local, regional and international levels. The goals of ABW are: to increase the number of women starting their own business; increasing the visibility of women who own businesses; encouraging business owners to expand their business; creating and encouraging a forum where women entrepreneurs can exchange ideas and gain new business contacts; influence on SME development policy making; strengthening ties between women entrepreneurs at the local, regional and international levels, through the exchange of experiences and ideas; promotion of social responsibility and high standards of business ethics.

3. ENECA (EcoNomic Expert Community Association) ENECA is a local non-governmental organization based in Niš, registered in 2005. Since its establishment, ENECA has been active in the field of socio-economic development, with over 1000 small businesses in equipment, business and professional training, direct monitoring and consulting receiving support through direct assistance programs.

7. FUNDING INSTRUMENTS

There are numerous SME financing instruments in developed countries, which is not the case in Serbia [33]. Microcredit is considered to be the most acceptable way to finance the start of SME development. Higher borrowing costs are covered either by the market interest rate level or by subsidies. Overdraft loans are gladly accepted financing instruments by SMEs. Since these are smaller amounts, the conditions of the approval are somewhat more flexible. This is a good type of financing because it also affects the establishment of long-term relationships between the financial institution and the company. Short-term, medium-term and long-term loans are the most sought-after sources of financing by SMEs. Although there are hundreds of sources that allow direct financing of SMEs, commercial banks still play a key role at all levels of SME development, from the establishment to the growth and development of enterprises, either through traditional lending or with the support of the state and guarantee funds.

In order to provide long-term resources, private investment funds are established in developed countries, the support of guarantee funds is unavoidable, there is international support through credit lines as well as state support [34]. In developed countries, various measures support leasing because it is suitable for start-ups that often cannot obtain other sources of financing [35]. Both dynamic and fast-growing SMEs use leasing because they do not engage the funds needed for growth and do not reduce liquidity. A frequently used financing instrument on the European Union market is factoring. In conditions of limited lending and difficult access of SMEs to short-term loans, factoring has gained in importance. Further, credit guarantee schemes are used in many countries to reduce the risk associated with SME lending. In addition to bank loans, an important source of financing for SMEs in developed countries is equity. The most important part of risk capital is venture capital. Business angels should not be neglected either, where the combination of money and business experience contributes to their importance and attractiveness in financing start-up projects [36].

In the Republic of Serbia, financial instruments available to SMEs are: loans from commercial banks, funds and foreign credit lines, guarantees, leasing, to a lesser extent factoring, while funds of investment funds, business angels and venture capital are poorly represented due to underdeveloped capital market. Due to the simpler approval procedure, SMEs most often use short-term working capital loans and current account overdrafts. Loans from commercial banks are the dominant choice for SMEs despite all the difficulties that accompany them. Financial leasing is still not a significant support for SMEs to Serbian entrepreneurs, despite the fact that it can be very important in conditions of difficult access to credit. This requires greater education as well as awareness on the offer of leasing companies and the improvement of the legal framework that would improve the business of leasing companies and thus enable leasing to become more attractive to SMEs. Although in developed countries guarantees are an important instrument for improving access to finance for SMEs, in Serbia the role of guarantee funds is not great. The Development Fund of the Republic

of Serbia has had a small, almost negligible share of guarantees in its portfolio, which were not specifically aimed at SMEs. The Guarantee Fund of Vojvodina is the only one to issue guarantees aimed at the sector of small and medium enterprises and thus encourages their development while providing more favourable lending conditions. Microfinance, although an important alternative for weaker companies, which often cannot meet the requirements for funds or loans from projects co-financed by the European Union, is not easily available in Serbia [27].

Therefore, innovative companies in Serbia are struggling with access to sustainable sources of financing for their business. Domestic investment capacities are weak, there are no developed capital institutions for financing, the banking sector does not develop financial instruments to support fast-growing innovative companies, and direct budget support from state financial programs is insufficient. [37], [38].

CONCLUSION

SMEs are the main drivers of the economy and economic growth, and as such they are characterized by efficiency, labour mobility, job creation, innovation, knowledge and technology transfer, income growth, promotion of added value, weakening of monopolies. Improving entrepreneurship in an economy implies a long-term process of improving the entrepreneurship system, which consists not only of business, but also the environment, infrastructure, workforce (education, skills), openness and connectivity, business practice, access to capital and regulations. All this indicates that the importance of SMEs is very great and a serious strategic approach is needed [39].

SMEs have been the focus of the Serbian economy for the last two decades. After decades of trying and experimenting, the state has finally realized that it will hardly get out of the economic impasse in which it finds itself if it no longer relies on energy, creativity, engagement of hundreds of thousands of people who are entrepreneurs today or who would gladly become so if society supported them. In the last two decades, more and more attention has been focused on entrepreneurship and the importance of starting SMEs. It is believed that successful entrepreneurs who are by nature innovators, initiators and creators, are not only important for bringing better financial changes in the society in which they live and the economy in which they operate, but they are also the main carriers of overall progress. Security, stability and reduction of unemployment, results in the competitiveness of all market participants and increased consumer satisfaction. Creating a favourable economic climate and environment are much related factors in the development of each country's economy [40].

In the last two decades, the Government of the Republic of Serbia has adopted several strategic documents and plans, such as the Strategy for the Development of Small and Medium Enterprises and Entrepreneurship in the Republic of Serbia from 2003-2008, the Plan for Encouraging the Development of Small and Medium Enterprises and Entrepreneurship in 2005-2007 and etc., as well as the last strategic documents it adopted, the Strategy for Support to the Development of Small and Medium

Enterprises, Entrepreneurship and Competitiveness for the period 2015-2020 and the Action Plan for its implementation. This last Strategy defines the objectives and support infrastructure. In this regard, important steps have already been taken to create better conditions for the development of micro, small and medium enterprises and entrepreneurship, primarily in terms of amending laws and regulations in order to remove legal and administrative barriers, establish a number of institutions and help resolve funding problems. However, despite the efforts made, the situation in the SME sector still cannot be characterized as satisfactory given that financial support is not adequate, the tax system is not stimulating, and institutional support is still insufficient. The innovative companies in Serbia are struggling with access to sustainable sources of financing for their business. Domestic investment capacities are weak, there are no developed capital institutions for financing, the banking sector does not develop financial instruments to support fast-growing innovative companies, direct budget support from state financial programs is insufficient [8].

Encouraging individuals to opt for entrepreneurship through numerous support programs such as: the program "Decade of Entrepreneurship" launched in 2016 by the Government of the Republic of Serbia and the Ministry of Economy of the Republic of Serbia, the Program of standardized set of services for micro, small and medium enterprises and entrepreneurs in 2020, which is implemented through accredited regional development agencies, SME Support Program for the procurement of equipment in 2020, implemented by the Ministry of Economy in cooperation with the Development Agency of Serbia with selected commercial banks and leasing companies, etc. significantly influences the encouragement of existing and potential entrepreneurs to be more engaged and to achieve success. The stated explanation supports the confirmation of the first (general) hypothesis.

The action and effects of economic policy are reflected in the activities of economic entities of society and the results they achieve [41]. The result of the activities of all micro-economic entities is expressed in the size of the social product, i.e., national income, which is an expression of the realized material wealth and the source of all forms of consumption in society. It follows that certain subjects of society take measures of economic policy in order to ensure the development and prosperity of the economy as a whole.

Entrepreneurship is the main driver of the economy and economic growth, and as such it is characterized by efficiency, labour mobility, job creation, innovation, knowledge and technology transfer, income growth, promotion of added value, weakening of monopolies [41].

Improving entrepreneurship in an economy implies a long-term process of improving the entrepreneurship system, which consists not only of business, but also the environment, infrastructure, workforce (education, skills), openness and connectivity, business practice, access to capital and regulations. The existence of a healthy and dynamic SME sector is a stable source of new jobs, increasing employment, innovation and tax revenues through contributing to the reduction of the informal and gray economy. At the same time, it is a confirmation of the second hypothesis that a

solution to the economic problems that shake our economy should be sought in the direction of SME development.

Confirmation of the third hypothesis, if the survival and development of SMEs is primarily correlated with the possibility of financing from favourable sources, then the most appropriate form of financial support for SMEs is offered by microfinance institutions.

SMEs rely heavily on funding through loan grants, donations and subsidies. Available financial instruments provided by the state, development funds and commercial banks are not adapted to the needs of SMEs, there is a lack of opportunities to use alternative financial sources, which should be addressed as soon as possible. Financial instruments and institutional support, tailored to the needs of SMEs, are the basis for improving the possibilities of financing and development of SMEs in the Republic of Serbia.

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BUSINESS AND INDIVIDUAL'S RESILIENCE OF COVID-19 IN MONTENEGRO

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ABSTRACT

Resilience has never been a more critical attribute for businesses than in a world shocked by the COVID-19 pandemic. The current situation has caused severe economic consequences in Montenegro and around the world, without precedent. Given the uncertain implications for the world economy, there is no indication that some countries have remained entirely resilient to the situation. In the new circumstances in which the whole society was affected, there have been dramatic changes in the behaviour of companies and consumers' behaviour. The primary purpose of this paper is to show how the recession caused by the COVID-19 virus pandemic affected the resilience of individuals and companies in Montenegro. The methodology of a research paper is standard for the social sciences, and the writing is divided into two parts. The first part is based on modern theoretical assumptions of the resilience concepts, and its four types were analysed. A brief analysis of the idea itself introduces an easier understanding of the second part, which focuses on Montenegro's resilience indicators at the global level, and everything related to the prospects and creating „immunity" for its recovery.

Key words: *resilience; resilience index; the risk environment; economy*

JEL Classification: *G32, A1*

INTRODUCTION

Due to the crisis caused by the COVID-19, which was highly fast-spreading and took on the character of a global one, modern society has faced a series of changes related to the comprehensive operation of political, economic, environmental, technological,

social and other systems. Currently, and especially in the first moment, it has proven that this is the biggest global challenge to the basic foundations of life, which changes people's attitudes and behaviour and forces organizations and corporations to react expeditiously.

The sudden onset, severity, and global reach of the COVID-19 has contributed to a collapse in demand in hard-hit sectors by shutting down production lines and supply chains, forcing companies to lay off or take millions of workers unplanned and unpaid leave. Such a situation imposes a general need for governments, organizations, and corporations to take immediate measures to support and assist the population.

Also, the situation with the COVID-19 suddenly exposed and worsened the existing economic and social tensions and created new ones. The crisis was highlighted by inequalities among workers, especially among young people, women, and lower education levels. The problem has also caused tensions of racial discrimination, exacerbated weaknesses in public health systems, and job insecurity. The governments are facing particular challenges that caused an increased demand for consumer needs and growing debt.

However, this is the opportunity to re-examine priorities for all of us and create a fairer, more adaptable, and more resilient to the outrageous global economy.

UNDERSTANDING THE CONCEPT OF RESILIENCE

Resilience is a widely used term with a large dispersion of its meaning, which is a consequence of its multiple-use by different disciplines. Each, to some extent, contributes to the ambiguity of the concept itself. Thus, it should be noted that the idea was used by several authors and originally appeared by Professor Eric Holnagel in the context of engineering in the late 19th century [1]. Almost a century later, it began to be used in psychology [2] and sociology [3], and from the mid-1990s, it began to be used in disaster management processes [4], and business administration [5]. Since 2000, the concept has been the subject of economics research. The focus is on economic resilience as far as economic trends are concerned [6]. If we talk about the etymology of the term, it is translated from English from the word resilience in the absence of a translation of everything it encompasses [7]. In that sense, as scientific knowledge has doubled and the theoretical basis of the concept itself has evolved, so there is no consensus on the issue of a generally accepted definition.

The Merriam-Webster dictionary [8] defines resilience as "the ability of someone or something to become strong, healthy, and successful again after something bad has happened" and "the ability to recover easily and adapt after bad events or changes."

An inclusive writers group associates resilience with concepts such as crisis coping ability, adaptability and response, balance, shock absorption (system), reconstruction (buildings), reconstruction (political and social), reconstruction (symbolic), structural change, self-organization, transition, sustainability, sustainability, etc. [9]. This demonstrates the interdisciplinary nature of the term in our context, which stems from a collection of more scientific disciplines.

Besides, the authors of Horn SR. and Feder A. argue that resilience is defined as the dynamic ability to adapt successfully in distress, trauma, or significant threat [10]. In other words, resilience is nothing but a reservoir of strength that people can rely on when needed because it gives them the mental strength to cope with stress and difficulties in extremely tense situations. Psychologists say next, "resilience gives people the strength to solve problems directly, overcome adversity, and move on" [10]. That is, resilience does not remove everyday stress or life difficulties; rather, people who have this resilience to be mentally healthy understand that falls occur, allowing them to overcome negative emotions and recover.

Economic resilience is commonly used in two overlapping ways (12). At one level, it can be broadly defined as the ability of the economy as a whole to cope, recover and reconstruct after a shock. At the same time, and often used to denote the economic resilience of individual households or firms and their ability to cope with shock or to recover and adapt to changing financial circumstances on the broader economy. In this case, it can refer to the distributive effects of the surprise (who is affected and how). At the core of this way of thinking is the idea that the higher the level of economic resilience, the lower the financial losses caused by the shock over time. An alternative concept is to think about how stability or strength can promote well-being. This concept underpins many considerations in the development economy, which generally believes that strengthening individuals' and communities' economic assets will enable them to be more resilient to economic shocks.

At the meeting of the OECD Council of Ministers in 2014 in Paris, an Overview Paper on resilient Economies and Societies was adopted, in which four pillars of resilience are precisely defined:

1. Economic resilience, which includes the ability to minimize potential vulnerabilities [13], promote more substantial and more inclusive growth, strengthen the capacity of macroeconomics to withstand shocks, and reallocate resources to exploit new growth opportunities.
2. Social resilience refers to the ability of a society to cope with shocks by adopting a coordinated and coherent set of economic and social policies and practices. Social stability is also promoted by institutions providing services that allow individuals to change and participate fully in the economy and ensure that institutions can focus their resources on the most vulnerable member societies [13]
3. Institutional resilience in which institutions play a crucial role in strengthening resilience, as the impact of any shock depends on the institutional capacity of the jurisdiction to respond and bounce off it. Open, transparent and inclusive policy-making processes help ensure that policies meet the needs of citizens. Enabling greater public participation enhances democratic engagement and builds trust in government. Resilient public institutions that trust citizens are also in an excellent position to promote integrity and, in turn, strengthen faith in businesses and private sector institutions [13].
4. Environmental resilience or ecological resilience. The strength of our economies, societies, and institutions cannot be addressed without considering the power of the

environmental systems that support them [13]. Strengthening resilience to the environment is particularly important in the face of growing evidence of environmental degradation, overuse of resources, and the potential costs of climate change.

Therefore, and following the suggestions of the mentioned meeting, there is no harmonized methodological way of measuring the level of resilience and no specific analysis for solving this particular area. However, it should be emphasized that the connection of several mentioned resilience concepts is essential because it impacts the growth capacity of an individual, organizational and systemic ability on the speed and efficiency of recovery from shock or crisis.

GLOBAL RESILIENCE INDEX

The annual report of the American insurance company FM Global (Global Resilience Index) published the resilience index of the business environment in 130 countries in the region. The annual index provides unbiased information and is based on assessing twelve factors classified into three categories presented in the Global Resilience Index Methodology [14]. Factors are creating additional incentives for companies working to recover from a pandemic:

- The economic factor concerns the political and macroeconomic impact on resilience. This factor is a combination of four of its drivers, namely the political risk that arises from the relationship between political instability and terrorism, the rate of urbanization, oil consumption, and labour productivity.
- Risk quality is a factor composed of three drivers: cyber risk, exposure to natural hazards, quality of natural hazard risk, and fire risk.
- Supply chain related to corruption control, infrastructure quality, corporate governance, and visibility of supply chains.
- Besides, FM Global also analysed the indicators mentioned above based on the resilience of countries to the coronavirus epidemic. This provided an opportunity to assess the market to maintain stability and overcome the crisis. Thus, the countries that occupy high positions in the ranking list, which we will see below, are in an excellent place to support the economic recovery after the pandemic. Kevin Ingram, Vice President and Chief Financial Officer of FM Global, in an interview with the American magazine on business management Supply Chain Management Review (SCMR) [15], pointed out that "Ranking a country in the FM Global Sustainability Index in 2020, is a good indicator of how this will affect its business environment and how quickly organizations can recover from the economic crisis caused by COVID-19. Especially after the problem, resilience is critical for people, countries, and companies that make far-reaching choices by building facilities, expanding their supply chains, and growing in new markets. " In other words, in support of the above, Sanjay Chawla, senior vice president of FM Global [16], and chief investment officer,

points out that "Resilience is the result of the choices companies make, including where they operate and how they invest in each location."

Table 1. Resistance index for the countries of the Western Balkans included in the FM Global estimate

Country	Country Rank	Country Score	Economic Score	Risk Quality Score	Supply Chain Score
Serbia	63	45.9	47.6	36.3	47.3
Bosnia i Herzegovina	69	41.5	32.0	54.1	41.5
Macedonia	77	28.9	15.0	14.6	50.1
Montenegro	82	37.6	45.6	14.9	44.8
Albania	99	30.7	29.5	9.1	46.3

URL: FM Global. URL: <https://www.fmglobal.com/research-and-resources/tools-and-resources/resilienceindex/explore-thedata/?&vd=1> [17]

Before analysing the table, it should be noted that Norway, Switzerland, and Denmark are the highest-ranked countries. They were immediately followed by Germany, Sweden, Finland, Luxembourg, Austria, the central and eastern parts of the United States, and the United Kingdom. These countries are highly positioned, and they can accelerate their economy more quickly after a pandemic. According to FM Global [17], the last ten countries in the overall resistance index for 2020 are Nicaragua, Nepal, Mali, Mozambique, Iran, Lebanon, Chad, Ethiopia, Venezuela, and Haiti.

According to Table 1, looking at the countries of the Western Balkans, Montenegro ranks 82nd among 130 economies. Observed through a comparative analysis concerning the region's countries, Montenegro is visibly worse positioned concerning Serbia, which is in 63rd place, Bosnia and Herzegovina, which took 69th place, and Macedonia, which is in 77th place. Only Albania, which is ranked 99th, is ranked lower than Montenegro. As can be seen, in 2020, macroeconomic indicators indicate extremely negative trends in almost all areas of Montenegro. This situation is a consequence of the geographical position of Montenegro. It means that Montenegro is exceptionally dependent on services, tourism, transport, and construction. As such, it belongs to the group of countries most affected by these macroeconomic shocks. Another consequence of such economic indicators is the introduction of the so-called "lockdown", after the proclamation of the coronavirus epidemic in Montenegro in March last year. This means that the complete closure for three months and the suspension of the mentioned sectors on which the growth of the Montenegrin economy depends, as stated in the report of the Ministry of Finance [18], there was a "fall in GDP of 10.3%, for the first half of the year, with government spending, the only one recorded growth of 0.3%". Based on the Statistical Office of Montenegro -

MONSTAT[19], data in the second quarter, i.e. April-June 2020, a drastic decline in the GDP rate of 20.2% was recorded, and quite unexpectedly, it continued in the third quarter when the real GDP rate was -26.9%.

Also, the Report of the Montenegrin Employers Federation (MEF), the International Labor Organization (ILO), and the European Bank for Reconstruction and Development (EBRD) [20], provide data on the impact of the COVID-19 pandemic on business in Montenegro. The study included 430 entrepreneurs from Montenegro's various regions. If we talk about the operation of the companies, slightly more than 40% of economic entities that participated in the survey completely stopped working. In comparison, 35% of them partially operated, and 23% were fully operational, of which 13% organized work from home. It should be noted that small businesses such as crafts, catering, transportation and hospitality were forced to suspend their operations temporarily or permanently, while large companies showed greater resilience. If we talk about the time frames necessary for business recovery, "30% of surveyed businesses said that they would need between 1-3 months to resume business and these are small businesses, and when it comes to large companies, ¼ estimated that they need more than six months." Temporary or permanent closure of a company was registered with 4% of surveyed business people.

In an interview with Econometer, professor and expert in the economics of entrepreneurship, small and medium enterprises, Mirjana Radović Marković believes that companies can acquire the property of "survival" only if they develop a comprehensive approach to business: improvements, innovations, finding new markets, educating employees and managers. This could be applied to Montenegro, but it is indeed difficult to talk about the economic perspective for recovery until we know the time frame of the pandemic and the success of the monetary policy measures of the Government of Montenegro and the Central Bank of Montenegro.

CONCLUSION

After the pandemic, the world will undergo significant transformations, and the crisis is an impetus for fundamental changes in the economic and social lifestyle. The world will emerge from this dark period more stable. Laurence Boone, the OECD chief economist in the Organization for Economic Co-operation and Development, says that the world will be "more or less the same, but still a little better" after the pandemic.

As already mentioned, due to its geographical position and limited economy, Montenegro is especially vulnerable to pandemic shock. In this case, the aggregate supply was hit at the same time, where economic entities completely stopped their work due to isolation measures and the aggregate demand, where household consumption was reduced. All of this left an impact on the structural weaknesses of the Montenegrin economy. Thus, initially, the service sector of the economy, tourism as a vital sector of the Montenegrin economy and transport, and as the pandemic gained momentum, spread the number of industries that were negatively affected. Also, we saw that small and medium enterprises were particularly affected, and the

consequence of that was "weak immunities",i.e. Fewer reserves available to bridge adverse shocks.

In an emergency like this, the experiences of other countries should be applied to "pave" the path of resilience. Only those countries which responded adequately and quickly could effectively adapt to change and continue to work. Such governments and even companies with ready risk management responses performed better than those that didn't have any continuity plans or simply didn't test them. Business continuity planning and identification of potential risks are designed to be flexible at all times because it is a guarantee of half success. Specifically, resilience results from a combination of factors, including planning, the ability to adapt to a new situation in progress, and the ability to respond quickly when the risk is realized. Undoubtedly, more lessons will emerge in the period ahead of us. Still, one thing is sure: the ability to adapt to unexpected situations will in itself be set as critical business ability.

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COVID-19 SUSTAINABILITY OF THE CABLE INDUSTRY: RESULTS AND TRENDS

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ABSTRACT

Purpose. The purpose of the article is the analysis of the resilience of the cable industry to the negative impacts of the Covid-19 pandemic.

Research methods: observation method, method of assessing the dynamics of statistical data, method of comparative analysis.

Results. It was revealed that the work of cable enterprises was directly influenced by actions to block and temporarily stop production; as well the cable industry has been severely impacted by falling demand from other industries for which it supplies products. The article establishes that for Russia such industries were the construction industry, the oil industry, mechanical engineering, energy enterprises and aircraft manufacturing enterprises. These enterprises sharply reduced production volumes in mid-2020, which negatively affected the supply and production of cable products. The article also analyzes the influence of such a factor as changes in prices for raw materials cables' production.

Conclusions. In general, it was concluded that despite the difficult economic conditions, the cable industry in Russia did not suffer as much as other sectors of the country's economy, since the business model of the cable industry has elements of sustainability.

Key words: *Cable industry, Covid-19, sustainable development, Business Resilience, factors of influence; sustainability*

JEL Classification: *L60; L16*

INTRODUCTION

The Covid-19 pandemic has affected all elements of the economy's structure, although the crisis was more noticeable in some industries and spheres of activity, while in other industries indicators and working conditions have changed more weakly. However, the real interaction and interdependence of most sectors of the economy with each other in a globalized world is high and complex. This is expressed both in the individual influence of entire sectors of the economy on each other, and in the total influence on other sectors and industries.

One of these industries, which is important for many other industries, is the cable industry. Cable products are used as components in the production of all technical products (from light bulbs to spaceships and weapons), as a main component in power lines and electrical networks and in many other areas of production and everyday life. The important role and influence of cable production on the development of electric power industries, including alternative energy, on improving energy efficiency and energy saving of various companies, enterprises and organizations is emphasized in modern studies [1-2]. Within the framework of the "Green smart city" concept the place and role of cable products is discussed in the context of calculating the total and maximum demand for power from consumers, determining methods for distributing and transferring the bulk of the power to a distribution substation and other issues related to ensuring the operation of the entire power grid of a smart cities [3].

In turn, the cable industry is quite dependent on the activities of other sectors of the economy, as well as on the macroeconomic indicators of the world development and national economies. This relationship is clearly seen when analyzing the supply chain network for cable products for different industries and sectors [4]. Accordingly, the Covid-19 pandemic has also affected the activities of cable industry enterprises.

METHODS

An integrated analytical approach was used to study the main trends and dynamics of the cable industry development. This approach includes methods for processing and analyzing statistical data by types of products and main directions of products supply, including export volumes. These indicators are important from the point of view of assessing the impact of Covid-19 in the international context. This analysis allows to draw conclusions about the possible impact of the economic situation in other countries on the production activities of the cable industry in terms of changes in the structure and volume of products produced. The method of comparative analysis was also used and the data on the production volume by the main commodity groups were evaluated.

The peculiarity of the reporting on the results of the cable industry enterprises is that the reports are presented in two dimensions: 1) in value terms; 2) in tons of copper

used for the manufacture of products. Therefore, the method of observation and assessment of the dynamics of actual data on prices for copper as the main raw material for the cable's products production was also used for the analysis.

The research is based on statistics and market data on cable industry.

RESEARCH RESULTS

An assessment of the cable industry resilience in Russia in the context of Covid-19 has showed that, in general, the industry did not suffer from the lockdowns, closing of enterprises, reduction in traffic and other negative for business factors and actions of the governments of many countries.

The production volume of the 5 main types of cable in 2020 increased compared to 2019, while the rest slightly decreased according to the data of the Electric Cable Association. In particular, a steady and large increase in production was shown by all types of cable products with an energy purpose: insulated wires for overhead transmission lines, overhead wires (SIP), power cables with a voltage of no more than 1 kV Low voltage, power cables over 1 kV Power cable (Fig. 1).

This is explained by the fact that even in the conditions of COVID-19 the production and sale of electrical wires and cables have the highest stability, since it is this sub-industry that “can make a potential contribution to sustainability in terms of energy efficiency” [1, p.1].

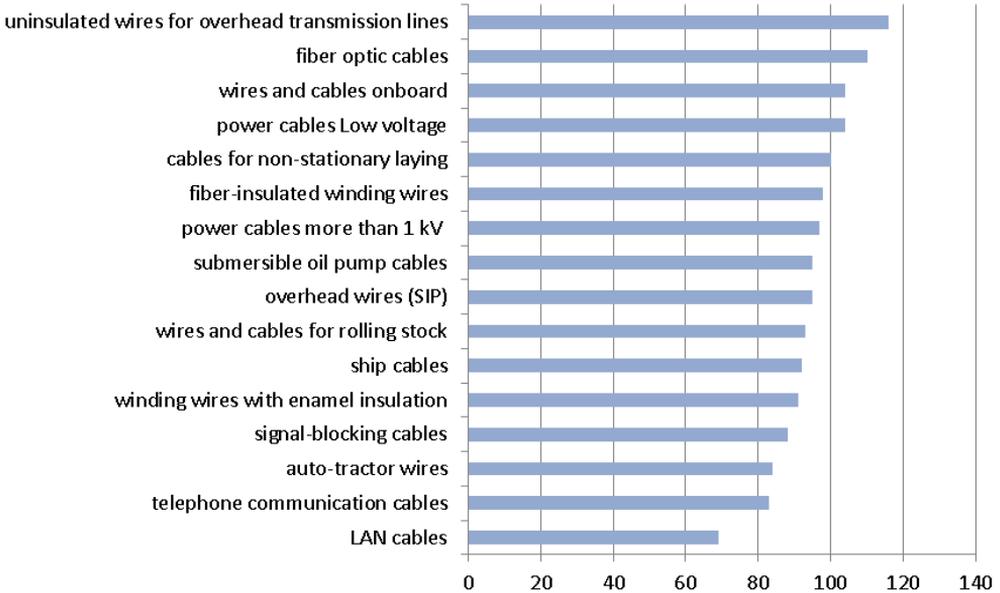
In terms of assessing the impact of the main elements of the price structure of cable products formation, an analysis of the cost of copper is used, since 50% of the cost of the cable is the price of copper. In addition, the rate of major world currencies affects the prime cost of cable products. Thus, the prices for cable products generally depend by 80-90% on the exchange rate and on the situation in the copper market. The dynamics of the cost of copper as the main material for cable in 2020 is shown in Figure 2.

Figure 2 shows a significant rise in copper prices towards the end of the year. Compared to the beginning of the year prices rose by about \$ 2,200, or 39%. In March-April-May there was a slight (relative to the final annual data) decline in prices due to the slowdown in business activity around the world. The growth in copper prices observed in 2020 allows predicting an increase in prices for cable products.

Talking about industry dependence, most of the demand for cable products falls on 4 sectors: oil and gas industry, mining, construction and energy. An analysis of these states of the industries during the pandemic has helped to explain the situation in the cable industry [7].

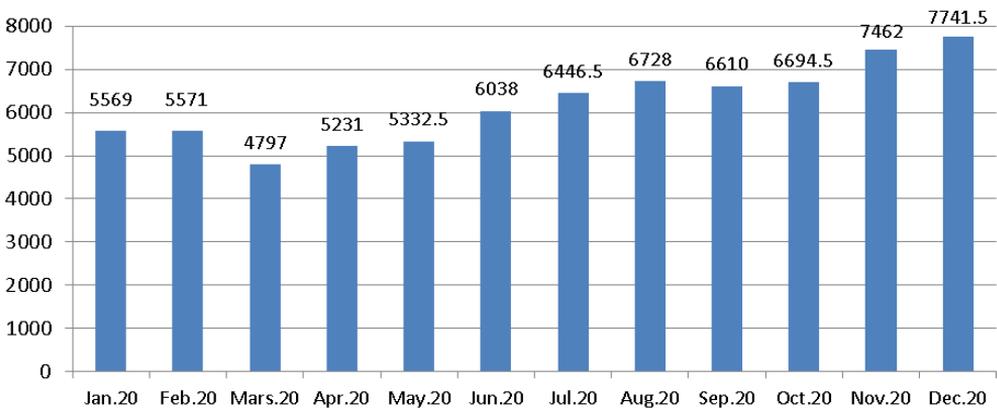
In general, the pandemic was accompanied by a sharp decline in economic activity and a collapse in energy prices. There was a reduction in the demand for oil with an excess of its supply. The volume of the global oilfield services market decreased by about 19% in 2020 and the Russian market - by 20-25% [8]. As a result, the demand decreased and, accordingly, the production of oil submersible cables, power cables for oil production equipment, control and signal transmission cables, cables for operation in difficult conditions, cables for electric heating of oil production equipment and

other special types of cables. Demand for geophysical cables has decreased due to a decrease in investment programs for geophysical research. At the same time, the requirements of customers for technology and operational activity are increasing in this market that is reflected in the activities of related industries.



Source: [5].

Figure 1. Dynamics of production of the main types of cable industry in 2020 (in% to 2019)



Source: [6].

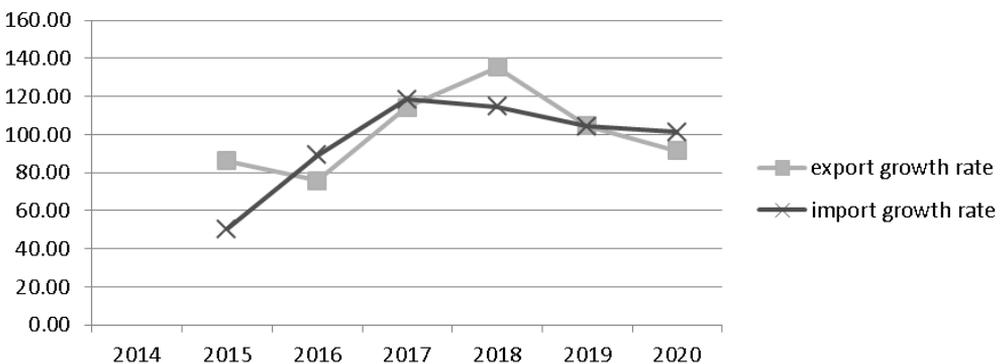
Figure 2. Copper price dynamics by months for 2020, USD per ton

The construction industry in Russia has not experienced a destructive impact. State support in the field of housing and social construction led to an increase in the share of construction in the domestic market by the end of the year, as well as to the construction of new medical infrastructure facilities. Therefore, the production of cable types used in construction remained at the same level and has even increased.

As for the functioning of other sectors of the economy, in 2020 there was a significant reduction in consumption in the sectors of mechanical engineering, metallurgy, railway transport, as well as in small and medium-sized enterprises. This was facilitated by a break in the work of the enterprise and a partial transition to a shorter working week. At the same time, the overall decline in demand from these industries for cable products amounted to about 3%, which is also not significant.

The second important direction of analysis, allowing giving a more accurate assessment of the degree of the cable industry resilience in 2020, is the analysis of the structure and dynamics of foreign trade in cable and wire products. First of all, it is a question of exporting products..

The volume of Russian exports of cable and wire products in 2020 amounted to about \$ 404 million, which is 8.9% less than in 2019 according to a study by a marketing agency [9]. The main share in the structure of Russian exports of cable and wire products in value terms in 2020 is represented by electrical conductors for voltage under 80V (40.5%). The export of some types of cable has even increased. So in 2020, the growth of the fiber-optic cable segment amounted to + 28.5%. This type of cable is actively used by telecommunications and communications enterprises. The main buyers of Russian-made cable and wire products in 2020, as in previous periods, were Kazakhstan (28.8% of exports), Belarus (24%), as well as the United States, India and Romania. The dynamics of exports and imports of the cable industry in 2015-2020 is shown in Figure 3.



Source: [5].

Figure 3. Growth rates of exports and import of the cable industry, % to previous years

The analysis has showed that the Covid-19 pandemic also had a certain positive impact on the structure of cable production in Russia. So, many enterprises purchase raw materials and materials in Europe to produce optical cables. Since the epidemic began in the EU earlier than in Russia, this led to a decrease in prices for the corresponding raw materials. As a result, Russian enterprises have had the opportunity to purchase imported materials at a price lower than the usual one by about 20%. This has allowed many companies to improve their business resilience and operational efficiency.

Another interesting and positive consequence of the pandemic was that with the reduction in the production of cable products, the waste of copper and aluminum has decreased. Many scrap collecting enterprises suffered deficits and losses. This factor influenced the growth of primary aluminum consumption at UC Rusal. Many enterprises that previously used cheaper but lower quality secondary aluminum have switched to primary aluminum in the face of shortages. This had a positive impact not only on financial indicators, but also on the quality of the final products of aluminum consumers, which also increased the stability of the business.

The demand for the fiber optic cable group in 2020 continued to grow. The development of the fiber optic cable market is the part of the development of Russia. The fiber optic cable has important potential as telecommunications companies plan to roll out 5G networks and IT companies to create supercomputing and data centers over the next 10 years.

Also, worth highlighting is the development of products for the alternative energy. Solar energy has good prospects for development in Russia [10]. The production of cable and wire products for the nuclear industry is also expanding, where customers want a cable with a service life of 60 years. This is accompanied by long-term tests lasting about two years, where the aging of materials' samples and products is checked at temperatures from 100°C to 200°C [10]. But these are innovative products that form the basis of the economy and serve as the basis for further development. Therefore, an emphasis on innovative processes is a long-term strategy for successful operation.

CONCLUSIONS AND FURTHER RESEARCH

Modern economic conditions are such that a crisis or pandemic engulfs all spheres of human activity. Interdependence and mutual influence is observed, to one degree or another, in all industries. This aggravates existing problems or, conversely, helps to find common solutions. Crisis phenomena in one industry are immediately reflected in other industries, and the development that has begun spreads its impact on adjacent segments of the economy.

Analysis of business sustainability in the cable industry has showed a high uneven development of individual sub-branches and segments of cable and wire products. Part of the cable industry subsectors were able to maintain production volumes and even increase in the context of the global lockdown and the growing crisis in many sectors

of the world economy. These are sub-branches of production and sale of electrical wires and cables, as well as fiber-optic cables.

Those companies in the cable industry that use an innovative approach, focus on environmentally friendly and safe production, apply digitalization of production and sales, and focus on economy and energy conservation also have a positive trend. It is the new technologies that make the cable industry more viable and promising.

Further research will be devoted to clarifying data on the performance of enterprises in the global cable industry in 2020-2021, as well as analyzing changes in its structure and composition.

The number of cable manufacturers and suppliers numbered about 500 organizations before the outbreak of the pandemic. The cable market is oversaturated and highly competitive, where the struggle is mainly limited to price. In these conditions the consequences of 2020-2021 may turn out to be such that many enterprises will cease their activities without a sufficient margin of safety. For example, three major players in the cable market filed for bankruptcy by the end of 2020. There may also be an enlargement of players due to the absorption of smaller ones. There is now a large overcapacity on the market with new players appearing on a regular basis. Changes in the structure and composition of agents in the cable industry can generally affect the sustainability of this business.

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AVIATION INDUSTRY SUSTAINABILITY IN THE PERIOD OF COVID-19

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ABSTRACT

Purpose. The purpose of article is the research of stability of the industry in the period of COVID-19 pandemic. Changes in various industries are considered under the influence of the crisis caused by coronavirus. An analysis of the decrease in production volumes and the actions of specific companies to increase the sustainability of industry is being carried out.

Methods. The methods used in the work are: bibliographic research on the topic of research and comparative analysis of statistical data in order to describe trends in business sustainability in the coronavirus pandemic. The analysis was based on the period 2015-2020 on global data on the state of the aerospace industry. Results. Four major challenges have been identified for the aerospace industry during the pandemic. The role of competition in the industry, the role of high capital costs for production, the possibility of a new player in the market is determined. These problems were exacerbated by the negative effects of coronavirus on industry as a whole.

Key words: *COVID-19, business; aviation industry, world economy, crisis, sustainability*

JEL Classification: *F60, O11, O2, O38*

INTRODUCTION

Today's crisis is the most serious that the aviation industry has faced. He affected the entire chain: aircraft manufacturers, airlines, suppliers, airports and other aviation structures. From the very beginning of the pandemic, many companies created an operational and crisis headquarters, which included specialists in sales, operations and

finance. Their tasks were to manage deliveries according to the current situation and determine further actions. For example, at Airbus in early April, to offset the short-term decline in demand from airlines, the rate of production of aircraft decreased by about 40%: for the A320 family is up to 40 aircraft per month, for A330 is up to two, for A350 is up to five. This adjustment of production rates made it possible to fulfill the obligations for the supply of aircraft to customers, as well as to better adapt to the changing situation in the market. Table 1 presents key challenges and scenarios in the aerospace industry that have been exacerbated by the pandemic. Table 1 also presents the results of the reduction in production in the basic sectors of the economy as a result of the crisis of 2008-2009.

Table 1. Impact of the 2008-2009 crisis and the COVID-19 pandemic on the global economy

Industry	Change for 2008-2009, %	Change at 2020 from COVID-19, %	Forecast for 2021, %
Automotive industry	-12	from -20 to -30	20-25
Aerospace industry	-24	from -25 to -35	from -4 to -6
Construction industry	-5	from -10 to -15	5-7
Electrical industry	10	from -5 to -8	6-8
Chemical industry	-19	from -6 to -10	8-12
Wind power	43	10	5-7

Source: [1].

How the aerospace industry copes with the difficulties caused by the COVID-19 epidemic also depends on the type of sub-sector. The situation with civil aviation, for example, is worse than with helicopters and military aircraft, which are less affected by the fact that other countries close borders, or a decline in the tourism industry. The same is true for air freight. Air cargo continues to operations, ensuring the distribution of the most necessary goods around the world, which emphasizes the importance of maintaining air traffic continuity, despite the reduction in passenger traffic.

In addition, industry response also depended heavily on COVID-19 responses in their country and region as the virus spread around the world. The unilateral decision of some countries to close borders not only failed to alleviate the heavy burden placed on the aerospace sector, but only closed the way to a more general approach. Of course, in Europe, every company in the civil aviation industry has received material support from country to overcome the difficulties of 2020, but this will probably not be enough to stay afloat for the next two years.

METHODOLOGY

This study is based on a number of theoretical methods. World analysis considers as complex and adaptive social systems, some specific properties of which can be abstracted at micro levels, such systems consist of many objects with often complex interactions between them. Interactions between parts of a complex and adaptive system are controlled by specific laws and channels of interaction. Moreover, interactions can be subject to adjustments and appearances defined by entity actions and interactions.

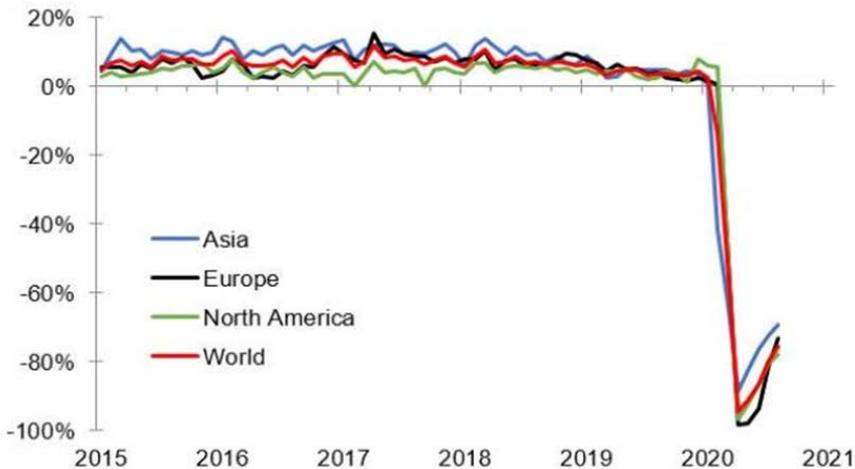
The methods used in the work are: bibliographic research on the topic of research and comparative analysis of statistical data in order to describe trends in business sustainability in the coronavirus pandemic. The analysis was based on the period 2015-2020 on global data on the state of the aerospace industry. In the context of the pandemic, COVID-19 resistance to disinformation and information literacy, or specific types of herd behavior in terms of opinion (or belief) dynamics, may be among these properties at the macroscopic level.

This study is based on the assumption that the sustainability characteristics of both the individual enterprise and the business as a whole are largely shaped by external factors. The ability to respond quickly to external changes, fact-checking skills, and mandatory rules, as well as a wide range of communication strategies, algorithms for automatic fact-checking information, or recommending information, also have a significant impact on industry resilience during a pandemic.

Examination of the literature has shown that perceptions of and responses to the current pandemic in both the long and short term tend to be quite diverse [2]. Integrating the disciplinary aspects addressed in this position paper into a holistic approach may help us understand which macroscopic patterns emerge from the microscopic dynamics illustrated above [3].

RESEARCH RESULTS

This research are based on statistics and market data on aerospace & defense manufacturing. Airlines today operate with a very low load, at the level of 50%. The most affected industries also include hospitality and tourism; it is expected that in 2020 the reduction in this segment will be 40-50%. The following table shows the impact of COVID-19 on these global industries in different regions of the world. After a summer season cut short in Europe and North America by rising Covid-19 infections, along with continued low willingness to fly, global air traffic as measured by Revenue Passenger Kilometers (RPKs) contracted by -75% year-on-year in August, following an -80% drop in July (Fig.1).



Source: [4].

Figure 1. Air (passengers) demand, RPK change (m/m)

As can be seen from the table, the Pacific Asia was the least affected by the crisis [5]. China, taking control of the coronavirus spreading, resumed production. South Korea and Japan have also shown promising success in the fight against the pandemic.

Looking ahead, with the lack of convenient testing and compulsory quarantines on arrival, global air passenger demand will take longer to recover than previously expected [6]. For the full year 2020, we now expect air traffic to be down -60% (vs. a -40% decline in our previous forecast) compared to 2019. It will still be 35% below the 2019 level in 2021, and is not likely to recover to its pre-crisis level before 2024.

Based on bibliographic research and comparative analysis, the following key challenges for the aerospace industry, exacerbated by COVID-19, have been identified. The scenarios in the aerospace industry were also highlighted.

1. *High capital intensity.* The commercial space sector is a capital-intensive industry with limited number of large players. Though development of the new plane costs billions of dollars and reaches two-digit numbers here, the margin remains low: about 2-4 percent. For large suppliers, especially for producers of engines, the gross margin is much higher. The reason of it is connected on so many with production of engines how many with their extremely profitable maintenance and repair, including capital, in the market of after-sale services. These enormous financial expenses find reflection in balance sheets of airlines. Not so long ago some airlines spent billions of dollars for updating and/or replenishment of the plane fleet, leaning on the considerable profits. Today, after annual check on durability to which they were subjected by coronavirus many of the same companies are on the threshold of insolvency.

2. *The ongoing duel between Boeing and Airbus.* Two superairplanes dominate commercial aircraft construction: Boeing and Airbus. When Airbus absorbed Bombardier's large facilities, and Boeing was preparing to conclude a similar deal

with Embraer, this dual power seemed to be even stronger. Another important chapter in this duel is the relentless accusations of dishonest business practices and illegal state support/subsidies related to the production of large civilian aircraft. Since 2005, the United States and the EU (four of its countries with large Aerobus enterprises, France, Germany, Spain and the UK) have spent significant funds in connection with the dispute at the World Trade Organization that affected them. Today, after the shock of the pandemic, both companies faced a new situation: instead of adding new contracts to already crowded order books, they suddenly found that they had to make concessions to sell at least a few aircraft. Both operators are forced to agree to postponement and cancellation of orders, because otherwise they risk provoking bankruptcy major customers.

3. *Emergence of a new competitor.* In the shadow of this duel a third competitor appeared the Chinese state-owned company COMAC. Although experts argue that the new manufacturer still needs time to become fully competitive internationally, COMAC has a good chance to drag on future business in China and Asia, and this region is projected to give the most confident growth rates in the future. Moreover, it should not be forgotten that the Brazilian company Embraer is now again an independent manufacturer with a noticeable presence in the market. The Russian aerospace industry could potentially play a more important role, partly in cooperation with COMAC, with which it is implementing a joint CR929 project (wide-body long-haul aircraft). And finally, Mitsubishi is also serious about becoming an important player in the regional airliner market [7].

4. *Environmental requirements* for the production and operation of aircraft. Reducing greenhouse gas emissions from the aviation industry is one of the world's most important challenges. As noted by the International Civil Aviation Organization, reducing greenhouse gas emissions from aviation will help prevent the dire consequences of global warming for the industry itself [8]. Earlier in February 2016, ICAO developed new standard requirements that will limit greenhouse gas emissions and improve the efficiency of all commercial and private aircraft. In accordance with these requirements, the production of models that do not meet the new standards should be completely discontinued in 2028. Therefore, for the Russian aircraft industry, it is very important to more fully take into account environmental and "green" indicators both in the sector of aircraft production and its operation [9].

5. If recovery does not occur in the next 6-12 months, one of the most acute problems for the industry will be *liquidity* [10]. The rate of burnout of cash from major manufacturers such as Boeing and Airbus is from \$2.5 to \$3.5 billion per month. As in the automotive industry, companies lay off employees or reduce their salaries to minimize losses. Surveys of the largest manufacturers indicate a possible decrease in total industry revenues in 2020, as a result of travel bans due to COVID-19, by 20-30% [11]. Large companies and their suppliers of a number of levels have announced a reduction in the production of some aircraft models. Airbus said, in particular, that it would reduce production by 30%; the company stopped production at plants in Spain,

France, the UK and even in China. Boeing expects some market recovery no earlier than Q4 2020.

To increase liquidity, Airbus canceled the dividends announced earlier for 2019, suspended the replenishment of pension funds, and began to use credit lines more widely. The total liquidity available to Airbus is currently approximately \$30 billion [12].

Boeing reported a loss of \$641 million in the first quarter of 2020. The company plans to reduce 10-15% of jobs through layoffs and reduce production volumes major commercial aircraft, including 787 and 777. She turned to the US government for support in the amount of \$60 billion to increase liquidity, and also received \$25 billion through the placement of bonds. The US government has supported commercial airlines in the amount of \$50 billion, which will undoubtedly have a positive impact on aircraft manufacturers during the crisis [13].

In general, due to the pandemic, the aerospace industry could lose about \$60 billion, which is approximately 23% of company revenues in 2020. The restoration of the aerospace industry may be more slowly compared to other industries. According to the CEO of Airbus, "the restoration will certainly take place, but it may take 2 years" to return to the indicators of the beginning of 2020 [13]. At the same time large producers gradually began preparation for resumption of work. Boeing in Seattle resumed production numbering workers at the level of 17% from a payroll. Airbus brought together about 3000 people (about 50%) at the plant in Great Britain. The companies also allow the workers to work remotely where it is possible, and give a holiday to those who treat risk groups in respect of COVID-19 infection, require child care, have the sick family member or just are afraid to come to work because of a pandemic. The space industry of 15-25% of employees can work remotely at home without considerable loss of performance. However it is difficult to factory workers and technicians.

Problems with supply chains in this industry aren't so serious in comparison with automotive and electronic industry where the considerable percent of crucial components is manufactured in China and other regions of the world. Nevertheless and there is a certain dependence on purchases in different countries. It concerns a number of materials, cabins of planes, components of wings, etc.

As a result of crisis of COVID-19 the bubble which was inflated owing to the global economic growth, increase in air transportation of businessmen and tourists burst. It led to sharp reduction of use of plane fleet, dismissals and refusal of deliveries on all global cost chain. For the beginning of summer of 2020 about 70% of world aviation merchant fleet weren't operated: from 27500 planes operated at the beginning of 2020 less than 7500 [14] flew. The space industry faced congestion in warehouses of the unclaimed planes ordered even during market blossoming, and desorption of these stocks can take about five years.

As a result from 100 to 200 planes will be unclaimed by the market. Such imbalance between production and deliveries is unprecedented. Certainly, these planes will be sold the first after recovery of the market, but with big discount. Despite surplus, producers can't stop completely production as it is fraught with destruction of supply chains [15].

CONCLUSIONS AND FURTHER RESEARCH

Breaking down the data, we find that the Covid-19 crisis has hit demand for wide-body (twin-aisle) aircraft more than narrow-body (single-aisle) ones, given the fact international travel have suffered the most. Moreover, longer-range narrow-bodies such as the Airbus A320neo and Boeing 737 Max – once it is allowed to fly again – are likely to keep taking market share at the expenses of wide-bodies such as the A350 or the B777. Deliveries of wide-body jets are expected to slump by -67% in 2020 and -57% in 2021, compared to declines of -51% and -11% for narrow-body jets [16].

In general, the air transportation market is starting to revive slightly: global domestic transport has recovered by about 65%, while international - by only 25%. On the one hand, a number of countries, for example, France, Germany, Great Britain, are tightening restrictions, which, of course, will negatively affect flights. On the other hand, domestic transportation in China and South Korea, for example, returned to the level of 100%. Domestic transportation in Russia according to the results of the summer season of 2020 also broke all records.

If we talk about forecasts, then, according to our estimates, the segment of narrow-body aircraft will recover faster than wide-body ones. In this context, the long-haul aircraft will A321XLR be the most appropriate solution for airlines, giving them flexibility in planning a long-haul route network, allowing them to carry out flights as efficiently as possible both on old routes and on new ones. According to our optimistic estimates, air transportation will be able to return to the level of 2019 somewhere in 2023-2025.

With regard to new research development of the aviation industry after COVID-19, it is necessary to note that the aerospace sector must step up its efforts to make air travel cleaner and more environmentally friendly. Hopefully, claims of a 40 percent reduction in carbon emissions by modern commercial airliners compared to their previous generations are fact-based rather than wishful thinking. So far, no breakthrough technical solution has appeared for aviation traction without kerosene. Electric motors can be used to reduce emissions, for example, during taxiing on the ground, but the environmental effect of this will be very small.

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BUSINESS TRIALS, TRIBULATIONS AND RESILIENCE DURING COVID-19

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ABSTRACT

COVID-19 has presented unsurmountable hurdles for all facets of daily life. Organizations globally have felt the effects of the pandemic, having to alter traditional modes of thinking and operating. There have emerged new laws regarding daily life, which has in turn affected consumer behaviour and the supply and demand chain. Some organizations were able to flourish during the pandemic because their product was appropriate for the new at-home reality of most of the population. Although this appears a positive effect, it still requires the increased supply and subsequent need for all facets of the organization to respond accordingly. In the case of those industries that did not align with the new remote reality, they suffered massive losses and needed to remain calm, finding alternate routes for profit, or at least for the hope of profit to occur one day, in the future. This pandemic exhibited the necessity for companies to have established plans in place for various realities. There need be well-established management that is able to engage in appropriate decision-making skills, whilst maintaining the cohesiveness of the team, abiding by the overall goals of the company. Any executives that stick to traditional modes of thinking and operating would definitely be stifled by the necessity to adapt to changing times. Successful business response to a chaotic period like COVID requires openness to change. We are seeing the effects of the pandemic in real-time, short-term, however there is also the period after the pandemic to consider. Companies with longevity will work to establish long-term plans relevant to the various realities waiting for us, even after the virus has subsided.

Key words: *COVID-19, pandemic, virus, resilience, adaptability, change, theoretical*

JEL Classification: *D2, G2*

INTRODUCTION

2020 was an unexpected, unfounded year globally. COVID-19 impacted all humans in all areas of life, with no businesses spared. In light of the pandemic, many businesses were left bankrupt, with no income and no end in sight. Restrictions surrounding social distancing impacted how businesses could operate, if they could at all. Some industries were affected more than others, such as the foodservice and event industries, whereas other segments of business were forced to work overtime to meet increased demands. Business resilience implies the ability for companies to maintain afloat, maybe even to flourish, despite the odds. Important to note, business resilience does not imply that companies are not affected by the pandemic, but rather they have been able to implement strategic business moves so as to not combust. COVID-19 has presented unprecedented challenges for every business, however certain companies have exhibited business practices allowing them to dominate in spite of the odds.

The fitness industry and the airline industry in particular, have both experienced massive shifts in operation, in very opposite ways. The fitness industry has been forced in large part, to move inside. There has occurred a massive increase in online fitness videos and platforms as well as home gym equipment rising in popularity. The airline industry, conversely, unable to move “inside”, has been forced to develop ways to maintain a customer basis even though its business in essence contradicts best practices during the pandemic. There are a few companies in both industries that have exhibited incredible resilience. The companies have worked in a cohesive manner, strategically, to pivot and to adapt. COVID-19 is unfounded for everyone and it evokes massive fear, however the companies that will be discussed below exhibit the ability for organization’s to utilize thoughtful planning and implementation for continued profits and positive public perception.

DISCUSSION

The fitness industry has experienced massive shifts in the last decade. There has emerged an increasing interest in health and wellness, with nutrition and exercise coming to the forefront for the populations view. With this shift, there has arisen a surplus of new fitness brands and classes. When COVID-19 occurred however, the shut-downs forced many of these places to close, leaving the businesses without income and the customer base without their fitness fix. Enter Peleton. Peleton is an at-home bike that features a massive library of classes allowing for the spin-class experience. Prior to the pandemic, it was regarded as a more expensive option for the fortunate, however once in-person classes were no longer available, customers sought help to fulfil their fitness void. Peleton was suddenly flooded with a massive influx of orders; at the same time COVID cases surpassed 100,000 in the U.S., Peleton sales more than tripled”. [1]. As the pandemic continued to worsen, Peleton responded by expanding its workout library, including more offerings like the Peleton tread as well as decreasing the price of the Peleton core bike from \$2,245 to \$1,895 [2]. See figure 1 below.

Prior to the pandemic, Peleton struggled with the perception that it was a product reserved for the wealthy. In an effort to appeal to a broader range for increased profit margins, the company slashed prices. In order to maintain its more “elite” clientele, the company established Peleton and Tread +, which feature a slightly bigger screen as well as a screen able to swivel during bootcamp classes, connectivity to apple watch, an improved speaker system and an automatic resistance adapter” [3]. Essential to the success of the business too, is the assurance of strict COVID-safe protocol during installation. Further information can be found on the Peleton support website [4]. Peleton was one of the first champions of the indoor fitness movement that has encouraged a new wave of indoor gym equipment and a surplus of home workout platforms. The company was lucky in that its product in and of itself was a hit for a pandemic-period. Where the company shined however, was in its seizing of the time, rising to meet the increased supply needs and responding with an improved and expanded product line. Not all companies have the resilience to adapt to a positive change like increased sales, however Peleton was clearly up for the challenge.

The airline industry was not able to pivot indoors as was the fitness industry. These companies were forced to find a way to make their product work, in spite of the fact that the government urged the population to avoid travel. The so-called BEACH stocks (booking, entertainment, airlines, cruises & casinos and hotels) have seen more than a 332 billion dollar decline in value (see figure 2 below). The airline industry in particular has faced travel bans in conjunction with a vast array of new regulations surrounding the sanitation on board. All airlines were forced make several modifications: to cancel numerous flights and flight paths, reopening in batches based on safety and need, to alter the food and beverage services, eliminating glassware, replacing everything with individually wrapped products as well as adapting to new and ever-evolving cleaning regulations, which have intensified dramatically. Southwest suffered the least in terms of cancellation comparable to other airlines as the bulk of its routes are domestic, and so flight destinations not a direct concern of the CDC [5].

In a strong and successful attempt to maintain its customer base even prior to the pandemic, Southwest has championed waiving fees, never charging to change or cancel flights. This policy of course remained during the pandemic and was made easier to implement because it had already been in effect. Cancellation policies of other airlines generally possess several stipulations pertaining to these fees, whereas Southwest is the most simplistic in this offering. It allows cancellation even up to 10 minutes before departure, and extended travel funds a prolonged expiry to 2022 [6]. Delta has prevailed amidst the pandemic with a powerful response, maintaining the leading position in all areas of Business Travel News’s airline survey (see Figure 3 below). Delta placed a massive focus on customer service, assuring clear communication about new practices with continued updates about changing policies. In competitive advantage, Southwest placed a focus on this area as well, developing “an industry-standard marketing automation tool, allowing Southwest to message

travel managers globally” [7]. This tool allowed for easier and more efficient communication about scheduling.

From a price perspective, Southwest definitely prevails as a more popular airline, however from a safety and communication standpoint, Delta has still dominated. It provided a look into cleaning technology and held strong its safety precautions; some airlines said that they would block the middle seat, but then filled the plane to capacity anyway, for example. Delta remained strong in its word, though. Delta pioneered use of an electrostatic sprayer with hospital-grade disinfectant for sanitizing surfaces in addition to cleaning crew attacking all areas of the plane. Delta was one of the first airlines to initiate back-to-front boarding with a strong emphasis on restricted passenger volume [8]. In response to passengers unable to wear a mask, Delta urges those people to reconsider and rejects their presence onboard [9]. If a customer refuses to wear a mask, Delta staff hand them a card rejecting their ability to fly Delta again. Delta established a new division: the global cleanliness division, led by a new role: vice president of global cleanliness. Unlike other airlines that have implemented new cleaning procedures for this period, Delta has assured customers that all protocols that have been implemented during the pandemic will remain after control has been assumed and vaccinations widespread. Establishing a new standard of cleanliness and assuring its maintenance going forward has propelled Delta to the top spot of most customer satisfaction surveys during COVID. In a fear-based period, the organizations commitment to cleanliness, regardless of its effect on profit has created a strong brand led by strong values. Customers respond to genuineness and Delta Airlines has done just that. Interestingly, upon review of profit, Delta has actually fallen over 50% because of some of their business decisions. What the company has exhibited though, is the importance in not focusing too much on one facet of the company’s success as all pieces are connected. In remaining steadfast in their communication and cleanliness protocols, Delta has taken a stance and its customer satisfaction results have displayed their well thought-out strategy. In maintaining a happy customer base, Delta is setting themselves up for longevity in the market.

The pandemic has shown the importance not only in thinking in the short-term, but in the long-term, too. Although changes have been implemented to satisfy the current needs of the global climate, this period has urged companies to think about how they will adapt their business moving forward without knowledge of the likely lasting impact this virus will leave. The shift to online and at-home is becoming so popularized that it will potentially substantiate the new mode of operating. In addition to thinking about how to adapt in this moment, companies are needing to brainstorm about what may or may not occur in future, potentially necessitating organizational change. Delivery services, and virtual communication [10], for example are likely to carry into the future, shifting the global business landscape. In this way, thinking outside of the box and being open to change is pivotal to a company’s success. In the case of more rigid, traditional thinking, innovation will be stifled by the many roadblocks that the pandemic presents.

Discussion regarding business operation after the pandemic has already begun. The pandemic has functioned to normalize remote work, eradicating any real need for in-person business in several industries. This is attractive to a lot of organizations, because it cuts funds in rent and business equipment supplied by the company. In addition to internal changes, companies should consider the potentially evolving nature of the consumer, too [11]. Even when the pandemic is not as pervasive as it is now by in-sighting mass stay at home orders, there still has occurred a massive shift in humanity thought processes. We have been exposed to something that threatens our well-being based on interactions with others, and it is still unclear if this will have long-term impacts on human behavior. Consumers may spend less, or more, depending on the effects of the pandemic on their personal financial situation. Additionally, there may be a shift in perception in some, regarding how much to spend, and on what. COVID-19 has established new lines of thinking, altering priorities and forcing some to reconsider. Globalization is potentially in-flux, too, as this period has led to boarder closures, forcing many to look inwards. It is unclear if these shifts in society are short-term, or long-term, however the use of a tool like the SWOT analysis, could be helpful in allowing executives an easier mode of devising plans in theoretical realities. Operations will need to adapt to whatever the post-COVID world entails to insure continued business success. In the case of Peleton, for example, although the product is already relevant to the effects of the pandemic, there would need to occur a continued expansion of products offered and a strong promotional push protecting brand popularity. The brand is banking on the death of the gym [12], however if the company is wrong, and the end of this pandemic leads to the resurgence of public gathering areas like gyms, their product may see significant decline in sales. Strategic planning would consider how to appeal to consumers no longer wanting to exercise inside, by potentially branching to the indoor space too, in the way of Peleton gyms. There are many directions to take the product in both cases, and the key is to avoid remaining steadfast in any belief to avoid being destroyed by an unfounded event. In the case of Delta airlines, they have already taken into account and verbalized their plans to maintain newfound cleanliness protocols; a clever tactic in assuring continued customer safety. One of Deltas biggest obstacles, like all airlines, will be renewed profit to help to reestablish the massive loss they have experienced because of the pandemic. Additionally, there will likely occur increased demands for their airlines in terms of regulations, like requesting passenger immunizations. A move towards a touchless, contactless environment is likely, therefore making it important to continue to change policies. There will also need to be developed a new form of customer service as traditional methods may no longer be possible. Customer incentives like decreased fares would be helpful to assuring brand loyalty.

A successful business is comprised of hard-working employees, so staff happiness should be a focus. During the pandemic, a vast majority of the population faced the pandemic head-on. Working at companies like CVS for example, placed these people directly in front of the masses, risking their lives for their job. In the case of CVS, the

company received complaints from employees about health code violations [13]. Not only does this negatively impact those staff members, but also the potential for future staff onboarding and the perception of the company externally. Organizations must devise modes of protecting staff safety and happiness. Enforcing mask wearing policies, for example, function not only for the customers, but for the staff members internally, too. A prime example of good business practices in this way during the pandemic, was Whole Foods. Whole Foods includes information on their website regarding the importance in care for their staff, helping to hold them accountable to their promises. Not only does the company maintain an excellently and consistently cleaned store, but it also allows all COVID-infected employees an additional 2 weeks paid time off [14]. There is also a fund set up for team member emergencies. In this way, Whole Foods staff are comforted by the fact that although they face the front-line, their company supports them and places their safety of utmost importance.

In addition to customer and staff happiness, accordance to new and emerging laws regarding the pandemic, should be acknowledged. This event will surely result in some new regulations regarding cleanliness and social distancing. If there is not either a new department developed to understand and apply these elements, or at least an expansion of a previous department focusing on them, legal issues can arise. Accordance with the law is an essential piece of ethical decision making. Ethical decision making, although definitely not a part of all organizations processes, is often helpful in long-term success. A prime example is Costco, one of the most successful retail companies in America, worth a reported \$34.74 billion [15]. Much of the reason this organization has seen such success is because of its high level of customer service, arising from higher-than-average paid employees. The ethical decision in this case correlated to the best decision for company profits. Although this may not always appear the case, in the long-term it often is. Even though the effects of COVID regulations may at first appear to stifle company profits, accordance with these laws and assurance of implementation of them amongst staff and for customers, is the best ethical decision and will surely function as a means of maintaining longevity.

CONCLUSION

COVID-19 seemingly presented doom for all organizations; however some were able to stand strong in spite of the many hurdles that arose. Certain industries were hit harder than others, based on the nature of the product, but also based on the ability for these companies to shift and adapt according to best practices. In the fitness industry for example, Peleton paved the way for at-home fitness, exhibiting the power of their product. It proved to consumers just how accessible at-home workouts could be and worked to alter the perception that the product benefited only those with enough money in the bank. The companies response: rising to increased demand and adapting the product to further improve profits, exhibited a powerful, steady response in a time of uncertainty. In the airline industry, all companies were at an overall loss, however each chose their strategy and point of focus for hopeful existence after the pandemic.

Southwest focused on continued low-fares for the masses. Delta employed its strategy of excellent customer service and a focus on cleanliness, functioning to position them, although still at a massive profit loss, in a customer service win. Only time will exhibit which strategies were truly the best and able to withstand consumer turbulence. It does appear however, as though the decision making of Delta higher ups will set them up to reign as top airline even after the pandemic subsides. Placing a focus on consumer happiness and assuring proper cleanliness protocols allows Delta to feel comfortable and safe for its users, key during a period characteristic of fear.

Business decision making is all about expecting the unexpected, that is to say being aware that change is the only constant. COVID could not have been imagined or planned for by any organization, however the ability to stay relatively calm, optimistic and to think quickly on the toes allows companies to shift their traditional way of functioning to enable improved profits, or at least survival beyond the chaotic moment; this mode of excellent business practice was exhibited by some organizations. The pandemic proved an excellent example of why companies should be open to change and as such, have plans in place for how best to organize in the case of a massive societal shift. Proper business decision making entails a strategy for the theoretical situation and a push to maintain as much stability as possible.

Some organizations were provided an advantage in the pandemic such as Peleton, because their product spoke to the nature of the times. It was up to these businesses still though, to adapt to the massive increase in demand. Increased demand, although a positive part of business, still requires a quick response and a ton of undeniable change in company functioning. Prior set-up and planning required to respond to increased demand is helpful. In addition to these fortunate products, there were also some other organizations whose product was the antithesis to the times. When working to develop a product, it is obviously not possible to plan for absolutely every scenario and not every product or service is full proof. It is possible, however, to develop strong and stable management with clearly defined modes of decision making. Establishing best practices for how to handle imaginary disaster scenarios is a helpful tool when the real thing occurs. The airline industry was an example in the importance of an all hands on deck situation- every department was effected and in order to not completely self-destruct, all departments needed to get together and to devise a plan for how to maintain some customer support in spite of their disadvantaged service.

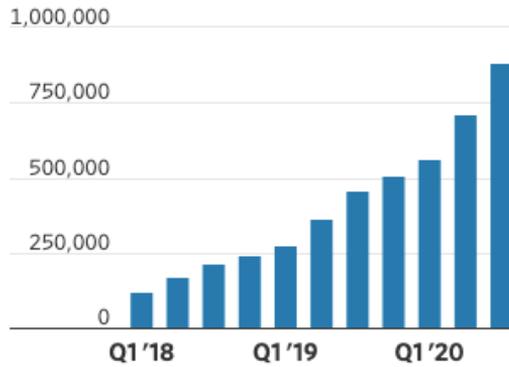
Hopefully, there will never be a pandemic again. That isn't to say that there will not be some other disaster interfering with business practices, though. If organizations were strategic enough to stay in business during this period, they were surely reminded of the importance in an organized system in which management roles are clearly defined and decision making processes established. Planning for as many theoretical scenarios as possible, is essential in best handling whatever is to occur. Operating as a cohesive team in which all individuals feel supported is certainly helpful in continued productivity no matter the chaos attempting to erupt.

APPENDIX

Gaining Speed

The number of people buying Pelotons and paying \$39 a month for online services has consistently grown.

Subscribers by quarter



Note: Quarterly data calculated on fiscal basis

Source: Company disclosures

[9]

TRANSIENT PRICING

Customizing discounts & other negotiated prices



MEETINGS TRAVEL PRICING

Customizing discounts & other negotiated prices for preferred travel buyers



SERVICES & AMENITIES

Customizing traveler-focused offerings like soft-dollar benefits & VIP treatment in flight & at the airport



DISTRIBUTION CHANNELS

Providing comprehensive published & private content through preferred booking channels



COMPLAINT RESOLUTION

Responding quickly & effectively to buyers & travelers



COMMUNICATION WITH BUYERS

Informing buyers of changes in airline management, products, programs, data, reporting, sales & service



ACCOUNT MANAGERS & SALES REPS

Participating in productive & frequent meetings & holding the power to negotiate agreements, offer options & make price & service decisions



CUSTOMER SERVICE FOR TRAVELERS

Timeliness, reliability, cleanliness, support & communication



QUALITY OF DATA & REPORTING TOOLS

Data and program insights provided by airline as well as tools/portals enabling access to that data



NETWORKS, PARTNERSHIPS & FREQUENCIES

Service to the destinations corporations need to reach



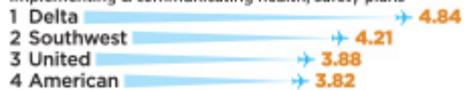
VALUE

Worth of service levels relative to fares, fees & other services



OVERALL COVID-19 RESPONSE

Implementing & communicating health, safety plans



[7]

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INSTRUCTION TO AUTHORS FOR WRITING AND PREPARATION OF MANUSCRIPTS

Entrepreneurship and economic resilience are two seemingly different issues which are inherently connected. Economic resilience is an emerging field which has been applied to study economic performance and responsiveness to external shocks in different regions. Shocks such as financial crisis which have been faced by entrepreneurial actions in the economic history of the regions; however, the entrepreneurship-economic resilience nexus is recently drawing the attention of scholars and policy makers. This approach, more specifically, could pave the way for those societies which are following economic resilience policies to handle their economic issues.

The main objective of the journal is to fill the existing knowledge gap within the fields of entrepreneurship and economic resilience. In spite of the raising interest in this field, there are very few sources of research for this subject, especially in the field of entrepreneurship-economic resilience nexus.

MANUSCRIPT SUBMISSION

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Einstein, A. (1916). General Theory of Relativity. *Annalen der Physik* 49(7), pp. 769-

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