

THE EFFECTS OF OVERLAPPING CRISES ON ECONOMIC ENTITIES IN ROMANIA

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Abstract: *Any business can at some point face a crisis that can endanger its operation and image. The purpose of this research paper is to survey the representatives of 127 economic entities in Romania in order to present the effects of multiple crises on the basic activity of these companies. The first objective considers the review of specialized literature on the subject of multiple crises, and the second objective is focused on the analysis of the companies in the research sample. The results consist in providing an overview of Romanian companies in the context of the manifestation of the covid-19 pandemic crisis, the energy crisis and the geopolitical crisis generated by the Russian-Ukrainian war, but also a set of solutions for companies that are in difficulty because of these crises. The companies included in the sample belong to all fields of activity (trade, production and services) and were analyzed in the period January 2023-October 2023.*

Key words: *Romanian companies, pandemic crisis, energy crisis, geopolitical crisis*

JEL: M10, M41

1. Introduction

Crisis, in its broadest sense, can include many unwanted manifestations of a thing or phenomenon. As for company crises, they are closely related to those in the state: for example, economic crises often cause company crises; psychological crises can become both the cause and the consequence of company crises, etc. (Valackienė & Virbickaitė, 2011). The concern of administrators and managers is the first form of expression in the context of global crises, but also of legislative, economic and other changes that have affected the core activity of companies (Grosu & Chelba, 2020).

Kajanová and Tóth (2023) argue that the tourism and travel industries have been greatly disrupted by the Covid-19 crisis, with the HoReCa sector suffering significant losses due to reduced travel and social distancing restrictions; to the same extent, retail companies have suffered from lockdowns and social distancing restrictions, with low sales. According to the same authors, the pandemic crisis has also brought disruptions to the global supply chain, leading to shortages of goods in various industries, including healthcare, electronics, automotive and others. As for the energy crisis and the geopolitical crisis caused by the Russian-Ukrainian war, companies have also been affected by these crises Ozili and Ozen (2023) believe that the energy crisis has many causes, including the cessation of oil production due to the Covid-19 crisis and the Russian-Ukrainian war, the lack of fuel reserves due to the decrease in investments in fossil fuels, but also the intentions to reduce carbon emissions. In the opinion of Rabbi et al. (2023) the war between Russia and Ukraine, two significant agricultural

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powers, has numerous serious socio-economic consequences that are currently being felt worldwide and that undermine the functioning of the global food system.

2. Overview of companies from Romania in situation of multiple crises

Literature Review

Over time, according to Bil (2010), crises have brought down many leaders and, with them, the organizations led by them, while others have faced the challenges, proving their mettle. ”The most effective leaders emerge from a crisis victorious because they are both aggressive and courageous when they use challenges to their advantage. In addition, they deeply want to make a difference in the world through their work” (Bill, 2010). The 2020 Covid crisis brought many changes to the economy in an unprecedented, profound and surprising way. The health crisis has left its mark in a strong way on unemployment, the health sector, education, work, lifestyle.

Under the influence of the Covid-19 pandemic, there are many major changes in the economy, which have a strong impact on companies and represent challenges for their management. Among these, we mention the following (Nicolescu & Nicolescu, 2022):

- the notable drop in direct demand for certain products and services (tourism, transport, entertainment, etc.);
- reduction and/or delay in the supply of certain raw materials, spare parts and finished products;
- increased risk of being blocked or delayed with ongoing public or private economic and social projects;
- the decrease in indirect demand (especially industry, services and commerce) for many products and services caused by previous changes;
- noticeable fluctuation of orders and prices for certain types of important products, such as medicines, medical equipment, oil, some raw materials, etc;
- decrease or major change in alternative financing (stock exchange, venture capital, equity funds, business angels, etc.).

Since other industries and economies depend on the energy sector, it is considered one of the most essential sectors (Tarczynska-Luniewska et al., 2022). The energy market suffered a historic decline in 2020, as in just a few dozen days the prices reflecting oil decreased to the lowest level in the last 10 years (Jebabli, Kouaissah and Arouri, 2022). Brosemer et al. (2020) believe that solving the energy crisis is of utmost importance because energy has the ability to satisfy people's most priority needs. According to the authors cited above, the world population has a deficit in terms of paying for energy services, especially in the context of the health crisis. Therefore, other authors (Smal & Wieprow, 2023) have also noticed that there is a large fluctuation and an increase in the price on the electricity market, in recent times, so the SARS-cov-2 crisis, the loss of political stability, the increase in energy prices, as well as the increase in electricity demand are factors that determine an intensification of existing problems.

Still in the recovery period after drastic social distancing measures and temporary closures of some economic activities due to the health crisis, Russia's war against Ukraine occurs, especially in February 2022. Considered an unprecedented event after other major wars in the world, the Russian-Ukrainian war has a negative influence on the global economy (Adekoya et al., 2022).

The economic effects of this war are deeply felt throughout the world, the most pressing being the creation of a global food security crisis. Thus, the food sector is considered to be one of the most affected sectors of activity in this context. In a society already reeling from the economic effects of the coronavirus pandemic, the war has disrupted wheat exports from Ukraine and Russia, and rising inflation has dangerously increased food prices (In the Shadow of War, 2022).

In the opinion of Mardiros (2009) in the conditions of the emergence of a national and global crisis, the solutions that can be taken by companies could be those in Figure 1.

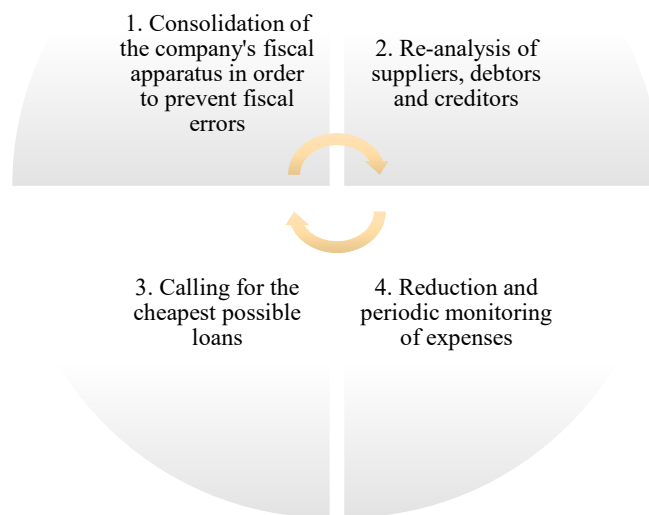


Figure 1. Solutions that can be taken by the company in the event of a national and global crisis

Source: adaptation after Mardiros, 2009, pp. 154-155

The influence of environmental turbulence and hostility on organizations has been widely studied from numerous perspectives, including financial, organizational, and project teams (Ingram, Wiczorek-Kosmala, & Hlaváček, 2023). Shaikh et al. al (2022) demonstrated in their study that there was a positive evolution of the capitalization of renewable energy companies by 150%. On the other hand, Xu et. al (2022) are of the opinion that energy shortages have a significant effect on business in developing countries. According to the previously cited authors, in order to overcome energy crises, such countries adopt different strategies in their industrial sectors. Thus, most governments around the world are making serious efforts to reduce their consumption of fossil fuels in power generation to mitigate climate change and reduce electricity tariffs (Fredes, 2021).

So, the effects of the health, geopolitical and energy crisis were felt at the level of the global economy, but especially at the level of the company; the companies' activities were simply blocked.

Research methodology

The research method used in this paper is the quantitative one by developing a questionnaire applied to 127 economic entities in Romania. The data collection period was between January 2023 and October 2023. The firms included in the sample belong to all fields of activity: trade, production and services. The questionnaire was created using the Google Forms program, and the data were centralized using Microsoft Excel.

Results and discussion

According to the results of the questionnaire, 28 of the companies had their core activity negatively affected by the covid-19 pandemic crisis in a percentage of 10% as shown in Figure 2. In the same vein, 38 of the economic entities analyzed in this study have were affected by the pandemic crisis in a percentage of 20-30%, 22 of the entities were affected in a percentage of 40-60%, 9 entities in a percentage of 70-90% and 3 entities in a percentage of 100%. Only 27 of the companies were not affected at all by the covid-19 pandemic. Therefore, the health crisis affected the economic entities in Romania, forcing some of them to close their activity, and many others to reduce their operations.

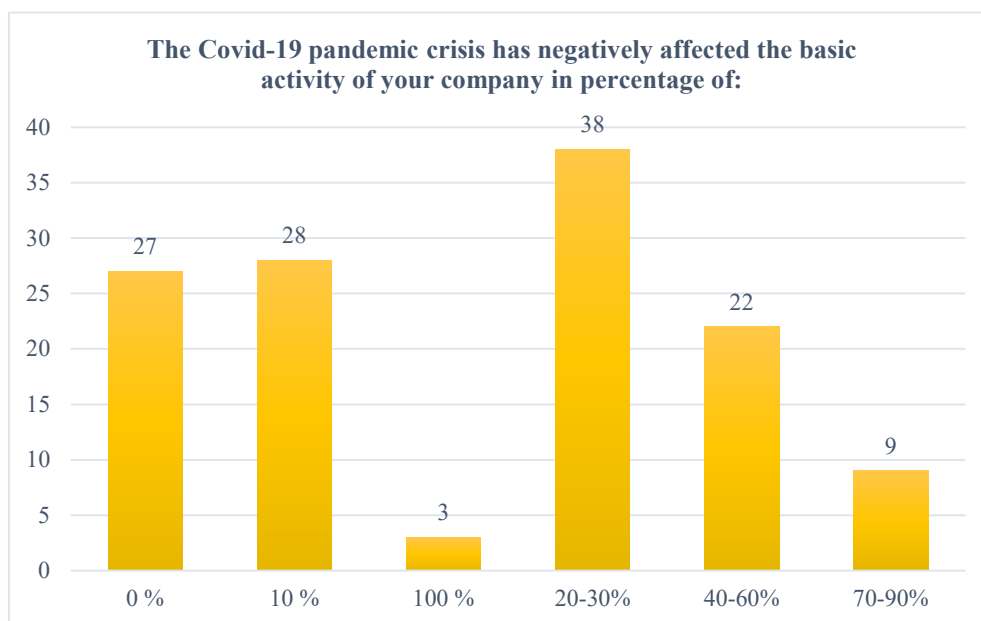


Figure 2. The degree of damage to the core business activity by the covid-19 pandemic crisis for the Romanian economic entities included in the sample

Source: own processing in Microsoft Excel 2024

Regarding the government aid received by the companies included in the sample, it can be seen in Figure 3, that only 47 companies out of the 127 received government aid (tax deferrals, tax exemptions, loan deferrals, wage subsidies etc.). These companies did not feel financial difficulty during the covid-19 pandemic thanks to these aids. In contrast, 73 of the companies did not receive help from the Government.

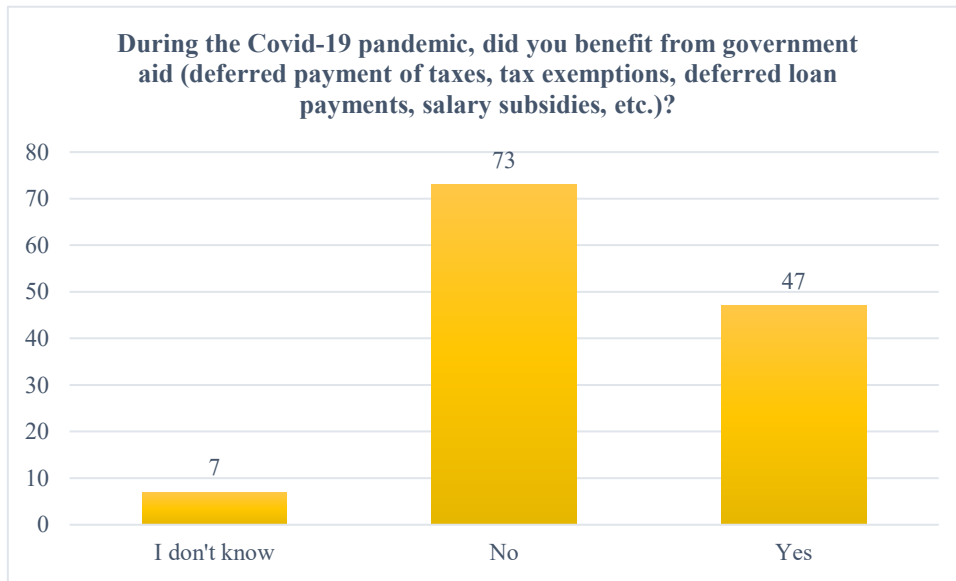


Figure 3. The degree of distribution of government aid during the covid-19 pandemic crisis for the Romanian economic entities included in the sample

Source: own processing in Microsoft Excel 2024

In Figure 4 it can be seen that 30 of the companies had their core activity negatively affected by the energy crisis in a percentage of 10%. Also, 39 of the economic entities analyzed in this study were affected by the pandemic crisis in a percentage of 20-30%, 22 of the entities were affected in a percentage of 40-60%, 6 entities in a percentage of 70-90% and a 100% entity. Only 29 of the companies were not affected at all by the energy crisis.

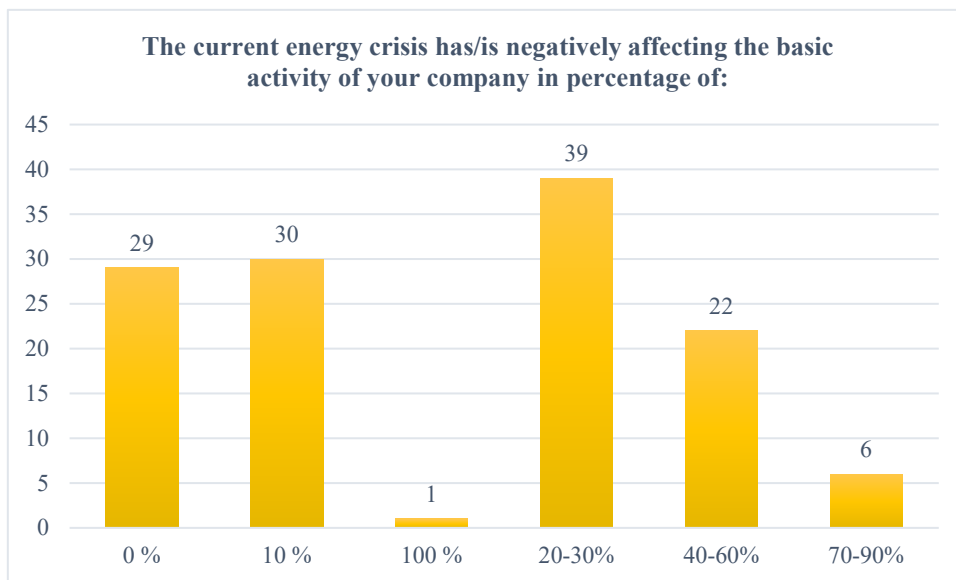


Figure 4. The degree of damage to the core business activity by the energy crisis for the Romanian economic entities included in the sample

Source: own processing in Microsoft Excel 2024

The geopolitical crisis generated by the Russian-Ukrainian war affected the economic entities included in the study in a smaller percentage compared to the health and energy crisis. Thus, 52 companies out of the 127 studied claim that they were not affected at all by the geopolitical crisis.

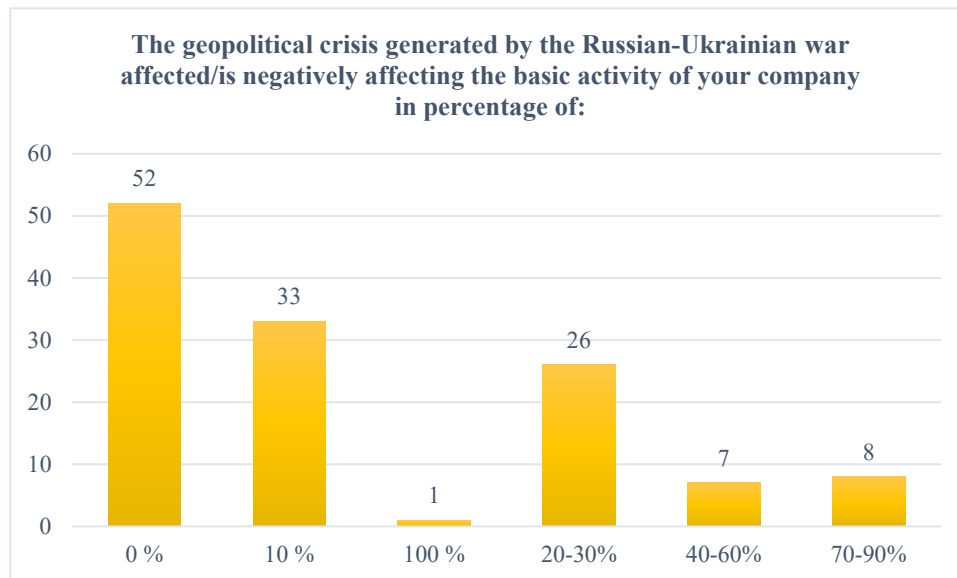


Figure 5. The degree of damage to the basic business activity by the geopolitical crisis for the Romanian economic entities included in the sample

Source: own processing in Microsoft Excel 2024

However, 33 of the companies had their core activity negatively affected by the geopolitical crisis in a percentage of 10% as shown in Figure 5. At the same time, 26 of the economic entities analyzed in this study were affected by the pandemic crisis in a percentage of 20-30%, 7 of the entities were affected in percentage of 40-60%, 8 entities in percentage of 70-90% and one entity in percentage of 100%.

3. Conclusions

The present study demonstrates the fact that in the current economic context, economic entities in Romania are subject to many risks, due to overlapping crises. The solutions in order to reduce these challenges brought by multiple crises could be: turning to the latest generation technologies, aligning the company's activity with the current innovative strategies existing on the market, developing and launching new products/services, orienting towards electricity from sustainable sources (energy wind, solar energy, etc.), reducing the ambient temperature in the premises where the company operates, changing the work schedule, by reducing the ambient temperature in the spaces where the company operates, modifying the work schedule, by reducing working hours in the evening or at night to reduce the level of electricity use, replacing classic equipment and lights with economical ones, choosing sustainable energy and different from that of gas and oil from Russia, involving employees and other partners of the company in voluntary actions to help refugees to strengthen solidarity and optimism among stakeholders. The effects of multiple crises represent a threat to all companies and for this reason the results and solutions brought and offered by this research paper can improve the smooth running of the activity of companies in Romania.

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