

COVID-19 Pandemic and Crisis Management

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Abstract: Due to the unpredictability of global events, many modern organizations attempt to identify potential crises before they occur in order to sketch out plans to deal with them. When and if a crisis occurs, the organization must be able to drastically change course in order to survive. The aim of crisis management is to be well prepared for crisis, ensure a rapid and adequate response to the crisis, maintaining clear lines of reporting and communication in the event of crisis and agreeing rules for crisis termination. The COVID-19 crisis that began in 2019 can be expected to become a textbook example of crisis management. Businesses around the world were forced to shut their doors. Millions of employees were sent home. In this article I will discuss what the crisis management is and ways to create effective crisis management plans. In addition, crisis management will be considered as pandemic crisis management for organizations and specific solutions of effective crisis management systems.

Existence of Crisis management plan allows the organization to lead effectively at the period of crisis. So having an effective crisis management plan for organizations is vitally important. In this article, I will consider two different sectors – economy and education of countries and specifically I will give examples of Georgia.

Keywords: crisis management; action plan; organization

Introduction

Crisis is defined as inherently abnormal, unstable and complex situation that represents a threat to the strategic objectives, reputation or existence of an organization. (BSI, 2011)

Due to the unpredictability of global events, many modern organizations attempt to identify potential crises before they occur in order to sketch out plans to deal with them. When and if a crisis occurs, the organization must be able to drastically change course in order to survive.

Any business, large or small, may run into problems that negatively impact its normal operations. A crisis can take many forms — an office fire, the death of a CEO, a terrorist attack, a data breach, or a natural disaster can lead to tangible and intangible costs to a company in terms of lost sales, damage to its reputation, and a decrease in income.

The COVID-19 crisis that began in 2019 can be considered as a great example of crisis management. Businesses around the world were forced to shut their doors. Millions of employees were sent home. Essential services struggled to function. Educational system in different countries had to struggle a lot to survive. For public sectors, it was delivering education with a different system and for private sector it was both, delivering education and keeping financial stability.

Crises are associated with highly complex problems, the full implications and nature of which maybe unclear at the time. Each possible solution may have severe consequences of one from another. Managers may have to choose the “least bad” solution and may have to resolve (or at least recognize and accept) fundamental strategic dilemmas. These might mean that every choice comes with a penalty of some sort and there is no ideal solution. (BSI, 2011)

Crises may create situations that can harm the fundamental norms, self-image and values of an organization. In this case, effective leadership becomes the only way to survive. During the crises management, managers are the people who should make fast and correct decisions with their teams at a time when they may be under pressure of time and intense scrutiny. Managers should ensure that their plans are effective; it is measurable and understandable for every employee.

Effective Crisis Management can demonstrate organization’s positive qualities and enhance its reputation. Moreover, in case of appropriate crisis management, organization can become much more popular and say a new word on the market while other competitors can lose their prestige. So crisis can become for ones a way for development, while for others it can be a collapse.

In a rapidly changing environment, schools and universities need to be able to anticipate, prepare for, respond and adapt to any sudden disruptions that may come their way.

For setting up and managing an effective business continuity management system, an organization needs to define a risk assessment process that will enable it to understand the threats and vulnerabilities of its critical activities and supporting resources. It is necessary to assess the impact that would arise if an identified threat became an incident and caused a business disruption For setting up and managing an effective business continuity management system, an organization needs to define a risk assessment process that will enable it to understand the threats and vulnerabilities of its critical activities and supporting resources. It is necessary to assess the impact that would arise if an identified threat became an incident and caused a business disruption For setting up and managing an effective business continuity management system, an organization needs to define a risk assessment process that will enable it to understand the threats and vulnerabilities of its critical activities and supporting resources. It is necessary to assess the impact that would arise if an identified threat became an incident and caused a business disruption For setting up and managing an effective business continuity management system, an organization needs to define a risk assessment process that will enable it to understand the threats and vulnerabilities of its critical activities and supporting resources. It is necessary to assess the impact that would arise if an identified threat became an incident and caused a business disruption For setting up and managing an effective business continuity management system, it is important an organization to define risks at stage of planning and assess them. This process will make the organization understand the threats and values of its critical activities. It is important to have an effective risk assessment system in order to assess risk impact on activity or system and possibility to occur. Top Managers' role is vitally important at crisis management. Their decisions may include direct intervention and decisive strategic leadership that cannot be preconceived. Organizational change is about making alternations to the organization's purpose, culture, structure and processes in response to seen or anticipated changes in the environment, which can be especially significant during a crisis. Strategic management of change is all about identifying and embedding in the organization those changes that will ensure the long-term survival of the organization. (Hamidovic, 2012)

What is Crisis Management?

The term crisis refers to a high consequence, lower probability action known to strike the organization that has the capacity to bring down the entire business as: industrial action; supply chain disruption; civil disorder; product contamination; natural disaster; terrorism, pandemic and political risk, crisis management plan becomes a potent survival tool. (D.Saleh, 2016)

At crisis, there are only two ways – to survive or to sink. The main goal of a crisis management plan is to protect employees, customers, consumers, corporate image, firm assets, and corporate brands. By having a crisis management plan in place, an organization is more able to take the necessary actions to minimize losses in business and reduce risks. The plan should have references to the applicable laws and regulations to protect relationships and ensure compliance with regulatory and government agencies. For the effectiveness of the plan to be achieved, it is vital for a firm to educate and train employees and to prepare them and equip them with information on what to do in the event of a crisis. (D.Saleh, 2016)

Sometimes managers mix two terms – crisis and incident. There is a big difference between an incident and a crisis. In everyday business, small incidents can occur at any time and are unavoidable. When such incidents occur, organizations should have an incident investigation procedure to find the root causes of the incident and set effective preventive actions. Failure to manage small incidents could turn them into crises.

A crisis is a situation that is bigger and more serious compared to an incident. A crisis can pose higher uncertainty and disturb critical activities. It could arise from incidents that are left unresolved or not resolved properly. Crises are typically more massive and require severe and strategic intervention. A crisis, most often, requires urgent and strategic action.

We can also avoid incidents, if we assess near misses appropriately. Near miss is a potential incident that can cause any negative results. If we notice there is a near miss, in case of effective leading, we can reduce a chance of turning the near miss into the incident. However, crisis is a situation, which can be caused by internal or external factors and must be led effectively in order to survive.

A crisis can either be internal or caused by external factors. Examples of external forces that could affect an organization's operations include natural disasters, security breaches, false rumors that hurt a business's reputation. COVID-19 Pandemic situation is one of the best example of external factor, which caused very negative effects for some organizations. An external crisis needs a very intensive, fast and smart work from top managers' side to survive.

Internal crises are caused within the organization. In this case, it can be a situation, when, for example, an employee smokes in an environment that contains hazardous chemicals, downloads questionable computer files, offers poor customer service that goes viral online. An internal crisis can be managed, mitigated, or avoided if a company enforces strict compliance guidelines and protocols regarding ethics, policies, rules, and regulations among employees.

As Pas 200 says, Crises place exceptional demands on managers and their support teams, at a time when they may already be under pressure of time and intense scrutiny.

Managers should ensure that their planning takes into account the need to sustain a response at high levels of intensity. They should also anticipate the needs of staff who may be working at extraordinary levels of activity and, possibly, dealing with distressing issues. Crises often force organizations to review, transform or defend their choices, policies, culture and strategies, possibly under public and media scrutiny. However, they can bring new opportunities and benefits to an organization if they are handled successfully.

Even if the organization is perceived to be at fault or blame worthy, the demonstration of virtue, integrity and compassion can offset, to some extent, the damage to its reputation and standing. A well-managed crisis can demonstrate the positive qualities of an organization and enhance its general reputation. (BSI, 2011)

Successful crisis management some times involves stepping outside the normal "rules" of an organization or its business environment. Indeed, crises often invalidate taken-for-granted expectations on the part of stake holders and the wider community.

An organization's performance in crisis management, and its apparent preparedness, may expose its top management to public scrutiny. The consequences, in personal, professional and organizational terms, could be significant. (BSI, 2011)

Crisis Management includes activities and processes, which help the managers as well as employees to analyze and understand events, which might lead to crisis and uncertainty in the organization. Crisis Management enables the managers and employees to respond effectively to changes in the organization culture. As Peter Drucker said, **"The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic."** **When there is a crisis, change and innovation is a step to survival. However, top managers should always consider the importance of team involvement in change management.** If the crisis management plan is effective, if all the employees are informed and they know how to manage, then the chances of dealing with crisis are really high. Hence, communication between employees at the time of crisis must be effective. Psychological stability is also very important and top managers should clearly understand that. At crisis management, being too rigid and impatient, can destroy all. Top managers are the people who are the main heroes to struggle with crisis. However, they can't do anything if they do not have a support from their team. At crisis management there should be regular touch with the employees and help them adapt to changes and new situations. Top managers should realize they spend incredibly much energy and time to deal with crisis but they do it for survival and the employees are the people, who help them to survive.

There are three categories of Crisis Management that exist in an organization:

Responsive Crisis Management is a type of management, which includes plans that are designed to be acted upon immediately. They should include clear guidelines and protocols on what to do, who to involve, and crisis response to outside entities. Responsive plans generally concern rare but somewhat predictable financial or crises with employees.

Proactive Crisis Management is also about anticipating potential future issues and having plans in place to prevent them. However, these plans are generally about crises that are easy to prepare for but difficult to control ahead of time. For example, companies avoid accidents by ensuring that employees follow safety protocols. Companies examine safety studies and put protocols in place in the case of a natural disaster. Employees must be informed about safety protocols from the moment they start working at the company. Both employees and executives should frequently be updated on changes in regulations and protocol.

Reactive Crisis Management focuses on damage minimization during later phases of crisis. This type of crisis management is the hardest to solve and the most complex, since it covers an unknowable number of unpredictable risks of a business. Since reactive crisis management must occur quickly, it is important to implement a communication strategy that is concise and action-oriented. While rebuilding long-term professional or client relationships is also a key component, a clear and concise plan for primary actors involved in the crisis management plan must take priority. (D.Saleh, 2016)

According to mentioned above, we see that from two ways – to survive or to sink - organizations, which want to survive in crisis, should definitely have an appropriate crisis management plan. Within the effective crisis management, organization prepares the individuals to face unexpected developments and adverse conditions in the organization with courage and determination. Moreover, employees can understand and analyze the causes of crisis and cope with it in the best possible way. In addition, they adjust well to the sudden changes in the organization. Adaptation process, as mentioned above, is one of the most important for employees at crisis management. Finally, Crisis Management helps the managers to feel the early signs of crisis, warn the employees against the aftermaths and take necessary precautions for the same.

COVID-19 and Crisis Management

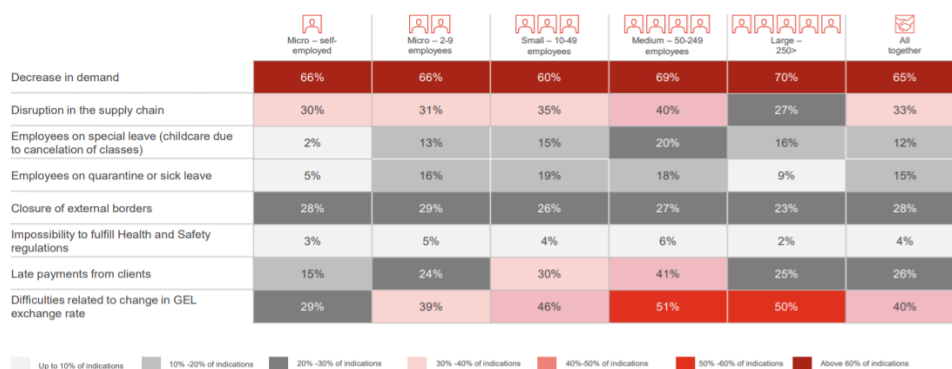
The impact of the coronavirus is rippling through all over the world, including Georgian economy.

The pandemic has disrupted lives across all countries and communities and negatively affected global economic growth in 2020 beyond anything experienced in nearly a century. The virus reduced global economic growth in 2020 to an annualized rate of around -3.2%, with a recovery of 5.9% projected for 2021. Global trade was fallen by 5.3% in 2020. (Jackson, et al., 2021)

According to PwC survey report, which was done in 2020 in Georgia, from all the sectors, the accommodation and food service companies were effected the most – more than 75% of this sector is experiencing significant revenue reduction. As a quick solution to resolve decreased demand and liquidity issues, companies started to reduce their headcounts. More than 50% of companies have already experienced some employee reductions, with the tourism and service related industries being most vulnerable (more than 40% have already reduced 100% of their employees). The agriculture sector has been the least affected from this perspective. (PwC, 2020)

Based on the survey results, the main difficulty the companies face is decrease in demand followed by the currency rate fluctuations and disruption in the supply chain. In addition to the responses recorded in the study, the companies also cited the closure of business due to quarantine and restrictions on transportation as a significant difficulty. In terms of sector analysis, closure of external borders disrupts mostly accommodation and food service enterprises, with 49% indicating it as a difficulty, as well as transportation and storage business – 41%. Almost half of the respondents operating in the construction or ICT sectors are especially concerned by difficulties related to the currency exchange rate and late payments from clients. Disruption in the supply chain and difficulties related to the currency exchange rate was identified as a difficulty by companies operating in the agriculture and manufacturing sectors. (PwC, 2020)

What are the causes of the difficulties the company is facing?



How to read the map?
 Heat map indicates what percentage of various sized entrepreneurs pointed out particular difficulties during the pandemic. For example: closing borders caused difficulties for 29% of Micro enterprises employing 2-9 people. Please note, that respondents could choose more than one answer and percentages do not add up to 100%.

Georgian business in the face of the Covid-19 pandemic
 PwC

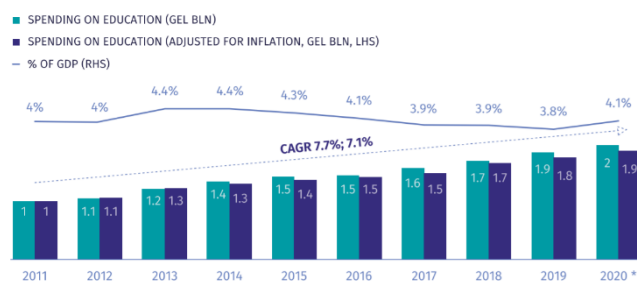
Source: https://www.pwc.com/ge/en/assets/pdf/may-2020/Georgia_Covid_19_survey_Report_Final_English_21.05.20.pdf

Another very important sector is education. Georgia’s educational system at pandemic has become more disappointing. Distance learning in the Georgian education system was not adopted before the pandemic and the country was unprepared for the new challenges. 38% of households did not have computers and 16% still lacked internet access in the same period. Challenges in the distance learning process in the rural areas are higher

compared to the urban areas, driven by the high degree of inequality, which is largely related to the socio-economic status of families. Share of households who lacked access to computers in the rural areas was 68% in 2020, whereas the share of households with the same problems in the urban areas was 24% in the same period. (Adeishvili, Amashukeli, Eristavi, & Tushurashvili, 2021)

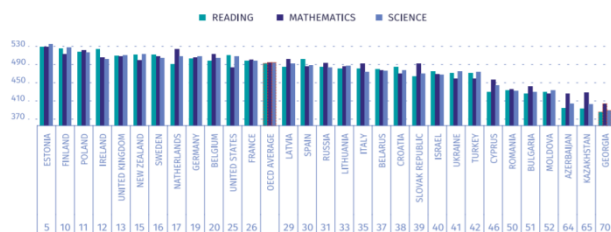
Pandemic caused close of different private schools because of decrease number of students. Public sector had to change a system of teaching, while private sector had to deal with both, teaching system and financial stability. Those who made changes, survived. However, the COVID-19 pandemic and subsequent lockdowns and safety regulations have led to decreased duration of classes and efficiency of the studying process. Developing of educational system is connected with economic, social and political stability of the country, hence, Implementation of strategic planning in education is vital. It is important to mention that, unfortunately, education system must be accessible to all and provide all citizens of the country with the opportunity to achieve high-quality sustainable outcomes, which still remains a problem. At pandemic, educational system appeared not ready to provide students with high quality education. There are several reason of it. Firstly, it is access to internet and digital resources. Especially in regions, students and teachers had lack of access to technologies. Secondly, for those who had access to education, is appropriate trainings for teachers and students to use the technologies appropriately and purposely. In addition, crisis management planning and understanding importance of it by the top managers. Every change must be planned, assess and measured. If not, then there is a high probability change will turn into a collapse.

Expenditure on education in Georgia as a % of GDP was lower compared to the OECD average (5% in 2017) and EU (4.7%) and Russia (4.7%), but higher compared to the neighboring Armenia (2.7%) and Azerbaijan (2.5%).



Source: GeoStat, IDFI

In recent years, numerous reforms have been carried out with the purpose of fundamentally restructuring the old-fashioned education system, changing its institutional structure, eliminating corruption, granting autonomy to universities, and introducing European standards. The fact is that all these reforms have not yet yielded significant results and the Georgian education system still faces many challenges and occupies the last positions in world rankings in terms of education. The results of PISA show that the Georgian education system needs significant changes. Georgia Ranks 70th out of 78 countries by summed up score of reading, math, and science. We lag behind all neighboring and developed countries.



Source: World Development Indicators, IDFI

Note: Numbers below show where is a country in PISA 2018 ranking, by summed up score of reading, mathematics & science. (In case of Spain is given 2015 results)

So, COVID-19 pandemic has hit Georgia and the whole world hard. Mobility restrictions, a sudden halt to international tourist arrivals, and weak external demand drove an estimated economic contraction of 6.2 percent in 2020. The poverty rate increased by an estimated 5.4 percentage points. Job and income losses were

severe. The fiscal deficit and public debt rose above statutory levels as the crisis put pressure on fiscal and external balances. (worldbank.org, 2021)

Conclusion

To sum up, COVID – 19 Pandemic can be considered as a crisis of 21st century for all economic and social sectors. The world was not ready and only those who made big changes and effective strategical plans to deal with the crisis were able to survive.

Too few organizations take crisis management into account. The capability to manage crisis should be seen as something that can be simply developed as and when needed. The development of the crisis management capability requires a systematic approach.

To summarize all mentioned above, we can highlight main keys for crisis management:

- **Creation of crisis management plan.** Plan should include concrete activities with responsible people, deadlines and resources. CMP must become a guidebook for all employees and managers. It is vitally important employees have a 24/7 access to the CMP and understand that well. CMP should include also not only the planning, but control and measurement tools. Activities should be measure in order to see whether the plan is effective or not and in case of inefficiency urgently make changes.
- **Training personnel.** When making changes, employees should realize the importance of this change and get it as a survival tool. Usually changes are connected with some skills and knowledge and in this case top manager should have responsible people who will train the employees in order to make changes effectively. It is important to mention that top managers often forget they won't achieve a goal with only well-designed strategic plan if employees are not appropriately trained and aware.
- **Information access.** Being able to reach your stakeholders and provide them with accurate information in a time of need is the first step in your crisis communication strategy. But you must also be sure you can account for them, coordinate a response if necessary and confirm they are safe. Employees and other interested parties should have information access and be always updated. All the analyses, data and other analytical information should be accessible for employees to see the progress and/or regress of the procedures and the organization.

The economic and social disruption caused by the pandemic is devastating: tens of millions of people are at risk of falling into extreme poverty, while the number of undernourished people, currently estimated at nearly 690 million, could increase by up to 132 million. Millions of enterprises face an existential threat. Nearly half of the world's 3.3 billion global workforce are at risk of losing their livelihoods. The pandemic has been affecting the entire food system and has laid bare its fragility. Millions of students around the world are without access to education. The result of this crisis will be visible after several years and the organizations will be able to measure their crisis management tools, however the negative effects, that the world had because of not being ready for the pandemic crisis management, will always have their paths on humans lives.(www.who.int, 2020). As Warren Buffett says: "It takes twenty years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently". So, let us rethink the future.

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