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## CHANGES AND CHALLENGES DURING THE PANDEMIC IN THE BUSINESS

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**Introduction.** The coronavirus pandemic has dramatically reshaped the traditional business process. COVID-19 pandemic showed the world the importance of digitalization.

The continuous development of technology and the prevention of certain and uncertain crises that may occur in the world create a certain obligation for companies to use digital technology.

On March 11, 2020, COVID-19 pandemic was declared due to the spread of a new virus by the World Health Organization. During that year, COVID-19 affected everyone's life ("CO" stands for corona, "VI" for a virus and "D" for disease).

As noted by the WHO, COVID-19 was one of the most serious global pandemics, similar to the Spanish flu. COVID-19 resulted in more than 190 million coronavirus cases and more than 4,101,340 deaths worldwide, with an increase in new virus strain [1].

There was no solution to end or control the pandemic and the only solution was to follow WHO guidelines. The WHO noted that there are vaccines such as those from Pfizer and Moderna that can show effective results.

Firms around the world, international organizations were taking complicated measures to protect employees and people. BBC NEWS reported in 2020 that nations as a whole came together to control these unpredictable processes their citizens to keep distance, wear masks in public.

According to a report presented by the International Labour Organization in 2021, by mid-2020, 93% of the global working population faced the situation of work stoppages to prevent the mass spread of the new type of coronavirus [2].

A globally declared pandemic disease has had a devastating effect on humanity and everything that makes life worth living. COVID-19 was the biggest public health crisis in living memory, creating a major economic crisis at the same time as production halted in affected countries, consumption collapsed and stock markets reacted negatively to the growing uncertainties. The challenges countries faced were severe, including a lack of resources for treatment, a lack of protection for health workers against infection, unknown public health practices, and a growing economic recession. The rapidly spreading disease has covered Asia, Europe and the rest of the world.

**Review of recent research sources and publications.** Local and foreign literature was used as a source base in the study of the difficulties faced by companies as a result of the COVID-19 pandemic, the struggle of companies against the global crisis. Dissertations, scientific articles (in Azerbaijani, Turkish, English and Russian languages) and Internet resources were used in the research rather than literature sources. Among researchers with scientific articles on a topic close to the topic of the impact of COVID-19 on companies – Bartik A.W., Amankwah-Amoah J., Gasimova N., Guo A., Gopinath G., Hacıyeva L., Verdiyev N., Məmmədov C. can be shown.

**Formulation of the problem.** *Purposes and objectives of the research* – The purpose of the article is to discuss and analyze the impact of the coronavirus on business. Moreover, the research suggests relevant solutions for issues businesses face as digitalization in the COVID-19 pandemic. *Research methods* – Analysis and synthesis methods of various related articles were used in the research. The methods used include secondary research derived from official data. *Research limitations* – Since it is a newly researched topic, that there are not enough resources to study the research topic. This study gave a clearer idea that the COVID-19 pandemic is driving the digitalization of businesses. The results will motivate and guide organizations in the adoption of digitalization for their business activities.

**Main material and results.** There is no doubt that the pandemic has created many challenges for entrepreneurs and many business strategies have been changed due to COVID-19. Businesses have been affected in various ways by the COVID-19 pandemic. Due to the lockdown and quarantine measures implemented by the government, businesses faced significant challenges such as a decline in demand and a decline in supply chain destruction, revenue [3].

During the COVID-19 pandemic, companies experienced a labor shortage, a large reduction due to the quarantine in their workforce. So that quarantine measures to prevent the spread of the virus led to a sharper decline. In some companies, employees refused to return to work because they were worried about their health [4]. Companies that could not continue operating during the pandemic were closed, resulting in layoffs of all employees. Businesses that can't do their jobs remotely have been hit harder.

Companies' revenues were affected by the outbreak as consumer demand declined. Restrictions on movement, financial difficulties, fear of contagion and high uncertainty, layoffs, the inability of companies to pay wages ultimately reduced consumer spending and consumption, and declined incomes. All of them reasons have severely impacted companies' ability to meet demand. Among the most affected businesses, hotels, cafes, restaurants, care homes, travel agencies, fitness centers were on the verge of closure, in total more than 52% of private businesses were closed [5].

The changes required in work processes, such as the transition to remote working, access to and adoption of technologies, costs were relatively high in companies with low digitalization. Given SMEs' limited resources and existing barriers to access to capital, SMEs were more limited in their ability to overcome the shock caused by the pandemic than large firms. Research done by JPMorgan Chase Institute in the United States shows that 50% of small businesses operated with less than 15 days of buffer cash, and even healthy SMEs had two months of cash on hand.

The main negative effects of the COVID-19 pandemic on the business environment can be summarized as the decrease in sales figures, the inability to resume production and the impossibility of ensuring customer visits.

The COVID-19 pandemic, characterized by its devastating effects on business performance, also highlighted the huge digital divide between small, medium and large companies. The United Nations Conference on Trade and Development (2020) noted that social distancing affects small and medium-sized enterprises more than multinationals.

Goods were stranded in ports for weeks, hundreds of cities around the world were under lockout, civil and industrial transport disruptions, flight cancellations like never before. Global supply chains were suffering. Politicians struggled to keep up with regular events to meet needs. Consumers acted indecisive, succumbed to desperate buying, or rewrote all their material values and intangible needs. A forecast showed that the overall repercussion of sales and production involving businesses was largely negative in both the short and medium term.

As a result of these strict measures, all tourist trips were suspended and the tourism industry faced a severe crisis. In many countries, the tourism sector is considered as the main area of employment and the main source of income of the population. Therefore, the crisis in tourism industry directly affected the economy of these countries. According to world statistics, in 2019, the tourism sector accounted for 330 million jobs. This was 10% of global employment. According to the information presented by the World Tourism Organization (WTO), the sector suffered a loss of 935 billion US dollars as a result of a 72% decrease in international tourism during the 10 months of 2020. Also, this problem has not escaped from Azerbaijan. In order to prevent the spread of the pandemic in Azerbaijan, as a result of the restrictive regime at the state border between Azerbaijan and neighboring countries, as well as temporary restrictions on the visits of citizens in many countries of the world, the decline in the tourism sector was inevitable. The number of foreigners and stateless persons who came to Azerbaijan was 3170373 in 2019, and as a result of the pandemic, this indicator decreased to 795722 in 2020. Closures related to the coronavirus infection have led to a sharp decrease in the number of tourist departures [6; 7].

In a China study by the China Chambers of Commerce, 26 percent of respondents said they saw a 20 percent drop in company revenue by 2020, and one-third of respondents said they saw a close drop in annual targets [8].

Between March 28 and April 4, 2020, the survey was conducted among more than 5,800 small businesses that are members of Alignable, a network of 4.6 million small businesses. According to the analysis, 43% of businesses were temporarily closed, and almost all of the business closures were due to COVID-19. Declining demand and employee health concerns, as well as disruptions in the supply chain, have been cited as reasons for temporary company closures. There was a decrease in the number of full-time workers and part-time workers. According to the results of the survey, since January 2020, on average, the active employment of companies decreased by 39%. Table 1 below highlights the impact of COVID-19 on selected SMEs in different countries around the world, through a survey conducted by the OECD, during this pandemic [3].

Table 1

**SME surveys on the impact of COVID-19**

Date	Country	Impact on business	Expectations
10 Feb.	China	80% of SMEs have not resumed operations yet	1/3 out of business in 1 month, another 1/3 in two months
Early March	UK	63% see crisis as moderate to high/severe threat to their business	n.a.
9-Mar	Japan	39% report supply chain disruptions, 26% decrease in orders and sales	n.a.
10-Mar	Poland	1/3 of SMEs experience increasing costs and reduced sales	27% already encounter cash flow problems
11-Mar	USA	70% experience supply chain disruptions, 80% the impact of the crisis	n.a.

*Source: compiled by the author according to sme's policy response, 2020 [3]*

COVID-19 has had a significant negative impact on the Azerbaijani economy and SMEs have been one of the biggest economic victims. Economic sectors have been affected differently by the pandemic and quarantine measures. It turned out that due to the restrictions and containment measures adopted by the government of Azerbaijan, not only small and medium enterprises (SMEs) were affected, but also large industries. Based on a survey among representatives of SMEs in Baku and other parts of Azerbaijan, the majority of respondents stated that the pandemic had a severe negative impact on business operations. SMEs operating in the tourism, restaurant, catering sectors, and in the field of education were among the most adversely affected. Although the state provided the necessary support to small and medium-sized enterprises, the share of closed businesses was high. Over two years since the beginning of the pandemic, a measure to improve the business environment has been taken [9].

A comparative analysis of Eastern Partnership countries showed that 41 businesses were closed in Azerbaijan by mid-2020. 5 of these enterprises were branches of foreign companies including "Private Asset Partners AG", "Suez WTS France", "AA SERVICES", "T.D. Williamson S.A", "Trelleborg Offshore Netherlands B.V" [10]. During pandemic, while 30% of small and medium-sized enterprises had to partially close their operations, only 17.5% of SMEs could operate normally. About 52.5% of SMEs had to stop their operations altogether. As mentioned above, as a result of the restrictions introduced, many companies faced serious losses, which led to the economic recession [11].

Azerbaijan trade unions called on all employers, enterprises and organizations to perform their duties during this period, to comply with the required sanitary norms for their employees, to prevent mass layoffs and the abolition of appropriate payments.

In Azerbaijan, authorities allocated 3.3 billion manats (\$1.94 billion) to affected businesses and individuals. Measures implemented included support for micro-entrepreneurs (80 million manats / 47 million dollars), partial coverage of salaries (215 million manats / 126 million dollars), living and unemployment payments (230 million manats / 135 million dollars), temporary public works (54 million manats / 31 million dollars) and funds allocated to the Entrepreneurship Development Fund (50 million manats / 29 million dollars). The amount allocated for the partial payment of salaries of 300,000 workers in the affected sectors was 127 million dollars [12].

Challenges Faced By Companies. The restrictions (including local and national lockdowns, social distancing measures, government-run border closures and quarantines) imposed during the COVID-19 pandemic dis-

rupted the business world. The COVID-19 epidemic reshaped economies, businesses and societies around the world. Companies were forced to revise their strategies to survive the crisis. Pandemic restrictions prompted companies to explore digital solutions to keep their businesses running. Digital technology had the potential to give citizens access to basic services necessary for their daily lives, such as education, health, work and culture and maintain the economies functions. In the post-COVID recovery phase, digitalization was essential for communities, citizens to return to normality in a safe and orderly manner. But this process was developing at a slower pace before the pandemic. The changes within the company began to change the way they communicate with employees and customers, including changes in internal communication and day-to-day operations, work organization, including the introduction of automation.

As a result of the study by Contreras R.R (2021), it was concluded that the acceleration of digitalization in companies, organizations and society has developed as a result of the global pandemic. During the COVID-19 pandemic, companies were under pressure to rethink their existing strategies and make changes due to increased digitalization [13].

A study was concluded that the use of digital technology helps companies to cope with the consequences of the pandemic and to better sustain their business operations. In the study was highlighted the importance of digital technology in overcoming the problems caused by the pandemic. These studies show the development of digitalization in response to the COVID-19 pandemic. Innovation has become a necessity for modern businesses that want to survive in a world where technological changes and crises continue to occur [14].

Not all businesses were affected equally by COVID-19 disruptions. Because few companies were able to go digital sooner because they started the transformation earlier. Many business leaders have decided to launch digital transformation initiatives to keep businesses running during the outbreak but better prepare for the recovery phase. However, creating change during the pandemic was difficult for both managers and employees. Companies have used this time to their advantage to accelerate the transition to digital transformation. Changing business processes was expensive and difficult for companies that were not ready for change and also ill-equipped for the transition. As well psychological barriers to the adoption of emerging technologies hindered the efforts of firms and their decision makers to adopt digital platforms. For example, transitioning to telecommuting and implementing digitalization to adapt during a pandemic was complex and costly for businesses. The impact varied across industries, with those in retail, arts and entertainment, personal services, food services and hospitality reporting more than 50% declines [15]. But businesses related to finance, professional services and real estate experienced less disruption because these industries were better able to shift to remote manufacturing. However, the impact of COVID-19 remained positive for companies such as private medical health centers and e-commerce, online shoppings for example Target, Walmart, Amazon.

According to the Boston Consulting Group researchers, companies prioritized innovation during the pandemic. But many companies lacked the resources, processes and systems required for innovation. And only 20% of businesses had the required resources and were ready to innovate. It was not enough to make innovation a priority, the main thing was to be ready for innovation. According to a survey of 1,500 global innovation managers, three-quarters of businesses ranked innovation as their top 3 priority for 2021 in response to economic shocks caused by the pandemic in 2020. And these 75% of companies saw a 10% increase in innovation [16].

Early estimates from Eurofound (2020) showed that around 40% of those currently working in the EU have started teleworking full-time as a result of the pandemic. Considering that only 15% of workers in the EU had teleworked before the pandemic, many workers and employers were likely to face difficulties in coping with the sudden transition to telework [17].

The negative effects of social distancing were more severe among companies that relied more on face-to-face communication and physical proximity. This had arisen externally, how firms interact with suppliers, customers, and other stakeholders, and internally, how firms manage employees and employer-employee relations [17].

Well-established firms should abandon long-standing procedures and routines before adopting innovative routines. It can be relatively difficult for companies that have been operating for a long time, because new knowledge leading to new routines tends to conflict with existing operations and tried models [18].

Conclusion. The COVID-19 pandemic has presented an opportunity to develop innovative capabilities and make better use of digital channels. It's a trend that should continue after the pandemic.

Due to the shock caused by the pandemic, the world has undergone a greater digital transformation in the last few months than in the last decade. Digitalization involves the increased use of digital technologies and their integration into the firm's products and operations.

Increasing employee productivity, digitalization allows businesses to reduce costs, increase customer loyalty and productivity, and use resources efficiently. Additionally, digitalization potentially enhances flexibility for employers and employees, helping to reduce time and energy spent on long commutes.

Developing a new strategy provides companies with another new business framework. Widespread adoption of technology makes it easier for businesses to overcome obstacles and survive the competition. One of the key aspects of digitalization is that it forces companies to innovate constantly. Without innovation, the system stagnate.

According to the Organization for Economic Co-operation and Development (OECD), the COVID-19 crisis was accelerating the digitalization of public and private activities, the enhancement of digital skills and the adoption of online business models, the rollout of online payments.

The measures taken for digitalization are different in each business area. The rapid shift of banks from bricks-and-mortar channels to online channels, the focus of healthcare providers on telemedicine, the focus of retailers on online shopping and contactless delivery is already evident given. Many restaurant businesses have turned to online delivery by creating their own apps or joining digital food delivery platforms. Digitization in education has led to the transition of the learning platform from the traditional classroom to the online learning mode, thus minimizing the impact on the learning process. The tourism industry, which was hit hardest by the pandemic, used digital devices to connect with potential visitors remotely. Virtual tours of cities and museums have been developed, allowing people to explore the world around them during quarantine and play an important role in attracting new tourists. A large portion of the workforce is currently working remotely and will continue to do so even after the serious threat of COVID has passed. The ratio of onsite and remote work doesn't seem to be back to what it used to be. This was the most visible and long-lasting effect and result of the pandemic.

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**Konul Aghayeva**, Ph.D., Associate Professor, Azerbaijan University of Architecture and Construction, Azerbaijan State Economic University. **Gulay Farrukhlu**, Master Student, Azerbaijan State Economic University. **Changes and challenges during the pandemic in the business.**

The COVID-19 pandemic affected not only the economy, but the entire society. This led to drastic changes in the company's activities. The article shows the problems that arise in companies as a result of the COVID-19 pandemic. Thus, the pandemic has caused many businesses to face financial problems due to mass layoffs and company closings. Overall, it affected various industrial sectors. As COVID-19 created unprecedented challenges, companies had to adapt. The article identifies possible solutions to the problems faced by enterprises. Containment of the spread of the coronavirus had important consequences for sectors of the economy, both globally and nationally. In this regard, it was necessary to accelerate the development of technologies to reduce or prevent the negative effects of COVID-19. According to the study, the pandemic forced digitalization and required companies to restructure their business models in this direction. Investments in digital technology help companies make their countries more competitive.

**Key words:** COVID-19, restriction, digitalization, business, economic.

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**Конул Агаєва**, Азербайджанський університет архітектури та будівництва, Азербайджанський державний економічний університет. **Гулай Фаррухлу**, Азербайджанський державний економічний університет. **Зміни та виклики під час пандемії в бізнесі.**

Пандемія COVID-19 вплинула не лише на економіку, а й на все суспільство. Це призвело до кардинальних змін у діяльності компанії. У статті показано проблеми, які виникають у компаній внаслідок пандемії COVID-19. Таким чином, пандемія спричинила фінансові проблеми багатьох підприємств через масові звільнення та закриття компаній. Загалом це торкнулося різних галузей промисловості. Оскільки COVID-19 створив безпрецедентні проблеми, компаніям довелося адаптуватися. У статті визначено можливі шляхи вирішення проблем, з якими стикаються підприємства. Стимування поширення коронавірусу мало важливі наслідки для секторів економіки як у всьому світі, так і в країні. У зв'язку з цим необхідно було прискорити розвиток технологій для зменшення або запобігання негативним наслідкам COVID-19. Згідно з дослідженням, пандемія примусила до цифровізації та вимагала від компаній реструктуризації своїх бізнес-моделей у цьому напрямку. Інвестиції в цифрові технології допомагають компаніям зробити свої країни більш конкурентоспроможними.

**Ключові слова:** COVID-19, обмеження, цифровізація, бізнес, економіка.