

# WHAT IS THE BUSINESS LIFE LIKE IN THE STANDING OF COVID-19 AND WHAT WILL THE BUSINESS BE LIKE TOMORROW?

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## **Abstract**

The aim of the article is to analyze the problems faced by businesses in the pandemic period. Covid-19 has fundamentally transformed the role of the business and the methods of doing it. Today, in the current standing of pandemic, we see a sharp impact of technology on the society and the business agenda, which is a prerequisite for some important aspects of doing business to change forever, and it is most probably unlikely that it might return to the pre-crisis status quo. The COVID-19 pandemic has forced small and medium-sized audit firms to rethink and reconsider the principles of working with clients – changing the way they would operate in the future.

How can a business avoid mass layoffs and stand side by side with employees while protecting the future of the company? How to maintain revenue in the face of the reduced customer demand? In the first place, the organizations that deal with the crisis effectively will return to the market with a stronger reputation and stronger relationships after its transition. Second, training remains the most important link in navigating a crisis with an unshakable reputation.

**Key words:** pandemic business environment, post-crisis stages, fiscal and financial policy, tax protection

## **1. Introduction**

Covid-19 not only changed the behavior, the attitudes and the daily rhythm of the society, but also fundamentally transformed the role of the business and the methods of doing it. The environment we had before the virus and the one we are having today are fundamentally different. The scale of the crisis caused by Covid-19 has reached the mark to high, but it is impossible to accurately assess the impact of the pandemic on business because we do not know where it peaks and when it will peak. Today we can only say with certainty that the crisis has affected all industries, fields or directions and, unfortunately, uncertainty in business today is more than certain expectations.

Nevertheless, the problems faced by businesses in the pandemic are already well known. The company „PricewaterhouseCoopers Georgia“ (PwC Georgia) conducted a survey, according to which more than one of 10 companies had to reduce the number of employees, and every fifth company – to lay off employees on unpaid leave.

## **2. Analysis of the main research material**

In the sectoral terms, business activities were suspended by 66% of the hotel and catering sector, by 57% of the trade sector, by 53% of the construction sector and by 50% of the other services sector. And most of the

representatives of the manufacturing and agricultural sectors stopped or reduced the volume of production. Due to the specifics of its activities, the ICT sector has been able to adapt to the new reality most easily.

The most affected sector during the pandemic is the hotel and the restaurant business, 78% of which reported a reduction in the revenue of more than 50%. It is followed by the transportation and the warehousing sector (69%), other services (68%) and the trade (66%). About 40% of the companies operating in the agricultural and the manufacturing sectors reported revenue reductions of more than 50%, which is relatively low compared to other sectors. Only 5% of businesses did not have revenue cuts in March and April 2020. According to the company size, according to the survey of the respondents, the decrease in the revenue by more than 50% mostly affected micro self-employed (69%), followed by micro (2-9 employees) companies (64%), followed by small companies (60%), medium-sized companies (54%) and finally large companies (52%).

The analysis of the survey results shows that 27% of the surveyed companies had to fully (100%) lay off employees. The lowest staff reductions were observed in the agriculture, ICT and manufacturing sectors, while the highest in hotels and restaurants (46%), other services (40%) and transportation and warehousing (28%). As for the professions of dismissed employees, most employees were dismissed from the position of sales and services (38.7%), followed by business and administration (10.5%), construction (10%), manufacturing and processing (8.3%), and transportation (8.1%).

The current work process of the business can be conditionally divided into internal and external factors. From the internal factors we can single out several key issues: How has the business work environment changed and what type of skills have become necessary? What is the vision of the business and the future, of creation and development of the new, so-called future services or goods? What measures and activities does the business have in pre-crisis, crisis and post-crisis stages? Today, in the current standing of pandemic, we see a sharp impact of technology on the society and the business agenda, which is a prerequisite for some important aspects of doing business to change forever, and it is most probably unlikely that is might return to the pre-crisis status quo.

In terms of the external factors, the business is fully dependent on the steps taken by the government to implement the measures taken in order to support the business. In Georgia, as in the entire world, the scale of measures is growing and provides many benefits: easing business taxation, reducing tax rates, deferring or temporarily abolishing taxes (so-called tax holiday), including access to business grants or government loans and grants, temporary support for the unemployed and the self-employed, etc.

Overall, the package known as Covid-19 Incentive includes two important points: the fiscal side and the financial side. In recent years, the stated goal of the government of Georgia is to develop a tax policy that will serve to increase local and foreign investment in the country, to promote business start-up and development, and to provide the most attractive and favorable tax environment.

It should be noted that during the Covid-19 pandemic, the government of Georgia provided for the injected tax protection in order to save the businesses, and announced application of the significant measures in the post-crisis sector. However, the government sensitivity and the pragmatism towards business may sometimes be delayed and / or insufficient. For example, this refers to the scale and the period of the tax breaks imposed.

Taking into account the conditions of the Covid-19 pandemic, the main task of the government is to mitigate the already received strikes and those, which are going to be received, in both short- and long-term vision. The government needs to ask the right questions, to provide for the right emphasis, and to make both

operational and strategic decisions, because chaotic decisions, whether at the individual, the organizational, or the public level, may do more harm than good.

The Organization for Economic Co-operation and Development (OECD) has conducted the survey – on changes in tax policy measures by the countries in response to the current challenge – the pandemic. In the framework of the survey the data from more than 100 countries have been analyzed and all the steps taken by the governments in order to protect businesses in response to the Covid-19 crisis have been identified. The responses reflect information on the steps taken by the governments in terms of the fiscal policy as of April 2020. How well do the measures taken against the Covid-19 crisis serve to save the business? How legitimate is the pathos of the business as well as the demand – to refer to important and radical measures on behalf of the government?

Georgian business (including business associations) has a feeling that the measures taken by the government are a drop in the ocean, as evidenced by the multi-algorithmic steps taken by developed countries. In the short run, it is important for the government to ensure business liquidity and the ability to retain jobs as much as possible. To be more precise, in terms of the social responsibility, in the short run the business will retain its workforce, while in the long run the work environment as well as the skills and the abilities will inevitably change, which will inevitably lead to significant changes in employment, as we have already mentioned. Consequently, at this stage, the government should re-evaluate fiscal policy to enable businesses to alleviate their injuries, and time will tell how long the healing process will last.

During the pandemic, information technologies played a special role in saving the business, including the so-called cloud technology. Cloud technology is not new, it has been created for about 20 years and is widely used in the world. Cloud turned out to be one of the major technological solutions that facilitated the operation of the business during the pandemic period.

Georgian accounting and managerial accounting program „Balance“ is also cloud technology. The balance sheet is fully capable of accounting for sales, inventory management, construction and production accounting. The program has a cashier interface called Posy. Important functionality for a specific field is also designed. For example, plan-fact analysis for construction, prescription accounting for production, simplified bill processing for trade, etc. Balance Live Customer Service has a built-in app that allows the support team to be online every business day from 9am to 6pm. According to the users, this form of support is much more flexible and efficient than e-mails and phone calls.

The COVID-19 pandemic has forced small and medium-sized audit firms to rethink and reconsider the principles of working with clients – changing the way they would operate in the future. This article was originally published in May 2020 in the Chinese Edition of the Magazine Accounting and Business. The COVID-19 pandemic has affected all parts of the life. Offices have been closed and now many more people have been working remotely than ever before. Large-resource corporations and large-scale accounting firms have responded quickly, although the impact on SMEs is still unclear.

„We are investing in the communication system such as Velox. By downloading this app to your mobile phone, we will be able to communicate with clients from anywhere“. „Because of the nature of the auditor’s business, it is often necessary to reach out to the client. Most SMPs I have information about use the audit software“, – said Alan Chang, the Founder and the Managing Director of OA Assurance. „Thus, in the case of SMPs, it is still possible to get a job without the presence of the personnel in the office“. In such cases, Chang recommends switching to a digital form of relationship. „Use the grants provided by the state and convert your business processes into digital format. It is also a good time for companies to take care of improving the skills of their employees“, – he said. „Where there is a crisis, there is an opportunity as well“.

„We recommend retail customers to introduce online trading in order to successfully sell their products“, he stated. „Now we recommend the introduction of the cloud-based software“. His main advice to clients in the field of the hospitality, food and beverage and retail sectors is to maximize the cash flow. This may also mean that he advises the firms that have almost ceased to operate in the given situation to ask employees to take their annual paid leave during this period and then non-paid leave as well. He also offers to negotiate with the landlords, the suppliers and the banks. „Ask for a price reduction. They may be in a similarly difficult situation, and doing so may be an opportunity for them to sell a product or service“, he said. „One of the things I strongly advise them is not to stop advertising and promoting their products or services, the public should know that they exist and should be aware of what the different companies can offer them“, – Chang proposed.

According to Polish reformer **Leszek Balcerowicz**, when talking about economics in the context of the pandemic, one must distinguish between its short-term and long-term consequences. „Short-term results are already in sight – an economic downturn, among them in Poland and Georgia as well. The issue is not the pandemic itself, but the policy response to the pandemic, including isolation measures and other goods, such as a sharp decline in demand from the part of the tourism customers“, – he stated. Balcerowicz notes that opening up of the economy is very important, although this should be done step by step considering the risks of the epidemic or the risks of the epidemic renewal and the certain security measures. „It is necessary to activate certain automatic fiscal stabilizers. But in addition, we need to be careful and prudent, and we must remember what Georgia has achieved – a moderate GDP, stability and confidence. I think trust is very important for recovery. As for monetary policy, I would first discuss liquidity problems in commercial banks, although I would refuse major monetary stimulus such as quantitative easing (QE). I know that Georgia is quite successful, but there are still some burdens that need to be removed. And the whole policy should be aimed at increasing trust in private institutions, because it is these factors that determine how quickly recovery will take place“, – said Leszek Balcerowicz.

The crisis caused by the coronavirus has shown everyone that some leaders work better than other leaders. According to Forbes, the methods applied for by world leaders in order to overcome the current crisis are also interesting and useful for the business. These methods will help the companies to adapt to new realities and to capture the market share that has been released by the relatively weak competitors. The leaders often lose hope for a better perception of reality in the hope of a better future. This is natural, but in a crisis like this, this approach is very risky for the companies to take on.

Forbes writes that business leaders need to resist feelings such as anger, denial of reality, and irrationality. The best strategy in the Covid 19 pandemic is to recognize reality and to face it. The business leaders should not run away from the truth and shall rationally evaluate the challenge that the company is facing. After analyzing that reality, it is necessary to formulate a strategy and to implement it immediately. The faster we fix the mistake, the faster we can improve its negative consequences.

According to the relatively optimistic scenario of the consulting company **TBC Capital**, the Georgian economy is expected to grow in the range of 1.7-2.5% in 2020. According to the stressful scenario of the same company: GDP growth can return to positive parameters only in the fourth quarter, and the Georgian economy in 2020 in general finds itself in a state of recession.

As of today, even leading and authoritative experts find it difficult to determine with high accuracy the severity of the expected results and the actual results in all the possible parameters. They are limited to the assumptions of multilevel scenarios, as economic activity has been hit in many areas as a result of the coronavirus pandemic.

But the stressful scenario for TBC Capital is the following: Significant losses during the summer season in Georgia will result in a loss of about 50% of revenue from tourism (in USD). For the companies involved in tourism (including the restaurants), the government of Georgia has deferred the property and the income taxes, with hotels ranging from 4 to 50 rooms throughout Georgia receiving 6-month bank loan co-financing. This project involves about 2,000 hotels that could suffer significant financial losses as a result of the pandemic. Unfortunately, some do not have enough resources and strength, knowledge and professionalism to survive and become better than others. At the same time, only professionals usually survive and win in the difficult situations.

Thus, if we rely on their predictions, we should not have high hopes that tourism in the nearest future will help the restaurant business to grow rapidly, at the same time, it will soon become known that the fight for survival still goes on. Moreover, long-term statistics show that 70 to 90% of newly opened restaurants close down in a difficult environment in one year. And the reason for this is that the owners could not assess properly their own capabilities, were overburdened with the loans, chose the unsuccessful location, made a faulty excess investment, or rented storerooms too expensive, and so on. And in the force-majeure situations like the present one, objects often close down faster than usual. Already today, in order to survive and promote their business, in Georgia, as well as in other countries, some restaurants are actively involved in the delivery service or work through a special window in take away mode. However, we must understand that working based on the principle of delivery only in all the cases cannot fully compensate for the loss.

The practice also shows that in order to compensate for the customer visits, delivery must be increased and exceeded 6-7 times, technically this is not easy either, as infrastructurally urgent training is required – these include booking operators, delivery staff and couriers, and buying food packing materials. In addition, traditional restaurants will have to compete with the fast-food catering services that have a fairly well-regulated customer service mechanism.

However, such an opportunity, as one of the outputs, allows the restaurant to react to the current situation and to survive when others may even go bankrupt. Of course, this requires a lot of effort, study of the consumer needs and entrepreneurial flexibility. It may also make sense for Georgian restaurateurs to explore online the experiences of the foreign country in which a delivery boom has already taken place amid a new pandemic, as the conditions of the coronavirus instill in people the taste of the food delivered, and the courier services are gaining popularity due to the quarantine and the pandemics.

How to survive a business in the conditions of the pandemic – Food business owners have developed a multi-point plan. The demand that the employees should be paid 50% of their salary by the state, that the interest of the loan taken for the restaurant business should be subsidized, and the utility payment allowances should be provided. According to the representatives of the sector, after the spring, the bans adopted by the Decree as of November 28 are disastrous for them and they will not be able to cover the necessary expenses with the delivery service. The heads of cafes and restaurants sent an appeal to the Prime Minister.

How can a business avoid mass layoffs and stand side by side with employees while protecting the future of the company? How to maintain revenue in the face of the reduced customer demand, even in the face of such challenges, already well-experienced rules of the crisis management apply.

In the first place, the organizations that deal with the crisis effectively will return to the market with a stronger reputation and stronger relationships after its transition. Target audiences – employees, partners, suppliers, customers, stakeholders – seek transparency, clarity and regular communication. While businesses are looking for ways to solve a problem, they should know that no one really expects them to have a response to everything. What is the main thing and of utmost importance – is the steadfast and constant

communication of news, messages, facts, corporate actions and developments.

Second, training remains the most important link in navigating a crisis with an unshakable reputation. Scenario planning, COVID-19 short-term effect, and long-term return strategy are critical to ensure that businesses not only survive the crisis, but return to normal standing quickly and continue to grow after returning. The level of uncertainty in this case means that businesses will have to respond to the rapidly changing environment around them, but that does not mean they cannot plan scenarios. You need to constantly evaluate the risks and be clear that they are doing everything they can.

### 3. Conclusion

The damage caused by the pandemic crisis of the COVID-19 to the country's economy and the human well-being is still increasing. The measures taken by the states in order to save lives and to prevent the spread of pandemics – including closing borders, banning traffic between the cities, declaring a state of emergency and restricting the economic activity – have dealt a significant blow to the economic development of the countries around the world. According to the various international organizations, the global economy will shrink sharply in 2020, by at least 3%, which is worse than the global crisis of 2008-2009. As for the real growth of Georgia's GDP, it is expected that by 2020 there will be a radical decline and it will fall by -4.0%. The third serious global economic crisis has erupted in the past decades, but never before in the modern world has a pandemic caused such a large-scale crisis. In this regard, it is too early to accurately predict the expected situation and trends in the Georgian economy. This will be possible in just a few months, based on the official data.

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