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# Examples of Good and Bad Practices of Industrial Enterprises in Slovakia in Overcoming the Crisis Situation due to the COVID-19 Pandemic

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# Author's short biographies

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Is the assistant professor at the Department of Economics, Business and Management of the Technical University in Zvolen, Slovakia. She gained her first professional experience as production manager at Smrečina company. She has been building her academic career since 2003 as the university researcher. In the scientific and research field, she focuses on the issues of production management, logistics, lean manufacturing, quality management and change management.

# Introduction

- The COVID-19 pandemic has caused serious economic and financial impacts on the economies of businesses around the world, including Slovakia. Exploring the implications of the pandemic for business has been the subject of research by many authors or institutions since the first year of the global spread of the pandemic.
- The study of the literature helped to reveal **gaps in knowledge and analyses**:

✓ the analysis of industrial enterprises during the coronacrisis has not received special attention, only within the SME group,

✓ the case study approach, which is scarce in the existing literature when examining the impact of the pandemic on Slovak enterprises,

✓ analysing the impact of pandemics on enterprises in the context of enterprise agility.

**The aim of the paper** is to highlight examples of good and bad practices of industrial enterprises in the Slovak Republic in overcoming the pandemic crisis situation through case studies created on the basis of guided interviews with managers of firms and linking them to the development of financial indicators during the pandemic period.

# The Literature Review

- **Impact of the pandemic on businesses in Slovakia:**

✓ The COVID-19 pandemic caused a significant drop in the Slovak GDP due to closed operations, problems with the disruption of supply chains, or restrictions on the mobility of people (for 2020, the GDP growth was negative (-) 4.4%).

✓ The SME sector is the biggest victim of the economic crisis caused by the epidemic, with 9.8% of businesses closed. (Mura et al., 2022).

✓ People have reduced purchases and services to essentials. Business closures and reduced consumption have led to rising unemployment. Many people lost their jobs or were exposed to short-term or part-time work *(Svabova et al. 2022; Olah et al. 2021; Hamran (2021).*

✓ The state of tourism significantly worsened just due to the closure of borders, the suspension of air traffic, the ban on passing between districts, and the closure of wellness centres, hotels, swimming pools, and ski resorts. *(Svabova et al. 2022; Judák, et al. 2022)*

# The Literature Review

- **Impact of the pandemic on businesses in Slovakia:**

✓ Some industries such as information technology and online services have experienced growth due to the need to shift to digital ways of working, learning and communicating *(Bolek and Zelina, 2021).*

✓ Many companies, using the digital technologies, adapted and overcame the current situation and made work easier for employees through home office and online tools. *(Almeida et al., 2020, Gupta, 2021)*

✓ The demand for online shopping has increased and E-commerce businesses experienced growth while traditional retail stores struggled to maintain their operations *(Aydogan 2020).*

✓ The most widespread measures in connection with the pandemic taken by the Slovak government included measures relating to income tax, direct loans, and wage contributions *Chubarova et al. 2020; Belanová 2022).*

# The Literature Review

- **Business agility in the context of the COVID-19 pandemic**

✓ According to research conducted, 73.5% of research journals wrote that business agility is one way for companies to be able to face, respond, and adapt quickly to changes and competition in the market *(Bashkarada & Koronios, 2018; Cai et al., 2019; Darvishmotevali et al., 2020; Martínez-Caro et al., 2020; Zaini et al., 2020)*.

✓ Companies can create and change strategies and tactics related to business agility so that companies can use them to cope with fluctuating internal and external changes *(Barlette & Baillette, 2020; Qosasi et al., 2019).*

✓ Firm agility is the ability of a company not only allows the company to survive in an uncertain environment but also can have a tremendous impact on the company *(Nafei, 2016)*. Business agility is the main capability that allows companies to be able to see changes and act effectively to maintain and improve sustainable performance *(Marhraoui et al., 2019).*

# The Study

- The intention of the research, the results of which are presented in this paper, was to find out to what extent the manufacturing companies of the Slovak Republic were able to be agile in coping with the changes caused by the pandemic Covid 19.
- All the changes in the pandemic period were unexpected, and to survive the companies had to react quickly and implement unplanned changes and actions, which is typical of an agile approach.

# Research Question(s)

Did the agile approach help manufacturing firms in the Slovak Republic to successfully master the coronacrisis?

# Methodology

- We designed a structure of guided interviews with owners and managers of manufacturing firms from selected industries and conducted a total of 35 interviews.
- Businesses were selected to be representative of their length of time in the market, size, ownership and the level of financial performance relative to the industry as a whole.
- Semi-structured interviews were chosen to allow for open-ended responses and follow-up questions on the topic.
- The interviews were conducted in person, at the end of 2023, when the effects of the pandemic had already died down. The guided interviews included 14 questions focused on challenges, obstacles, taken measures and achieved results or impacts of performed changes during pandemic period.

# Methodology

- The second part of the research was the analysis of changes in the financial indicators of the analyzed companies during the pandemic, i.e. the analysis of data in 2019-2022: sales, revenue, profit, return on sales and equity, profit margin, debt, inventory. The data source was the financial statements database finstat.sk, which is obliged by law to publish all financial information of active companies in the Slovak Republic. We triangulated all data from primary and secondary sources using the procedure outlined by Tellis (1997).
- The results of the interviews and secondary data analysis were compiled into case studies. Case studies are particularly well suited to a comprehensive examination of an event to test a theoretical concept; in the case of our research, this was to test the agility of SR firms during a coronacrisis.

# Methodology

- To ensure reliability, we designed a formal, uniform case study protocol. This protocol contains three parts, created by grouping responses to structured interview questions, namely: obstacles and challenges addressed, actions implemented, and results achieved.
- In the final stage, we identified the enterprises with the most significant improvement in business performance during the pandemic as best practice cases and the enterprises whose situation was most worsened by the pandemic as examples of poor practice. These selected studies are presented in the results.

# Results

- The case studies show that all manufacturing enterprises in the country faced these same challenges and obstacles during the pandemic:

✓ Increased safety and hygiene measures and associated increased costs.

✓ The transition to online communication and the associated need to procure online tools, platforms and train staff to work online.

✓ Staff absenteeism due to sick leave, mandatory quarantine and related business continuity issues.

✓ Emergence of new demand for health, hygiene and disinfection products

During the pandemic period, some industries were affected by interruptions in the supply of inputs, closure of plants, breakdown of customer relationships - a drop in demand and orders.

# Results

- **Best cases**

Companies that were able to improve their financial performance in a period full of restrictions and limitations and use the pandemic as a business opportunity to their advantage are best practice cases. Of the businesses surveyed, 5 such businesses were identified from funrniture, metallurgical, enginnering, food and chemical industries.

- **Bad cases**

We have identified companies (5 in total) in industry sectors (automotive, enginnering, food, textile and furniture) that have not only worsened their financial performance, but have put their future performance at risk through their approach to dealing with the coronacrisis and the actions they have taken. We present the case studies of these companies as examples of bad practice

# Results

- The **best practices of** the interviewed companies:

✓ ***Product mix innovation and new product development:*** reorientation of production towards new products for which demand has increased or arised

✓ ***Entering new markets and market segments:*** moving from wholesale customers to end customers, introducing online trading.

✓ ***Flexibility in terms of trade and delivery conditions:*** firms reduced the delivery time of products, took measures to comply with agreed terms of delivery time, price and quality.

✓ ***Keeping prices affordable for customers:*** increased costs partly offset by reduced profit margins

✓ ***Digitisation and automation:*** the digitisation of processes, the move to online forms of communication and trading and the increase in the robotization of production processes

✓ ***Stabilisation of able-bodied workers and Retaining key and skilled employees***

✓ ***Rapid response and implementation of unplanned changes.***

# Results

- The main **bad practices** are:

✓ ***Inability to take advantage of changes in demand and lack of innovation in the product range:***

✓ ***Production curtailment and closure*** due to failure to deal with staff shortages, inadequate health and safety measures

✓ ***Redundancies of employees:*** associated with higher personnel costs

✓ ***Slow and late reactions and actions***

✓ ***Loss of original customers***

✓ ***Making costly investments***

✓ ***Full pass-through of cost increases to sales price increases***

✓ ***Poor communication with customers and employees during a crisis situation***

# Discussion

- Each sector and each enterprise faced its own challenges due to the COVID-19 pandemic. Our purpose was to examine how manufacturing, industrial enterprises coped with the coronacrisis period and how they achieved significant improvement or deterioration in their financial performance.
- Through guided interviews with managers of enterprises in various industries, we found that some enterprises adapted quickly to the new conditions and began producing products that were needed and in demand as a result of the pandemic. During the pandemic period, the enterprises were in better financial and operational condition than they were before the pandemic.
- On the other hand, manufacturing companies that were not flexible enough and focused only on cost-cutting did not cope with the corona crisis. It has resulted in deteriorating financial results, increased business continuity problems, bankruptcy, disintegration of customer markets, and difficulty in recruiting skilled employees once the pandemic is over and economic activity has recovered.

# Discussion

- A review of examples of good and bad practice suggests that agility - the ability to respond quickly and effectively to change - was a key influence on the behaviour of businesses during the coronacrisis and on its successful management.
- Late or inappropriate responses to change were identified by business representatives as reasons for failure to meet customer demands, maintain market position and financial stability. The worst impacts were seen in companies that were almost completely unresponsive and took no action.

# Implications

- The main contribution of the paper is to extend the empirical findings by examining the effects of pandemics on the entrepreneurship of manufacturing firms in the context of firm agility. The coronacrisis tested the level of flexibility and the ability to apply agile principles also in manufacturing firms.
- The results showed that enterprises that reacted quickly to the changed market conditions, took advantage of the newly emerging demand for scarce health care goods and changed the production programme to produce them, as well as enterprises that digitised and optimised processes, achieved significantly better results in sales and profit.
- It can be concluded that the agile approach helped manufacturing firms to successfully cope with the unexpected crisis period and even improve their financial situation.

# Suggestions for Further Research

- Future research will be focused on:

✓ building agile management models that help companies to cope unexpected changes,

✓ comparison of the success of agility application in different industries,

✓ suggestion of methods for assessing the level of agility in the enterprise.

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