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## CONCEPTUAL FRAMEWORK FOR CORPORATE GOVERNANCE IN CRISIS PERIOD ON EXAMPLE OF HOSPITALITY INDUSTRY IN LATVIA

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**Introduction.** Since 2019, the pandemic caused by COVID-19 has caused a crisis in all spheres of life, there are many restrictions, including on crossing national borders and moving within one country. To limit the spread of the pandemic, many international measures have been adopted that have had a far-reaching, even catastrophic impact on tourism and the hospitality business. Many hotels around the world are in danger of bankruptcy.

Although it is internationally recognized that Latvia is relatively good at dealing with this crisis situation, almost all hotels in Latvia have suffered heavy losses. The unfavorable economic situation forces hotel managers to reconsider their development strategy, namely to optimize their activities by reducing costs and using marketing tools. Those companies that manage to reduce costs without losing the quality of services provided are most in demand and competitive during the crisis.

The topic of this study: impact of COVID-19 to the hospitality industry in Latvia and related crisis management measures. Object of study: hospitality business in Latvia. Subject of the study: anti-crisis management at the macro level caused by the impact of COVID-19. The question of the study: how does spread of COVID-19 pandemic impact hospitality industry in Latvia and how to evaluate crisis management measures implemented in that area of business with an aim to minimize mentioned impact?

The authors have analyzed the conceptual foundations of anti-crisis management in general, taking into account the current situation in the hospitality industry of Latvia in the context of the crisis caused by

COVID-19 in particular. The study was conducted from April 1, 2020 to October 17, 2020. The authors were using the following methods of data analysis: collection and synthesis of statistical data, interviews with specialists.

**Literature review: Essence, Goals and Functions of Crisis Management. Anti-crisis management as an independent field of scientific knowledge.** At any stage of the economic cycle and in any economic context, the process of crisis management has a certain theoretical basis. This type of management is one of the economic disciplines, such as economic theory and political economics, which serves as a methodological basis for it, and as an applied component - the theory of management, the foundations of restructuring and financial analysis. It should be emphasized that crisis management is an independent field of scientific knowledge, which is determined by law and has its own specifics.

In the scientific literature there are different approaches to the concept of crisis management, which are presented in Table 1.

Table 1.

**Approaches to defining the concept of management in a crisis situation [11]**

Source	Concept of management in a crisis situation
A. Belayev (Arutyunov Yu.A. Crisis management. Handbook 2016, p.52)	Process related to the company's financial recovery.
J.Zharova (Burkeev A.M. The Economic Mechanism of a Company's Anti-Crisis Management. Book, 2016, p. 27)	A complex of problems related to the state, economy, industry, organizations and people.
A.Bolshakov (Akhnovskaya I.A. Management of anti-crisis companies in an unstable economic environment. Young Scientist. 2015 № 2-6 (17), p. 915)	Elimination of possible market difficulties, bankruptcy, ensuring stable business conditions.
J.Miroshnichenko (Gorelikov K.A. Crisis Management. Handbook, 2016, p. 38)	A multi-dimensional, complex process that includes a specific marketing plan, specific financial procedures and emergency staff mobilization measures.
A.Gryaznova (Arsenova E.V., Kryukova O.G., Ryakovskaya A.N. Foreign practice of anti-crisis management. Handbook, 2016, p. 22)	A system of emergency management decisions and measures aimed at diagnosing, preventing, neutralizing and overcoming crisis phenomena and their causes.

All market economy actors operating at the macro and micro levels, depending on the phase of the economic cycle, use different systems and strategies to ensure their sustainability. So A. Belyaev in the context of the crisis considers management as a process of financial recovery of the company, i.e. the author considers this process only at the level of an economic unit (micro level). This definition is flawed, since the author narrows the concept of crisis in it, without indicating the reason for its formation, describing in detail the process of recovery of the company [4].

E. Zharova sees anti-crisis management as a set of problems at the macro and micro levels. The inaccuracy of this definition is that this type of control is a set of tasks, not a set of solutions, because in fact management involves defining goals, tasks, types of solutions and means of overcoming them [5].

A. Bolshakov gives a more correct definition of “anti-crisis management”, pointing out both the essence of the concept (complexity) and the object (prevention), which affects both the economy as a whole (market) and a separate link (company). However, in the definition A. Bolshakov does not indicate a plan to eliminate problems and stabilize the economy, as a set of goals, tasks, solutions to eliminate the subject of influence, that is, the crisis itself [1].

In the definition, A. Gryaznova reveals the subject of management in the form of a system of measures and decisions, describing in detail their tasks aimed at overcoming and neutralizing the object, i.e. the crisis, as well as its sources (causes). Of all the definitions given, this one most fully reveals the economic nature and content of the concept of “crisis management” [3].

Given the above approach to the definition of “crisis management”, one can formulate one more definition of this concept - a set of organizational and economic measures to identify the causes of the crisis and ways of overcoming it by the subject of the socio-economic system.

**Anti-crisis management at the macro level.** The main goal of this management in stable working conditions at the national level is the implementation of a set of measures to prevent crisis phenomena aimed

at economic growth, employment of the able-bodied population, stabilization of prices, stability of the national currency, foreign economic balance and other pressing tasks of material well-being.

The state should, first of all, ensure the creation of a legal basis for the functioning and development of the economy, as well as conditions for market actors at the macro and micro levels [8].

At the macro level during the crisis, the main tasks of public administration are:

- Elimination of causes and negative socio-economic consequences;
- Stabilization of economic processes and recovery from crisis;
- Providing conditions for the further development of the national economy.

Management objectives used in macro-level crisis situations:

- Reducing the decline in the industrial sector of the economy;
- Stabilizing social production and ensuring growth rates to meet consumer demand for manufactured goods, vital services (medicine, education, culture, housing and communal services, etc.) [9].

The main task to achieve the main relevant management goals at the macro level in a crisis is to ensure the continuity of business development conditions:

- timely identification of potential threats to functional areas of business leading to its destruction or suspension, search for material, technical and financial resources for the implementation of its functional areas of development;

- creation of personnel redundancy and replacement system;

- ensuring the constant readiness of the personnel and material and technical base for the implementation of a set of measures to preserve the business unit [2].

In accordance with the stated goals and objectives, management at the national level should create conditions for the activation and strengthening of entrepreneurship, especially innovation and investment, taking into accounts the stability of the national currency. This is achieved at the expense of a complex of monetary, credit and financial policies [7].

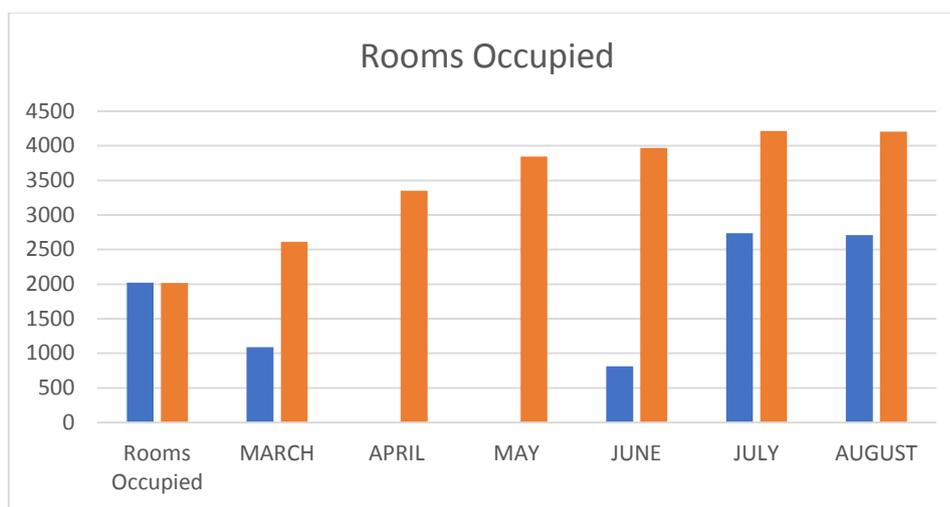
**Analysis of crisis management in the period of COVID-19 pandemic on example of the hospitality industry of Latvia.** The first wave of growth in diseases caused by COVID-19 was a serious test of strength for many business units in the field of hospitality. So, in March and summer, the amount of income in the hotel business was about 37-38% to the previous year (see Table 2), and in April and May hotels did not make a profit at all (see Fig. 1).

Table 2.

**Dynamics of hotel occupancy and economic losses due to the COVID 19 crisis  
from March 2020 to August 2020.**

<b>March</b>	<b>2020</b>	<b>2019</b>	<b>April</b>	<b>2020</b>	<b>2019</b>	<b>May</b>	<b>2020</b>	<b>2019</b>
Occupied rooms	1089	2611	Occupiedrooms	0	3350	Occupiedrooms	0	3845
Room occupancy%	23.52	51.12	Room occupancy%	0	74	Room occupancy%	0	80
Total revenue	Less rev than37%		Total revenue	Less rev than100%		Total revenue	Less rev than100%	
ADR	76	72	ADR	0	72	ADR	0	94
Guests total	1274	3273	Guests total	0	4491	Guests total	0	5080
CXL Reservations	430	140	CXL Reservations	202	70	CXL Reservations	216	85
<b>June</b>	<b>2020</b>	<b>2019</b>	<b>July</b>	<b>2020</b>	<b>2019</b>	<b>August</b>	<b>2020</b>	<b>2019</b>
Occupied rooms	810	3968	Occupied rooms	2737	4216	Occupied rooms	2711	4204
Room occupancy %	17	90	Room occupancy %	61	90	Room occupancy %	59	90
Total revenue	lessrevthan38 %		Total revenue	Less rev than37%		Total revenue	Less rev than38%	
ADR	52	87	ADR	50	95	ADR	48	95
Guests total	1255	5706	Guests total	4726	6317	Guests total	4576	6717
CXL Reservations	268	35	CXL Reservations	280	79	CXL Reservations	428	108

*(Source: Central Statistical Bureau Latvia, 2020)*



**Fig. 1. Dynamics of hotel occupancy and economic losses due to the COVID 19 crisis from March 2020 to August 2020**

(Source: Central Statistical Bureau Latvia, 2020).

Thus, the development of an optimal anti-crisis development plan is the main and only way for a hotel company to survive adverse crisis times. The problem of maintaining and developing the hotel business during the economic crisis has become a common urgent task for hotel owners both in the Latvian and global markets. In fact, during the crisis what was happening was adaptation of all hotel activities to new economic conditions with timely financial support from the state [12].

In September 2020, the second wave of growth in incidence rates began COVID-19 and the list of countries in which 14-day quarantine should be observed upon arrival grew many times (for example, as of 10.09.20. the only countries that it was possible to travel in and enter to Latvia from were Estonia, Lithuania, Cyprus, Finland). It is obvious that for hotel companies it was difficult to survive, many tourist enterprises began to close due to their inability to survive that period, since hotel occupancy dropped to an absolute minimum (on average from 3.00% to 10.00% maximum). The Government unfortunately did nothing during that period to support the tourism industry or its employees (only later 3.11.20. the Cabinet of Ministers decided on the necessary financial assistance). As a result of these bureaucratic costs in Riga, Tallink Hotel and Marriot were forced to announce their complete closure in October, the Wellton hotel chain merged its hotels and left only Wellton by Riverside open (the rest of the hotels are closed), and in the Radisson hotel chain only Radisson Latvian and Radisson Elizabeth hotels remained open (the rest were closed).

Taking into account the opinion of expert Janis Naglis, the president of the Latvian Association of Hotels and Restaurants (LVRA), a minimal restoration of tourist flow is expected, according to an optimistic scenario, around May 2021, and according to a moderately pessimistic one, not earlier than the spring of 2022. Since the beginning of the crisis COVID-19 in Riga more than 20 hotels have closed their doors to customers. Some of them never resumed work after the first outbreak of the disease; many announced a temporary cessation of their activities [10].

The future scenario of hotel closures is closely related to whether the industry can receive support from the state and municipality. Without support, the wave of hotel closures can continue, and from six to eight thousand hospitality workers will join the ranks of the unemployed.

The authors believe that in order to “hibernate” the entire tourism industry and thereby save it, the moratorium on insolvency should be extended to the maximum extent possible. It is also necessary to find a solution that allows freezing payments on loans, utility payments and reducing real estate tax payments as much as possible. In addition, it was essential to develop a system of criteria that were close to those for downtime benefits in order to obtain salary grants for staff. “The hotel sector would be pleased if the Latvian government followed the example of other countries and applied a reduced value added tax rate of 5%,” said the executive director of the LVRA Santa Graikste in an interview [10].

It should be noted that on November 3, 2020, the Cabinet of Ministers nevertheless approved the proposal of the Ministry of Economy to allocate 4,746,290 Euros to support hotels to cover operating costs, including staff salaries, utilities and various other payments. It is estimated that as a result of this decision, about 200 hotels in Latvia can receive support, so an average of 23,731 Euros can be allocated per applicant.

Support for entrepreneurs will be available until June 2021 and is an extremely important measure to support the field of hospitality.

According to various experts, the impact of Covid-19 on the world economy cannot yet be estimated, so long as the forecasts are based only on the assumption that we may face an even more serious crisis than in 2009. And this is justified, because the Covid-19 pandemic has already caused serious damage to the real world economy, which we see in the form of a fall in national gross domestic product (GDP), a loss of millions of jobs and a fall in regular incomes of enterprises and citizens, and consumption. And in addition to all this, the "fear factor" of the corona virus causes fluctuations in financial markets. This time, tourism problems are global, and tourists have little alternative to travel [13].

**Conclusion.** Based on the presented goals, tasks and functions of the macro and micro level, the company management system in a crisis situation should have several features:

- flexibility and elasticity inherent in matrix control systems;
- strengthening of informal leadership, patience, confidence and motivational enthusiasm;
- seeking the most appropriate features of good governance in complex situations and their diversification;
- reducing centralism to ensure timely decision-making and response to new challenges;
- intensity of integration processes, contributing to concentration of efforts and effective use of the potential of best practices.

The management process itself is carried out by the flow of information between the management and managed subsystems. Obtaining reliable and complete information plays an important role in making a concrete decision on how to deal with a crisis. Summarizing the methodology of anti-crisis management, a consecutive 9 step-crisis algorithm can be proposed:

1. Diagnosis of the crisis, including research and evaluation of information on the internal and external economic environment in order to identify crisis phenomena and processes.
2. Predicting the development of crisis events by diagnostic results [14].
3. Market prevention aimed at improving the effectiveness of preventive measures and their cheapening.
4. Protecting the strategic interests of enterprises to ensure the protection of the national strategic interests of the state.
5. Social support for citizens of the country, including the introduction and development of new forms of social relations while maintaining the directions of social assistance recommended to them.
6. Stimulation of economic activity for successful development of the most competitive enterprises (enterprises). As a result, promising tools and directions of the company are determined, new business organization and promotion schemes are introduced, the professional level of management is improved, more innovations are applied, etc.
7. Reducing the risk of negative consequences of anti-crisis measures.
8. Coordination of efforts aimed at eliminating conflicting measures, developing standard rules, optimizing the implementation process and the relationship between anti-crisis management measures.
9. Elimination of measures that need to be abolished or clarified during the transition period from crisis to post-crisis in the national economy, that is, preventing the adoption of measures to suppress the crisis that do not correspond to the current or future economic situation in the country [14].

The purpose of the above-described algorithm is to step-by-step optimize the actions to overcome the crisis at the macro level, which then reduces the probability of its occurrence and the severity of the processes taking place in it.

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**Ключові слова:** криза, менеджмент, індустрія гостинності, COVID-19.

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Sciences (Economics), Professor, Director of the study programme Business Administration. ISMA University of Applied Sciences, Riga, Latvia. **Stankevičs Aivars**, Doctor of Sciences (Economics), Associate Professor, Vice Rector for Administrative Work. ISMA University of Applied Sciences, Riga, Latvia. **Chernysh Iryna**, Doctor of Sciences (Economics), Professor. National University «Yuri Kondratyuk Poltava Polytechnic». **Conceptual framework for corporate governance in crisis period on example of hospitality industry in Latvia.** The pandemic caused by COVID-19 has caused a crisis in all spheres of life, there are many restrictions, including on crossing national borders and moving within one country. To limit the spread of the pandemic, many international measures have been adopted that have had a far-reaching, even catastrophic impact on tourism and the hospitality business. Many hotels around the world are in danger of bankruptcy. The topic of this study: impact of COVID-19 to the hospitality industry in Latvia and related crisis management measures. The question of the study: how does spread of COVID-19 pandemic impact hospitality industry in Latvia and how to evaluate crisis management measures implemented in that area of business with an aim to minimize mentioned impact?

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**Keywords:** crisis, management, hospitality industry, COVID-19.