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**BUSINESS INSIDE WITHIN PANDEMIC:  
THEORETICAL CONSIDERATIONS**

**Abstract:**

This publication analyzes the situation of businesses in the context of global pandemics. The aim is to discuss the potential impact, the readiness of companies and solutions. Business is important not only for the business units themselves or for the residents of the country, it is the foundation of the entire state economy. Both the public sector and the private sector are closely inter-linked. At present, the coronavirus Covid-19, which is spreading all over the world, and the quarantine introduced in many countries are of great importance

to business. This pandemic is considered one of the strongest in the last century. Today's situation allows us to look back and look at previous global pandemics, to analyze what developments in business have taken place in previous years. This paper also presents theoretical considerations and insights with a slight path for possible solutions for different types of businesses.

JEL classification: H12 I15 I18

**Keywords:** business, pandemic, quarantine, the meaning of pandemic for businesses.

## INTRODUCTION

Every new environmental factor affects business in one way or another. State regulation, technological development, the changing needs of humanity and many other factors contribute to this. The data show that business plays a particularly important role in the face of pandemics and it is only a matter of time before and what kind of virus can turn into a pandemic (*Best Practices*, 2020). The current situation allows us to consider and learn how to manage and prepare for a pandemic.

Also, it is possible to mention not only the pandemic and quarantine, but also the economic crisis, the manifestation of which today is influenced by the recent phenomena. And if the whole business environment is influenced by various external environmental factors, then internal factors also contribute to all this, i. y. the extent to which the business itself is flexible to change and able to adapt to a changing environment. Perhaps it is easier for businesses with more experience or experience in dealing with the effects of previous pandemics, economic crises, to overcome emerging challenges, to transform their business in a different direction than usual, and so on. For new businesses, small businesses with less experience, coming today with such threats can be quite a severe blow. However, there will certainly be those who will develop their business, undertake similar but new activities, possibly reshape departments, divisions, undertake additional activities, and so on.

Thus, in order to find out how the business handles the pandemic and quarantine introduced this year, in order to understand the impact of the pan-

demie and quarantine on small and medium-sized businesses, it was decided to first analyze the scientific literature on this phenomenon.

The focus of this paper – the level of impact of the pandemic COVID-19 for business sector.

Therefore, the aim of this article is to investigate the impact of pandemic and quarantine on small and medium-sized businesses.

The following theoretical methods were used, such as a) analysis, comparison and interpretation of scientific literature and documents.

## **LITERATURE REVIEW: ANALYSIS OF THE PANDEMICS AND QUARANTINE**

Pandemic and the quarantine are not identical concepts and may have different meanings for business. On the one hand, business can survive in the face of a pandemic, but with the introduction of quarantine to face difficulties. Quarantine, on the other hand, is a consequence of a pandemic, and all this is the path to economic crisis. Also, we can each perceive our business differently and we can also see the significance of pandemic and quarantine for business differently. Therefore, this chapter will provide a broader overview of the concepts of pandemic and quarantine and their possible implications for the business sector.

According to Gordon, “quarantine does not have to be a terrible thing, it is an effective way to protect society” (2020, p. 38). In today’s context, quarantine is associated with Covid-19. Basically, quarantine protects people, so the government introduces quarantine to stop the spread of infectious diseases. Brooks et al. (2020) indicate that the quarantine term was first used in 1127 in Venice, when it was introduced for smallpox. The United Kingdom introduced quarantine during the plague. The last time quarantine was introduced was in 2020, i.e. y. this year, when the world was hit by the coronavirus pandemic Covid-19. Going back a bit, quarantine was introduced in more than one country in 2003 to combat the SARS outbreak, and in 2015. in many West African countries to combat the Ebola outbreak.

Further analyzing the pandemic situation and business, we may state that pandemic impacts both supply and demand (Swift, 2009, cited in: Turner & Akinremi, 2020). Lockdowns lead to lower retail sales and drastically redu-

ced leisure activities (visits to sporting events, restaurants, theatres, etc.). As statistics shows and research data reveals, firms experiencing falling sales and production experience falling profits due to fixed short-term costs and falls in revenue (Turner & Akinremi, 2020). Effects are sectorally specific: hospitality and personal services are most adversely affected, whereas the pharmaceutical and medical-equipment sectors are likely to benefit most (Gordon, 2020; Brooks, 2020; Turner & Akinremi, 2020 et al.). Previous studies examining the business effects of previous pandemics, and in particular, the effect on SMEs, are extremely limited. Typically, economic analysis of pandemics focuses on macroeconomic indicators, for example GDP, rather than micro or firm-level effects (Turner & Akinremi, 2020).

Predictions of the economic and social costs for a present-day pandemic are often based on the influenza pandemic of 1918 (termed ‘Spanish Flu’1) (Garrett, 2007, 2008, 2009, cited in: Turner & Akinremi, 2020). The 1918 pandemic killed 40 million people worldwide from the early spring 1918 through to late spring 1919. In 2005, the World Bank suggested that a similar (current) influenza pandemic could cost the world economy \$800 billion and kill tens-of-millions of people, with long-run costs being much greater.

Literature examining the economic effects of the 1918 pandemic is based on printed media due to the lack of available economic data. Newspapers reviewed in Garrett (2007, 2008, cited in: Turner & Akinremi, 2020) suggest that firms in one US state saw their businesses decline by some 40 to 70 per cent. Average business losses were more than \$100,000 per day (2006 prices). Many businesses, especially those in the service and entertainment industries, suffered double-digit losses in revenue. Other businesses that specialised in healthcare products experienced an increase in revenues. Mortalities reduced the supply of labour, increasing the marginal product of labour and capital per worker, in turn increasing real wages (Brooks, 2020; Turner & Akinremi, 2020).

After the pandemic, the increase in capital per worker resulted in higher output per worker and higher incomes (Brainerd and Siegler, 2003, cited in: Turner & Akinremi, 2020). There were also implications for economic activity decades after the pandemic as pregnant women who were exposed to influenza in 1918 gave birth to children who had medical problems later in life, such as schizophrenia, diabetes and stroke (Almond, 2006), reducing the future supply of labour and increasing future health-care costs (Turner & Akinremi, 2020).

Besides not all scientific literature, exploring the 1918 pandemic, yields consistent results. Karlsson et al. (2014) examined the short-term and medium-term economic consequences in Sweden (see in: Turner & Akinremi, 2020). Econometric results suggest that the pandemic led to an immediate negative effect on earnings rather than the theoretically predicted increase as suggested in Garrett (2007, 2008) as well as a rapid decline in capital returns (Gordon, 2020; Turner & Akinremi, 2020).

### **THE MEANING OF PANDEMICS FOR BUSINESSES: A GENERAL OVERVIEW**

The current COVID-19 pandemic has led to severe global socioeconomic disruption, the postponement or cancellation of sporting, religious, political and cultural events, and widespread shortages of supplies exacerbated by panic buying (Turner & Akinremi, 2020). In China, a fall in consumption combined with interruptions to production has disrupted global supply chains affecting firms across the world (Fernandes, 2020, cited in: Turner & Akinremi, 2020). Obviously, the spread of COVID-19 has seen economies struck by a simultaneous demand and supply shock, with there being no correlation between economic impact and mortality rates (Fernandes, 2020, cited in: Turner & Akinremi, 2020). The effects of COVID-19 will be felt disproportionately across an economy. Some sectors may benefit financially, while others will suffer huge losses. Those countries with more service-oriented economies will be more negatively affected and suffer larger negative employment effects. The world stock market has also suffered since the outbreak of COVID-19. The oil gas and coal businesses have seen huge losses (50 per cent below the start-of-year prices, on average), driven by a fall in the price of oil and a reduction in consumption (Fernandes, 2020, cited in: Turner & Akinremi, 2020).

Armstrong et al. (2003) argue that it is not only necessary but simply vital for a firm to be able to work successfully to monitor and adapt to a changing environment. Due to the inability to adapt to changes in the environment, crises have been experienced by such powerful corporations as IBM and General Motors. Both entrepreneurs and consumers are constantly thinking about what the rapidly changing, evolving environment, consisting of demographic, political and cultural, technological and natural factors, will provide in the future.

These are certain macro-environmental forces that also have a direct impact on the micro-environment, which is made up of factors related to a company's ability to serve consumers (Armstrong, 2003; Gordon, 2020). It is the company itself, suppliers, competitors, and consumers. The collapse of a company can be caused by a crisis related to various environments, notably natural and economic. The latter consists of purchasing power and cost structure. It is important to determine how changes in household income affect purchasing power and how this can become a threat. When there is a decline in purchasing power, say during an economic downturn or a total economic collapse, consumers are more cautious about spending their money while seeking good quality goods and services.

Thus, during the economic downturn, it is most difficult for companies serving low-income consumers, as it is noteworthy that consumers belonging to higher socio-economic groups retain similar purchasing power both during the crisis and during the boom. Their income and spending habits are less dependent on economic fluctuations compared to lower-income consumers (Gordon, 2020).

According to Gordon (2020), the success of any organization can be determined by strategic environmental analysis. It can stop a company from going towards failure, showing those problems for which, the company lacks time and resources. The main areas analyzed are customers, competitors and the company / organization itself. In analyzing these areas, wages in a country and in specific different industries are very important. State policy can contribute to threats to a company. These can be certain limits, orders or laws.

Agha et al. (2020) argue that the current situation of Covid-19 is comparable to the economic situation of World War II. This situation has affected both the healthcare system and all walks of life, affecting businesses and organizations around the world. This pandemic has sparked fears of an impending economic crisis. Affected the financial market and the global economy. Social and travel restrictions have forced a reduction in the workforce in all sectors of the economy. Demand for most goods, excluding medical and food products, declined. There is a demand for food due to human panic that food may be lost, and stocks need to be built up. The agricultural sector has proved sufficiently resilient to the effects of this pandemic, but still, agricultural commodity prices have fallen by 20%. due to global demand for hotels and restaurants. Russia's

refusal to cut oil production has led to Saudi Arabia making extraordinary concessions, and therefore the threat of consuming more raw materials (Agha et al., 2020).

All of this predicts an oil price war over an outbreak of a virus that is dampening demand for oil, which will have serious consequences for the world economy. While cheap oil could be an advantage, the fuel cost savings are unlikely to be channeled into higher costs due to social exclusion. In the face of this pandemic, problems in business due to supply chain disruption (Agha et al., 2020; Gordon, 2020; Turner & Akinremi, 2020). From a socio-economic point of view, the pandemic has had an impact on the education system, from several factors to school closures. Consequences include a lack of free meals for children from low-income families, as well as a lack of technology, computers that cannot ensure a smooth digital education, and a shortage of school leavers. This has affected not only students but also those pursuing undergraduate or postgraduate studies. Study institutions have been closed, various researches have been suspended or terminated, research laboratories have been closed, scientific conferences have been canceled or postponed.

As a direct consequence of Covid-19 and perhaps the most affected are the tourism industry, aviation, travel, hotels (Turner & Akinremi, 2020). The World Travel and Tourism Council<sup>1</sup> has announced that there are 50 million people at high risk. jobs in the global travel and tourism sector.

According to Chung (2015), pandemics have a very significant economic impact on airports. 2003 the airport business was directly affected by SARS. It was a devastating effect when flights were canceled, and passenger traffic fell. Although conventional economic data was not used to measure airport business performance, it was passenger traffic that was a good indicator as it is proportionate to the financial performance of airports. The WHO<sup>2</sup> indicated that air travel is the main reason why local outbreaks have escalated into pandemics. In 2003, the coronavirus SARS particularly affected airports and flights, in contrast to 2006 avian influenza or 2009 swine flu pandemic, as the WHO has not issued travel recommendations for these. During virus outbreaks, airports adopted some control measures after analyzing their effectiveness in

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<sup>1</sup> See for more at: <https://wtcc.org/Research/Insights>

<sup>2</sup> See for more at World Health Organization (WHO, 2020): <https://www.who.int/data#reports>

controlling diseases, but at that time the economic impact on airports had not yet been quantified (WHO, 2020; Shah & Shah, 2020).

Gossling, Hall & Scott (2020) agree with the authors that Covid-19 caused the greatest global economic disruption since WW the 2nd. These include global travel restrictions, international travel friendships that affect more than 90% of the world's population, and other factors. This crisis later took hold on an international scale, with the closure of national borders and the introduction of quarantine (Shah & Shah, 2020). This virus has disrupted the tourism chain around the world. There is already a false global belief that tourism will recover as it has in previous events affecting tourism, but there are several indications that the consequences of Covid-19 will be more severe and transformative. Unlike some other sectors, tourism will not be able to recover lost income. Earlier trips cannot be completed later. The current year will be lost. For the period 2000-2015, the tourism sector has been affected by factors such as terrorist attacks (2001), SARS (2003), the global economic crisis (2008-2009), MERS (2015). However, the authors say, "there is ample evidence that the effects and recovery of Covid-19 will be unprecedented" (Turner & Akinremi, 2020, pp. 49). Rapidly growing world population, urbanization trends, other global changes may lead to a growing number of pandemics. 20th century known pandemics, such as - „Spanish” flu (1918-1919), „Asian flu” (1957), „Hong Kong” flu (1968). XXI a. known pandemics – SARS (2003), Avian Influenza (2009), MERS (2012), Ebola (2013-2014).

## CONCLUSIONS

1. The pandemics of the previous year and this year's pandemic Covid-19 are closely interlinked. Pandemics are necessary to control pandemics, but it has a strong impact on business, disrupts different business chains, and Covid-19 is seen as an unprecedented event whose economic situation is comparable to that of the WW the 2<sup>nd</sup>. The biggest negative significance for Covid-19 and quarantine was in the tourism sector.
2. Pandemic and the lockdown have had little or no impact on businesses operating remotely. There is an increased demand for essential



goods, the need to accumulate food, medicines and other stocks, therefore the flourishing of grocery stores, pharmacies and courier services is visible. The biggest negative impact was observed in the supermarkets, the beauty services sector, for which it is not possible to provide services remotely.

3. It was found out that the lockdown has opened new opportunities for the education sector. The possibility of transferring education to a virtual space has been discovered, which saves not only during quarantine, but will also rescue the student in case of illness, when there is no need to interrupt education and it can be continued remotely.
4. Businesses, in order to protect themselves from current and future pandemics, should monitor events, plan and budget, have a plan of what activities they can reorient in individual cases, and improve the flexibility of their technological and teleworking.

#### **RECOMMENDATIONS:**

- For business models with no experience working remotely, make every effort to enable such an opportunity soon. For those business units that do not have any ability to work remotely, e.g. for the beauty services business, to find activities that can be reoriented in the absence of the possibility to provide services directly. Discovered new activities are proposed to be applied together, providing services directly.
- Business leaders to take care of the emotional health of their employees during teleworking and in the face of a pandemic and the company's microclimate while working within the company. It is suggested to cooperate with specialists and organize seminars for employees on the topic - how to maintain working capacity, work from home and how to stay strong, excited about the future both in terms of work and other aspects of life.

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