

---

## Proactive and Reactive Actions of the Organization during Covid-19 Pandemic Crisis

---

Submitted 04/03/21, 1st revision 04/04/21, 2nd revision 05/05/21, accepted 20/05/21

Aldona Małgorzata Dereń<sup>1</sup>, Jan Skonieczny<sup>2</sup>

**Abstract:**

**Purpose:** The purpose of this article is to present proactive and reactive activities of organizations, which on the one hand are aimed at stopping the spread of the crisis, on the other hand reducing its negative effects on the organization.

**Design/Methodology/Approach:** An attempt can be made to develop proactive and reactive measures for the organization to survive, thrive and acquire resilience in a pandemic crisis.

**Findings:** On the basis of literature studies and research reports, key actions taken by organizations in the conditions of the crisis caused by Covid-19 were distinguished. These actions were analyzed, which allowed to divide them into two groups, proactive and reactive actions.

**Practical Implications:** The distinguished activities were related to two Polish enterprises engaged in production and trade. Differences were observed in the dynamics of these two groups of actions.

**Originality/Value:** The two groups of actions described by the authors, proactive and reactive can be recommended to various organizations addressing the challenge of the Covid-19 pandemic crisis.

**Keywords:** Covid-19, crisis, organization, action, proactive, reactive.

**JEL classification:** D22, O31, O44.

**Paper Type:** Research paper.

---

<sup>1</sup>Department of Organization and Management, Faculty of Computer Science and Management, Wrocław University of Science and Technology, Poland, ORCID: 0000-0002-2377-4573, [aldona.deren@pwr.edu.pl](mailto:aldona.deren@pwr.edu.pl)

<sup>2</sup>Department of Organization and Management, Faculty of Computer Science and Management, Wrocław University of Science and Technology, Poland, ORCID: 0000-0002-1027-991X, [jan.skonieczny@pwr.edu.pl](mailto:jan.skonieczny@pwr.edu.pl)

## **1. Introduction**

The outbreak of the Covid-19 pandemic has prompted discussion of the social and economic impacts of the epidemic, which has lasted more than a year. These discussions naturally focus on the short-term effects of mitigating and containing a pandemic (Correia *et al.*, 2020). Societies have been affected by pandemics in the past. However, their long-term economic, behavioral, or social consequences have never been fully assessed. The limited research that does exist indicates that the major historical pandemics of the last millennium were typically associated with reduced interest in investing, saving capital, and thus reduced economic growth (Jorda *et al.*, 2020; Grima *et al.*, 2020). The nature and extent of the Covid-19 pandemic imply changes not only at the macroeconomic scale, but more importantly at the microeconomic scale. The manifestation of this is an epidemic crisis within an organization that affects its overall financial and market position. For companies - regardless of their size - it means a change in the strategy of operation and development. The purpose of this article is to present proactive and reactive activities of organizations, which on the one hand are aimed at stopping the spread of the crisis, on the other hand reducing its negative effects on the organization.

## **2. The Crisis Caused by the Covid-19 Pandemic**

The American Institute of Crisis Management distinguishes four groups of sources of crisis formation:

- random factors (earthquakes, violent downpours, epidemics);
- technical problems (plant failures);
- human errors (communication disasters);
- wrong management decisions (Barton, 1993, p. 12).

In a research study Clarke (1995) examines three elements of crisis, time pressure, the contingency of a fundamental threat and surprise, and the fact that it is the result of both the danger and the circumstances under which it occurs. This definition includes all characteristics of a crisis consistent with the common, almost intuitive understanding of this phenomenon. First, a value considered most important or at least very important is threatened. Second, the threat comes as a surprise. Hence, one does not always know how to behave. Third, it forces you to make an immediate decision, not allowing you to cool down, and analyze the situation and evaluate the consequences of the decision that needs to be taken.

For the past year, the entire world community has been operating in the pervasive reality of a global pandemic crisis. This health crisis is different in nature and scope from economic, political and social crises. The rise of Covid-19, has led to a pandemic on a global scale, threatening human life and health and requiring forces and resources beyond local capabilities to counter. It is a crisis that threatens entire

communities, preventing them from functioning normally. The Covid-19 pandemic is a crisis that is not only global, but also dynamic and growing in strength. In its initial phase it was characterized by typical features, confusion and uncertainty, disruption, and threat.

Over time, the crisis associated with the Covid-19 pandemic caused the so-called domino effect, which translated into the destabilization of the functioning of countries, societies, and businesses. Closely related to the crisis is the crisis situation, which, as opposed to a crisis, refers to a state that is the result of the formation over time of some unfavorable phenomena that do not pose a direct threat to the existence of the organization, but means the need to change its activities (Pietras, 2008; Khan *et al.*, 2020).

Today's pandemic crisis is rooted in global conditions beyond the company's direct control. The breadth, unpredictability, and persistence of the Covid-19 pandemic fosters a search for answers to the question, can the crisis situation that has occurred be managed at all, especially under conditions of chaos and uncertainty? The coronavirus pandemic was an unexpected and unforeseen event on a global scale, with extremely powerful consequences. According to many analysts, it can be classified as a so-called black swan event (Szczepański, 2020). A "black swan" event is distinguished by three attributes:

- they are unexpected, unusual, unpredictable, highly unlikely, outlier, they are outside the realm of regular expectations (this is because nothing in the past indicated that such events might occur);
- when they do occur, they have a huge impact on the economy and society;
- when they do occur, many people claim that they could have been predicted.

As Taleb (2009) wrote, the history of nations and societies does not develop gradually, evolutionarily, in a linear fashion, but from time to time abruptly, by leaps and bounds. Black swans occur more often than one might think. The problem is that we fail to anticipate them and ignore them, and the impact of these events is significant. Such a completely unexpected event, which no one or almost no one in early 2020 predicted, is precisely the outbreak of a coronavirus pandemic that began in China in December 2019 and then spread around the world (Taleb 2008, p. 22).

A crisis cannot be predicted, especially its scope and effects, just as a revolution cannot be predicted (a revolution is also a crisis situation). This is evidenced by the fact that even the report on the main risks and major threats in the world, The Global Risk Report 2020, prepared by many experts on behalf of the World Economic Forum, which also uses the results of surveys, does not include a coronavirus pandemic (or any other pandemic, for that matter) in the top ten risks most likely to occur in 2020 (Global Risk Report, 2020). Thus, a pandemic was "*outside the realm of normal predictions*" (Taleb, 2007, p. 10).

### **3. Functioning of the Organization in the Covid-19 Crisis**

The crisis situation related to the Covid-19 pandemic led to the devaluation of the strategies and development models adopted and implemented by organizations. After the initial disbelief of the gravity of the situation, attempts were made to find measures and countermeasures for the pandemic crisis situation. These attempts focused, on the one hand, on the adaptation of existing development models, on the other hand, on the development of new development models oriented to functioning in a pandemic situation. These models seek strategic alternatives that foster not only survival during the difficult period of a pandemic, but also long-term resilience and growth of the organization.

One of the first proposals to look for an effective model of organization development in the conditions of airplane crashes, financial failures and accidents in nuclear power plants was presented by Mittelstaedt Jr. (2006, p. 13). The author argues that most man-made physical disasters are the result of a series of mistakes. His proposed concept of Managing Multiple Mistakes (M<sup>3</sup>) is based on the observation that almost all major accidents - whether physical or business - are usually the result of several mistakes. They form a chain of errors that, if not broken, will cause the damage and costs to grow exponentially until the damage becomes irreversible. Errors quickly evolve from operational problems into severe turbulence that has significant strategic implications and even threatens the survival of the organization. The authors note the timeliness of M<sup>3</sup>'s proposition, especially under conditions of a pandemic crisis situation taking the form of, alternately, rising and falling waves.

A review of the literature on the model of organizational development under conditions of pandemic crisis indicates that the Business Canvas Model enriched with new elements is most often recommended. Fitriasari (2020, pp. 53-62) proposes to enrich it with the so-called Business Resilience with three elements: product excellence, people behavior and process reliability. Business resilience is supported by digital transformation. The process of digital transformation requires proper testing of the digital infrastructure. By using the right technology to make the system resilient, a company can achieve digital transformation and create digital resilience. Seetharaman (2020) also highlights the digitization of business models during the Covid-19 pandemic. He writes that industries that produce and deliver information products and services are doing well, while those that produce physical products, especially labor-intensive businesses, have been forced to minimize operations or temporarily close. To better explain this crisis situation, he proposes a development model based on three dimensions: the information intensity of the product or service; the information intensity of the process or value chain; the basic nature of the product or service.

In the research study by Crick and Crick (2020, pp. 206-213) addressed one of the management instruments which is the implementation of coopection strategy in the time of the Covid-19 crisis. Their research came to three conclusions:

- cooptation can be an effective marketing strategy between firms during a pandemic that can benefit the organizations involved in such partnerships (as well as their customers and other key stakeholders);
- collaboration is made up of cooperative and competitive forces, with decision makers being careful about which competitors they work with, as the results can be detrimental;
- it is uncertain whether cooptation strategies will continue or be limited in the future, after the Covid-19 outbreak is over.

The proposals outlined above for modifying organizational development models in the wake of the Covid-19 pandemic are cognitively interesting, but not comprehensive in nature, focusing only on selected organizational management instruments and the skills or resources that entrepreneurs and organizations accumulate to resist or adapt to crisis events (Bullough *et al.*, 2014; Doern *et al.*, 2019; Korber and McNaughton, 2018).

A different proposition - aimed at startups - is recommended by Kuckertz *et al.* (2020), who point out that to manage a crisis, preparation is essential, and few startups were prepared for a crisis of Covid-19 pandemic magnitude. Overall, the specific characteristics of innovative startups should enable them to be better prepared to deal with a Covid-19 crisis than other types of firms. Innovation is a prerequisite for being resilient, as innovative firms tend to continuously and continuously anticipate and adapt to a wide range of crises (Hamel and Valikangas, 2003; Linnenluecke, 2017). The recommended key dynamic model is based on the assumption that business resilience is the basis for startup development in the context of the Covid-19 pandemic crisis. This is defined as business model adaptation or international restructuring. The choice of the pathway for shaping startup resilience depends on:

- from relational capabilities (goodwill of business partners; consultation with a business network; broker support);
- from developing financial capabilities (capital accumulation through internal means; capital accumulation through government support);
- from the aid (government and institutional support).

The utilization and development of startup resources depend on crisis adversities, which in the model are as follows:

- failure (lack of liquidity; the path to existence);
- non-development (objections to innovation and progress; factors that inhibit growth);
- pressure to adapt (disruption of the firm's internal infrastructure);
- pre-resilience to disasters (a priori resilience).

The presented crisis management model does not provide a detailed analysis of the pandemic crisis, but correctly diagnoses the effects, or crises, on the startup (failure, non-development, the pressure to adapt, pre-resilience to disasters). This diagnosis allows us to recommend tools that affect the mitigation of crises in the organization, i.e.: expanding financial capabilities, using relational capabilities, and using public-support resources. These three tools applied in management are indicated as means of acquiring the organization's resilience in the form of creating new business models or internal restructuring.

#### **4. Existence, Survival and Resilience of the Organization in the Time of the Covid-19 Crisis**

The concept of crisis in an organization is difficult to define, due to its multidimensionality and various object references. This concept can be applied to phenomena not only economic, but also social, health, technical, organizational, and legal, to individuals and collectives with an established internal organization and management system. In the literature, it is generally accepted that the crisis of the organization is characterized by a difficult situation, which means a state in which the operation of the organization encounters serious obstacles, which undoubtedly causes a special decision-making situation for the management.

The authors of this article understand by the term crisis a condition that threatens the existence and survival of the organization, the achievement of its objectives, limits the time available for taking countermeasures, and surprises the decision-makers with its appearance, thus putting conditions of strong pressure (Slatter and Lovett, 2001).

The distinction between the concepts of existence, survival, and the acquisition of organizational resilience has its deep justification in the dynamic pandemic crisis. These are three concepts closely related to each other. Management science takes the organization as an entity so obviously that it does not deal more deeply with the conditions that must be met for the organization as a real system to exist. Meanwhile, as with any real existing system, the organization must contain certain (remaining in specific relationships with each other) components. The basis for the existence of any organization is a certain concept of management, based on mutually compatible elements: the type, nature, and type of customers (market segment), the satisfaction of customer needs, and the technology that enables the implementation of the adopted functions.

In addition to the concept of existence, the second important dimension of an organization is its survival. Unlike most living organisms, which have certain survival mechanisms encoded into them (such as the instinct for self-preservation), an organization has yet to generate certain ways of surviving. From the management point of view, these are goals (mission), structure, processes, and people. The prerequisite for the survival of the organization is the actions taken by it in a crisis

situation, that is, in a state that is the result of the formation of certain unfavorable phenomena over time, which gives rise to an immediate threat to the existence of the organization. These actions at the same time condition the organization to acquire organizational resilience. Organizational resilience is the ability to recognize sudden changes, disturbances, and threats and to react to them by taking them into account in strategic and operational activities. The main goal of organizational resilience is to ensure safety and the ability to adapt quickly to a crisis caused by Covid-19.

The Covid-19 pandemic is a phenomenon that has a destabilizing effect on the development of organizations. The dynamics, volatility, and unpredictability, destructive and real nature of the pandemic determine the conditions for the functioning of organizations and lead to significant changes in their management, and consequently in their effectiveness. In this situation, the ability to manage in a crisis situation and to take a number of actions falling within the scope of the crisis management process becomes crucial. Managing an organization during the Covid-19 pandemic is a process aimed not only at preventing the emerging crisis but above all at escalating it, reducing the impact of the crisis on resources and values, taking control of the course of the crisis, minimizing losses, and restoring the state of stability. Under these conditions, the first basic action of the organization is to diagnose and assess the crisis situation that has occurred by identifying its main symptoms.

The Covid-19 pandemic is the driving force behind the crisis in the organization, which takes five levels that we define as:

- disorganization (lack of information, information chaos);
- uncertainty (lack of knowledge, anxiety about the future, decision-making risk);
- disruption (violation of established order, structural and process balance);
- threat (fear and danger of loss of health and assets);
- breakdown (loss of life, loss of livelihood).

These five levels of crisis require actions (proactive and reactive) to be taken that will allow the organization to survive, prevent liquidation, and ultimately achieve organizational resilience. Such activities can only be undertaken by an organization that has the capacity for activation understood as a stimulus to action. It seems that a good analogy to the discussed problem is the case of a patient who has lost consciousness. The condition of his activation and independent survival is the recovery of consciousness (Moszkowicz, 2005). Thus, only conscious action opens the problem of organizational survival (developing a strategy, creating a structure, obtaining support and resources, etc.) that would enable the organization to survive in a pandemic environment.

---

## 5. Polish Enterprises in the Covid-19 Crisis

So far in Poland there is no representative research that would present the problem of functioning of organizations in a pandemic crisis. In this situation, attention is drawn to the research conducted under the direction of K. Obłój (from spring 2020 to autumn 2020) entitled "Polish business in a pandemic situation". This research study has the character of a kind of diary, showing the adaptation of managers and entrepreneurs to the crisis caused by Covid-19. This research was presented in five reports.

The first report presented an assessment of the situation of companies in March, the second in the period of April, the third in May and early June, the fourth from the period of June-October 2020. The latest edition of the survey conducted from November 2020 to January 2021 showed that managers are less and less likely to make plans for the "after the pandemic" and try to act as best as possible in the current situation of a prolonged pandemic (Obłój *et al.*, 2020). The research has shown a kind of polarization among companies, with one group doing well during the pandemic crisis and sometimes even benefiting from the current conditions. The other is taking action to survive. The assessment of the future is very diverse, because some companies see the pandemic as a series of social and business threats, while for others - less numerous - it has created a number of unexpected opportunities.

The analysis carried out by the authors of this article of the conclusions presented in the studies described above, allowed us to distinguish proactive and reactive actions in the behavior of the surveyed companies. Proactive actions included:

- changing the procedures of conduct in the enterprise;
- digitalization and online working, digitalization of company documentation (from contracts and signatures to company calendars), the introduction of digital applications in many companies, and the use of the "cloud" as work tools;
- introduction of health and medical security procedures;
- a new intra-company communication program;
- shifting product sales to a new market;
- launching new manufacturing.

On the other hand, among the reactive measures, the following were distinguished:

- maintaining financial liquidity (cost reduction);
- limiting the visits of suppliers and customers to the company;
- limiting the number of visits to the company;
- freezing new projects;
- limiting investments;
- reducing orders;

- negotiating rents and other payments;
- sending employees on leave;
- negotiating wages with employees (reducing wages or benefits);
- increasing procurement of raw materials and components;
- decreasing orders,

The identified proactive and reactive actions were related to two companies operating on the local market.

*Case 1:*

A manufacturing company operating in the garment industry for more than thirty years, with 40 employees in production positions. To survive in the conditions of a pandemic crisis, the following measures were taken in the company:

- new procedures related to sanitary safety were introduced (hygiene standards according to the recommendations of relevant institutions);
- introduced shift work and flexible working hours to limit the number of employees in one place
- monitoring and maximization of cash balances (calculation of expected revenues and costs);
- identifying key raw materials and materials in production and determining their source;
- analyzing the risk of threatening supplies from existing contractors;
- identification of alternative suppliers;
- analysis of suppliers' availability, additional costs related to logistics, fees, customs duties, as well as the price of the goods themselves;
- optimization of production and distribution capacities;
- segmentation of customers in terms of vulnerability to crisis and on this basis making the necessary changes in the offer;
- the production assortment was expanded (production of sanitary masks).

According to the owner of the enterprise, the basis for the survival of the organization and maintaining the continuity of production were reactive activities.

*Case 2:*

A trading company operating in the white goods industry since 1997. Until 2010, the company sold its products in stationary stores employing 6 salesmen. The expansion of large retail chains and changing consumer behavior made it necessary to liquidate traditional sales and change the sales channel to online sales. Currently, it is a one-person business activity. Until the emergence of the crisis caused by Covid-19, the company made relatively low profits. This situation changed dramatically in March last year. As a result of the lockdown of traditional retail chains, shopping processes were transferred to the Internet. The store owner's activities focused on:

- deepening cooperation with suppliers;

- looking for alternative suppliers;
- increasing the availability of sales volume;
- expanding the range of offered products;
- facilitating sales to customers by establishing cooperation with banks (cheap consumer loans).

The owner of the company qualifies the above-mentioned activities as proactive and treats the crisis itself in the economic and managerial sense as an opportunity to multiply profits. However, as a threat, he points to the limited supply of the sold product, which is manufactured in factories located in regions affected by the lockdown.

## **6. Conclusions**

The Covid-19 pandemic caused a crisis whose scope and strength affected organizations operating in both local and global markets. In this situation, the key problem is to minimize the negative effects of this crisis, that is, to take specific actions oriented to the survival of the organization and the acquisition of organizational resilience. The proactive and reactive actions recommended in this article, referring to Polish companies, can be considered as effective instruments that allow the organization to function during the pandemic. Referring to the described research, it can be concluded that most enterprises treat a pandemic as a crisis threatening their existence. However, there are also companies that perceive the current crisis as an opportunity for their development and as a catalyst for organizational and strategic changes that will allow for growth after the pandemic, as well as preparation for subsequent crises of such dynamics and scope as the one caused by Covid-19.

## **References:**

- Barton, R.M. 1993. *Crisis Management*. Oxford, 12.
- Bullough, A., Renko, M., Myatt, T. 2014. Danger zone entrepreneurs: the importance of resilience and self-efficacy for entrepreneurial intentions *Enterpren. Theor. Pract.*, 38, 479- 499.
- Clarke, M. 1995. *Characteristics of Behaviour in Crisis*. Typescript of a lecture given in Brussels in 1995.
- Correia, S., Luck, S., Verner, E. 2020. Pandemics Depress the Economy. *Public Health Interventions Do Not: Evidence from the 1918 Flu*. <https://ssrn.com/abstract=3561560> or <http://dx.doi.org/10.2139/ssrn.3561560>.
- Crick, J.M., Crick, D. 2020. Coopetition and COVID-19: Collaborative business-to-business marketing strategies in a pandemic crisis. *Industrial Marketing Management*, 88, 206-213. <https://www.sciencedirect.com/science/article/pii/S0019850120303758>).
- Doern, R., Williams, N., Vorley, T. 2019. Special issue on entrepreneurship and crises: business as usual? An introduction and review of the literature *Enterpren. Reg. Dev.*, 31, 400-412.
- Fitriasari, F. 2020. How do Small and Medium Enterprise(SME) survive the COVID-19

- outbreak? *Jurnal Inovasi Ekonomi*, Vol. 05, No. 02, 53-62.
- Global Risk Report. 2020.  
[http://www3.weforum.org/docs/WEF\\_Global\\_Risk\\_Report\\_2020.pdf](http://www3.weforum.org/docs/WEF_Global_Risk_Report_2020.pdf).
- Grima, S., Dalli Gonzi, R., Thalassinou, I.E. 2020. The Impact of COVID-19 on Malta and its Economy and Sustainable Strategies. Available at SSRN: <https://ssrn.com/abstract=3644833>
- Hadi, S. 2020. Revitalization Strategy for Small and Medium Enterprises after Corona Virus Disease Pandemic (Covid-19) in Yogyakarta. *Journal of Xi'an University of Architecture & Technology*, ISSN No: 1006-7930, 4068-4076,  
<http://xajzkjdx.cn/gallery/400-april2020.pdf>.
- Hamel, G., Valikangas, L. 2003. The quest for resilience. *Harvard Business Review*, 81, 62-63.
- Jordà, Ò., Singh, S.R., Taylor, A.M. 2020. The longer run economic consequences of pandemics. *Covid Economics: Vetted and Real-Time Papers*,  
<https://voxeu.org/article/longer-run-economic-consequences-pandemics>
- Khan, S., Rabbani, R.M., Thalassinou, I.E., Atif, M. 2020. Corona Virus Pandemic Paving Ways to Next Generation of Learning and Teaching: Futuristic Cloud Based Educational Model. Available at SSRN: <https://ssrn.com/abstract=3669832>.
- Korber, S., McNaughton, R.B. 2018. Resilience and entrepreneurship: a systematic literature review. *Int. J. Entrepreneurial Behav. Res.*, 24, 1129-1154.
- Kuckertz, A., Brändle, L., Gaudig, A., Hinderer, S., Morales Reyes, C.A., Prochotta, A., Steinbrink, K.M., Berger, E.S.C. 2020. Startups in times of crisis-A rapid response to the COVID-19 pandemic. *Journal of Business Venturing Insights*, 13, e00169.  
<https://www.sciencedirect.com/science/article/pii/S2352673420300251>.
- Linnenluecke, M.K. 2017. Resilience in business and management research: a review of influential publications and a research agenda. *Int. J. Manag. Rev.*, 19, 3-4.
- Mittelstaed Jr, E. 2006. Jak uniknąć pomyłek, które mogą zniszczyć twoją organizację. *HELION Gliwice*, 13.
- Moszkowicz, M. (ed.). 2005. Zarządzanie strategiczne. Systemowa koncepcja biznesu. PWE Warszawa, 100.
- Pietras, P. 2008. Ryzyko w zarządzaniu projektami, in: Staniec I., Zawila-Niedźwiecki J. (ed.), 2008, *Ryzyko operacyjne w naukach o zarządzaniu*, Ed. C.H. Beck, Warszawa, 68.
- Seetharaman, P. 2020. Business models shifts: Impact of Covid-19. *International Journal of Information Management*, 54, 10217.
- Slatterk, S., Lovett, D. 2001. Restrukturyzacja firmy: Zarządzanie przedsiębiorstwem w sytuacjach kryzysowych. WIG Press, 45.
- Szczepański, M. 2020. Epidemia koronawirusa jako wydarzenie typu „czarny łabędź”, *Przegląd Ekonomiczny*, wyd. specjalne „Pandemia – skutki ekonomiczne i społeczne”, Nr 20, 8-9.
- Taleb, N.N. 2008. *The Black Swan. The Impact of the Highly Improbable*. Penguin Books, New York.