

SLOVENIAN COMPANIES AND COVID-19: HOW WAS COVID-19 PANDEMIC CHANGES SLOVENIAN GLOBAL COMPETITIVENESS?

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ABSTRACT

We investigated how the circumstances of COVID-19 change the global competitiveness of Slovenian organizations. Based on crisis, management and business theories, we analyzed the responses of company managers to ensure the competitiveness of companies in crisis situations. To capture the impact of the COVID-19 crisis pandemic, we compared 618 responses of managers before the pandemic - obtained in March 2020, and 486 responses of managers in a pandemic - obtained in May 2020 regarding business operations. The results showed that internationally oriented enterprises responded more appropriately to the challenges of COVID-19 than domestic oriented organizations. As a result, COVID-19 circumstances have less affected their business and consequently less reduced their competitiveness. The analysis shows that internationally oriented companies responded to the COVID-19 crisis with more comprehensive measures to reduce costs, connect with partners, reduce the number of employees and increase communication with representatives of the political system than domestic oriented companies. The results of our study have theoretical implications and highlight the importance of experience and knowledge of international business in maintaining their competitiveness in the COVID-19 crisis. Practical implications include proposals to streamline operations aimed at maintaining competitiveness and taking advantage of new business opportunities.

Keywords: COVID-19, Pandemic, Companies, Competitiveness, Slovenia.

INTRODUCTION

Social, political, and health crises in the last decade have changed the stability of societies and limited their economic development (Domańska-Szaruga & Wereda, 2011). Several empirical studies have reported on the effect of crises – including last health crisis caused by COVID-19, on enterprises, but revealed conflicting results about the mechanisms of the pandemic's impacts on the functioning and behavior of enterprises (Potocan & Nedelko, 2021).

Scholars mainly theorized health' crisis through stream of broader societal influences, among which circumstances for operating of enterprises are not in forefront (Burke & Cooper, 2000). However, the most classic measures for disease control -e.g. the lockdowns of societies, the restriction of movement, etc., can limit the business of companies and negatively effect on future economic development.

This open question how the diversity of occurrence and course of COVID-19 affected organizations in different environments. We focus our research on the treatment of sampled companies from Slovenia, which were operated under the same conditions of the COVID-19 pandemic. In this way, we want to exclude from the discussion the influence of the differences in dynamics of the COVID-19 course between companies from different environments. In addition, we focus our research on the analysis of the response of companies

to the situation of COVID-19 and on the impact of various measures of companies on their international competitiveness.

The present study has both empirical and conceptual objectives to advance previous research with new insights into the operation of companies in crisis. We provide an analyze of enterprises' operating under circumstances before and during COVID-19. Next, we broadened knowledge about crises' competitiveness among internationally and domestic oriented enterprises. Finally, we investigated the responses of organizations on crisis circumstances.

LITERATURE REVIEW AND HYPOTHESES

Companies have faced a number of economic, political and health crises in their development (Gilad, 2003; Domańska-Szaruga et al., 2011) and last among them - the COVID-19 crisis. The emergence of Covid-19 and accepted measures to manage this health pandemic have had a significant impact on the circumstances for operating and behavior of companies from the beginning of 2020 onwards. Societies have responded to COVID-19 with traditional epidemiological and crisis management measures that have significantly changed the current social and business patterns of the general social, political and economic systems. This is especially true for enterprises which business is internationally oriented.

Previous researches about companies to past crises have highlighted the importance of changes in the wider social environment for organizations operations in difficult business conditions and the need to change organizations to adapt to new business conditions (Domańska-Szaruga & Wereda, 2011; Potocan et al., 2020).

COVID-19 has significant changed circumstances for companies' operating, mainly through the crisis of the societal economy, institutions and the increase of individualism (Domańska-Szaruga & Wereda, 2011). From the perspective of the current global pandemic, the past economic history is in constant transition from crisis to crisis with an emphasis on the relationship between state regulation of economic conditions of business and individuals in general (Pomeranz, 2014). Therefore, the macroeconomic and political-sociological aspects of the COVID-19 crisis also create conditions for the so-called poker structure of relations in the company from the point of view of its business relations with other companies and institutions (Mészáros, 2011).

COVID-19 has further deepened the crisis of the fundamental social institutions that define the political system of society (Gelven, 1997). According to the cause of their existence and functioning, social institutions are usually auto-conflict organizations (Gilad, 2003). On the one hand, they strive to stabilize social processes and thus enable the management of society as a whole (Caputo & Yount, 1993), and on the other hand, by stabilizing social processes, they reduce the creative and innovative potential of society as a whole (Ross, 2016).

The management literature also highlights the increase of individualism in all level of society in times of crisis (Ross, 2016). The social level is reflected at the level of the globalism of the occurrence of a pandemic crisis with the key features of each society and its political system (Robben & Suarez-Orozco, 2000). The level of the company is reflected in the globally comparable and competitive development of the Slovenian economy in general and entrepreneurship in particular, with an emphasis on the performance, efficiency and social responsibility of each individual company in the Slovenian and global market (Beck & Beck-Gernsheim, 2002). The level of each individual as an individual in society and in the company is reflected in the transfer of knowledge about business and personal opportunities for personal growth and development and the expressed need for quality business life. Empirical research also reports the growth of individualism in society in past economic crises (Dabić et al., 2021; Pivec & Potočan, 2021).

At the same time, COVID-19 also directly influenced the operation and behavior of companies. Basically, this crisis highlighted the importance of understanding the impact of a social crisis on the functioning of an organization (Ross, 2016). Social development and in it the development of business systems has been in constant conflict and crisis since the time of the first industrial revolution until today, from the point of view of the individual and his role in society (Robben & Suarez-Orozco, 2000). In the context of health crises, it is a concept of technological and broader social barriers to action, where the individual and group perception of the actual situation depends on his knowledge and competence to change (Ross, 2016). This is especially true for companies and their ability to constantly adapt to changing local and global business conditions (Nedelko & Potocan, 2021).

The understanding of the role and significance of the crisis for doing business in companies is also changing (Ross, 2016). The crisis state of a company as an organization is essentially its most common state, as the company as an organization only realizes the potential market opportunities offered by the ever-present macroeconomic (Ross, 2016). Risk management and leadership of the company as an organization, which can be highlighted as probably a key response to the exploitation of social crisis at the company level as an organization (Porpora et al., 2002). In particular, organizational restructuring as managerial understanding and action in a crisis from the point of view of realizing a potential financial opportunity can make an important contribution to proper crisis management in companies (Potočan et al., 2020).

Awareness and organizational and social potential for adapting to change are also strengthening in companies (Berend, 2016). The crisis of the company as an organization is reflected in its reciprocity of active passivity of stabilization and development in terms of the organizational and social potential of adapting to change (Glasberg & Shannon, 2010). Thus, we can conclude that the intensity of the COVID-19 crisis highlights the dialectical cause of the institution's crisis, which represents a potential starting point for achieving social competitiveness as the ability to establish changing social norms, values and social – as organizational networking (Burke & Cooper, 2000). The literature also highlights the importance of the individual strategy of companies and their social structure for operating in crisis situations (Dabić et al., 2021). From the point of view of dynamic and stochastic stability of the company's operations, understanding and relatively successful management of elements of randomness is usually the most important strategic direction of the company (Berend, 2016). Adaptive learning and the transfer of knowledge into entrepreneurial practice, however, encourage a special social structure between employees and other individuals and groups that stand out in the company's environment as an important factor in its strategic operation (Glasberg & Shannon, 2010).

In accordance with the selected starting points, our research is focused on addressing the characteristics of the impact of COVID-19 on the circumstances for business and the adequacy of the company's response to these conditions. Therefore, we focused the research on the action-oriented entrepreneurial potential of sampled Slovenian companies to achieve their competitiveness in managing and leading companies in a crisis environment. Consequently, we hypothesized:

H₁: *Companies that were already largely active in international markets prior to the Covid-19 pandemic were more responsive to the crisis than companies that were less active in international markets before this crisis.*

METHODS

Data and sampling - The data for this survey were obtained through the field survey of employees in Slovenian organizations (Ursic et al., 2020). We conducted the survey two times. First, it was conducted in March 2020, and second time it was conducted in May 2020.

The sample is convenient, as it was based on personal linkages and connections of authors of this paper. The sampling also reflects snowball sampling, as research participants recruited their peers from their network to participate in the study. We collected 618 employees answers in first repetition and 486 answers in second repetition. Detailed characteristics of survey participants in both repetitions of survey are outlined in Table 1.

	March 2020 (N=618)		May 2020 (N=486)	
Gender				
Male	389	62.9 %	355	73.0 %
Female	229	37.1 %	131	27.0 %
Working experiences				
Up to 2 years	37	6.0 %	28	5.8 %
2 to 4 years	25	4.0 %	28	5.8 %
4 to 6 years	55	8.9 %	35	7.2 %
6 to 8 years	48	7.8 %	39	8.0 %
8 to 10 years	67	10.8 %	28	5.8 %
10 to 15 years	98	15.9 %	74	15.2 %
15 to 20 years	116	18.8 %	146	30.0 %
More than 20 years	172	27.8 %	108	22.2%

Instrument used - The questions were formulated based on the practical and research experiences of the authors. The instrument used consists of 62 questions regarding the impact of COVID-19 on business performance and behavior. We first conducted the survey in March and then repeated it in May in order to capture the effect of COVID-19 circumstances. For this paper we took into the consideration four questions, related with global market competitiveness of Slovenian companies before pandemic was occurred it means before March 2020, and after two months operating with pandemic, it means at the end of May 2021. All selected questions were closed question, where respondents can choose one answer from pool of possible answers.

Research design - Two repetitions of the survey, enable us to capture the effect of COVID – 19 circumstances. Thus, we consider the first conduction of the survey in march as representing the circumstances before COVID–19, while the repetition of May is able to capture the effect of COVID-19 pandemics. For all selected questions from the survey we reported frequencies, while we also reported mean values, when there was interval scale.

RESULTS

In this section we are presenting some preliminary results of our study done in circumstances before CCOVID-19 and in times of COVID-19. The first question concerns *“International competitiveness of the organization from the point of view of managing expenses and measures to reduce operation costs”*. Thus Table 2 presents the assessment of the international competitiveness of the organization from the point of view of managing expenses before pandemic and in pandemic.

In addition, Table 3 presents results about the measures to reduce operation cost before pandemic and in pandemic.

The results of the research on this issue show that Slovenian companies had a double trend in terms of international comparability in terms of efficiency before and during the pandemic. The first was that companies that were slightly and/or significantly above the average of comparability in terms of efficiency maintained this comparability even during the pandemic. However, companies that were somehow on average comparable have fallen behind.

Namely, the percentage of companies that were slightly below average and significantly below the average of international comparability in terms of efficiency increased during this period. At the same time as this trend of declining efficiency, a strong increase in measures to reduce operating costs can be seen in companies.

	March 2020 (N=618)	May 2020 (N=486)
Mean value	3.2	3.0
Frequencies		
Significantly below average	4.1 %	7.8 %
Slightly below average	6.3 %	14.6 %
Quite comparable	66.6 %	54.9 %
Slightly above average	10.3 %	10.3 %
Significantly above average	12.7 %	12.4 %

	March 2020 (N=618)	May 2020 (N=486)
Mean value	1.7	3.0
Frequencies		
We do not introduce measures	38.7 %	16.8 %
We introduce measures to reduce costs by up to 1%	21.3 %	14.6 %
We introduce measures to reduce costs by up to 2%	17.8 %	23.3 %
We introduce measures to reduce costs by up to 3%	13.2 %	20.3 %
We introduce measures to reduce costs by more than to 3%	9.0 %	25.0 %

The results show that in the two-month period since the beginning of the pandemic, the number of companies that have already implemented projects to intensively reduce operating costs has risen sharply. There were already 25.00 % of such companies in May, compared to March, when there were only 9.00 % of companies with comparable projects. On this basis, we can conclude that such a rapid reaction of companies is intensively related to the present action of management knowledge based on continuous entrepreneurial learning and represents the competitive potential of the Slovenian economy to adapt to crisis situations.

The following is a question regarding the *“International competitiveness of the organizations from the point of view of competitiveness and new business partners seeking”*. Thus Table 4 presents the assessment of the international competitiveness of the organization before pandemic and in pandemic, while Table 5 presents results about seeking of new business partners before pandemic and in pandemic.

Different trends can be found when researching the international comparability of Slovenian companies in terms of performance. Before the pandemic, more than 92% of companies were competitive in terms of performance (average, above average and industry leaders). In May 2020, only a good 63% of such companies remained. At the same time, we note that the search for new business partners in international markets has increased very intensively in companies with a sharp decline in revenues. Before the pandemic, more than

38% of companies merely maintained existing business relations with international companies and did not look for new partners when in May 2020 there were just under 9% of such companies. From these results we can conclude that the reaction capacity of Slovenian companies is very high and highly dynamic due to the internationally comparable competitiveness of products and / or services. Based on these results, we can conclude that the vast majority of Slovenian companies also have internationally permanently comparable concepts of company development as such and, of course, permanently comparable concepts of product and service development that are interesting for international markets.

	March 2020(N=18)	May 2020 (N=86)
Mean value	3.3	2.7
Frequencies		
We were/are uncompetitive	2.8 %	11.8 %
We were/are below average competitive	5.1 %	25.1 %
We were/are on average competitive	57.4 %	47.5 %
We were/are above average competitive	26.6 %	13.9 %
In terms of competitiveness, we were/are among the leaders in the business branch	8.1 %	1.7 %

	March 2020 (N=618)	May 2020 (N=486)
Mean value	2.3	3.3
Frequencies		
We do not look for new business partners abroad	38.0 %	8.7 %
We think about it intensely	16.3 %	12.8 %
We prepare the concept of finding new business partners	26.8 %	31.9 %
We are already in contact with new business partners	13.1 %	31.2 %
We have already concluded a contract with new business partners	5.8 %	15.4 %

Next, we are outlining “*The impact of business processes on organizational competitiveness in international market, from the viewpoint of reducing number of employees*”. In Table 6 we outline the impact of business process on organizational competitiveness in international market before pandemic and in pandemic, when Table 7 presents the probability of laying off employees in different business processes and/or organizational areas, before and in pandemic.

	March 2020 (N=618)	May 2020 (N=486)
Frequencies		
Sales	20.1 %	24.4 %
Purchasing	17.7 %	22.1 %
Management	17.5 %	20.5 %
Finance	16.8 %	20.4 %
HRM	15.3 %	11.2 %
R & D	12.6 %	1.4 %

Prior to the pandemic the business sales process (more than 29%) was a key influencing factor in the competitiveness of companies' operations in international markets. All other business processes can be considered as sales support processes in achieving international competitiveness. Based on the answers, we conclude that the management of Slovenian companies understands international competitiveness primarily as a tactical and operational factor of business and only in another viewpoint as a strategic factor, which can be concluded based on the trend of negative impact of HRM business process on international competitiveness (more than 15% and more than 11%). This trend of negative impact on international competitiveness is especially important for the R&D business process, in which we find an insignificant impact on the international competitiveness of companies in the initial period of business in a pandemic (more than 12% and only a good 1%).

	March 2020 (N=618)	May 2020 (N=486)
Frequencies		
Laying off employees in administration	38.1 %	75.4 %
Laying off sales employees	14.6 %	8.2 %
Laying off purchasing employees	15.1 %	8.6 %
Laying off in management	9.5 %	13.5 %
Laying off finance employees	20.4 %	14.4 %
Laying off R&D employees	12.4 %	24.4 %

The pandemic as a crisis of competitiveness in Slovenian business practice is undoubtedly more operational than a strategic problem from the point of view of organizational business trends. According to the position of Slovenian companies on the probabilities of dismissal of employees after business processes in May 2020, we find that in the operations of companies during the pandemic can be expected intensive dismissal of employees in the administration. Namely, this percentage of probability increased from just over 38% to more than 75% in just two months. Indicative is also the trend of layoffs of developing employees, which in two months in terms of the probability of job loss increased from just over 12% in March to over 24% in May. This indisputably shows that management considers the pandemic as a temporary crisis, where, from the point of view of cost rationalization of operations, the cost of short-term development is also less necessary.

Finally, we analyze *“The impact of communication between the organization and Slovenian “political system” on organizational competitiveness”*. Results of analyze are presented by Table 8.

	March 2020 (N=618)	May 2020 (N=486)
Mean value	2.0	3.3
Frequencies		
We do not communicate	53.9 %	11.2 %
We hardly communicate	14.2 %	12.3 %
We communicate from time to time	13.8 %	23.8 %
We communicate significantly	15.3 %	35.3 %
We communicate regularly	2.8 %	17.4 %

Before the onset of the pandemic, as many as 68% of Slovenian companies did not communicate (almost 54%) or had little communication (more than 14%) with the Slovenian political system. In just two months of crisis operations during the pandemic, this percentage dropped significantly. We estimate that this means at least two; that the Slovenian political system reacted quickly to the initial period of crisis.

On the other hand, in this two-month period of crisis operations from March to May 2020, as many as 76% of Slovenian companies communicated with the Slovenian political system significantly (just under 24%), significantly (over 35%) and very much (over 17%). We estimate that this trend of increasing such communication is primarily about providing additional reasoned information for the needs of entrepreneurial decision-making and action in the context of global crisis operations.

CONCLUSION

Based on the answers, we conclude that the management of Slovenian companies understands international competitiveness primarily as a tactical and operational factor of business and only in another viewpoint as a strategic factor, which can be concluded based on the trend of negative impact of HRM business process on international competitiveness (more than 15% and more than 11%). This trend of negative impact on international competitiveness is especially important for the R&D business process.

The results of the analysis of answers from the conducted surveys before and during the COVID-19 pandemic confirm our hypothesis that companies that were already operating in international markets before the Covid-19 pandemic responded better to the consequences of the COVID-19 crisis, as a company with less experience in international business.

This study has some limitations. First, the convenience sampling, where respondents were selected based on authors' personal networks. Second, due to the preliminary nature of the study and early stages of data processing, we are outlining some basic statistics, namely mean values and frequencies.

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