COVID-19: THE GREAT RESET FOR SMES AND THEIR BUSINESSES

Aleksandra Plazinić

Adjunct Lecturer at European Center for Peace and Development, University for Peace est. by United Nations, Terazije 41, Belgrade
aplazinic@msn.com

Mitar Božić

PhD Candidate at University of Economics in Katowice, ul 1 Maja 50, Katowice, Poland; MSc Candidate at University of Belgrade, Faculty of Economics, Kamenička 6
mitarb@hotmail.com

Abstract
SMEs in Serbia are significant players of the Serbian economy that create value and also drive innovation in different industries. However, this sector needs to understand the driving forces of the market and how the economy works within a changed agenda. Within the new COVID-19 pandemic, SMEs are facing many obstacles and opportunities for diverse growth, within the current challenging environment. The new terms impacted SMEs and they are fighting battles on multiple fronts, including changing customer patterns, manpower shortages, work organization, new communication tools, and relations with the customers, among others. Further, the changed communications strategy with measurable outputs is needed to re-establish new functional channels with all the stakeholders along the way, as a prerequisite for sustainability and success. Also, employee motivation with new competencies and skills within a changed work organization are important factors that require to be effectively and quickly addressed. In addition, automation and digitalization are SMEs' trump cards and this sector needs to be a driver of the change.

Key words: SMEs, pandemic Covid-19, communications strategy, digitalization, human resources

COVID-19: VELIKI RESET ZA MSP I NJIHOVE POSLOVE

Abstrakt

MSP u Srbiji su značajni igrači srpske privrede koji stvaraju vrednost i takođe podstiču inovacije u različitim industrijama. Međutim, ovaj sektor treba da razume pokretačke snage tržišta i kako privreda funkcioniše u okviru promenjene agende. U okviru nove pandemije COVID-19, mala i srednja preduzeća se suočavaju sa mnogim preprekama i mogućnostima za

raznolik rast, u trenutnom izazovnom okruženju. Novi uslovi su uticali na mala i srednja preduzeća i ona vode bitke na više frontova, uključujući promene obrazaca kupaca, nedostatak radne snage, organizaciju rada, nove komunikacione alate i odnose sa kupcima, između ostalog. Dalje, potrebna je izmenjena komunikaciona strategija sa merljivim rezultatima da bi se ponovo uspostavili novi funkcionalni kanali sa svim zainteresovanim stranama na tom putu, kao preduslov za održivost i uspeh. Takođe, motivacija zaposlenih novim kompetencijama i veštinama u okviru promenjene organizacije rada su važni faktori koji zahtevaju efikasno i brzo rešavanje. Pored toga, automatizacija i digitalizacija su aduti malih i srednjih preduzeća i ovaj sektor treba da bude pokretač promena.

Ključne reči: MSP, pandemija Covid-19, komunikaciona strategija, digitalizacija, ljudski resursi.

INTRODUCTION

According to the latest reports of the Bureau of Statistics of the Republic of Serbia, small, medium and micro enterprises make a 99,5%- share of the Serbian Economy and create half of the total added value. It confirms that SMEs are important elements of economic development not only in Serbia but also worldwide. SMEs in Serbia are usually in charge of driving innovation and creating competition within different industries. According to Article 6, Paragraph 4 of the Accounting Law of the Republic of Serbia, medium-sized legal entities are those legal entities and entrepreneurs that on the balance sheet date do not exceed the limit values of two of the following criteria:

1) number of employees on average 250;
2) total operating income of MEUR 40 in RSD equivalent;
3) the value of total assets of the business on the balance sheet date of MEUR 20 in RSD equivalent.

A successful SME sector needs to open a large number of firms each year to make up for the extremely high failure rate. This sector drives economy but also needs support by financial institutions and responsible policy makers. One of the main problems faced by the SME policy makers is knowing what the SME sector wants and needs. SMEs sometimes need certain market resources (e.g. externalities) that large firms have (accounting, marketing, etc.). Unlike large hierarchical corporations, SMEs are often quite informal, with an owner-manager and a small number of employees with personalities dominating. That is why they are very different and have different needs.

During the outbreak of the COVID-19 pandemic that the world nor the companies have not experienced yet, resembles turbulent and changing the environment that business is always facing. However, it is impossible to draw parallels between any other crises as this was encountered all over the world. The companies in the world needed to reshuffle in a short time and enable sustainability of the business.

The factors that were the first to impact changed work organization was 'working from home' – term used refer uniquely to home-based working as a temporary and alternative working arrangement. The new arrangement requires the

shared responsibility between employers and workers during the time of the pandemic.

SME SECTOR AND BUSINESS AS USUAL

Small and medium-sized enterprises (SMEs) operating in Serbia face numerous problems in their business, which prevent them from developing smoothly in growth. The most common problems they face are the following:
- lack of skilled labor,
- low purchasing power of the population,
- limited access to the financial market,
- too high labor costs,
- problems with the implementation of new business organization models,
- low level of quality management,
- problems with public administration,
- poor infrastructure (traffic, electricity, and communication network).

Small and medium enterprises are the dominant segment of every branch of the economy for creating new jobs and creating new values. If the success of small businesses is insufficient, this shortcoming is visible through:
- innovation,
- competitiveness / exports,
- profitability.

It is interesting that the crisis impacted more large companies than their smaller competitors, which have shown that it is successful to do business even during difficult circumstances. Smaller- scale companies have managed to withstand the disaster and are now optimistic about the future.

The main reason for achieving surprisingly good results is due to fact that a good part of companies belonging to that category have regular customers who do not hesitate to pay more for quality or unique products/tailored services. Another reason can of course be found in smart investing, especially in times of crisis. They are also credited with innovation and new technologies because they do not hesitate to take risks like large corporations.

However, in times of recession, their assets also decrease, and they also depend on a small number of customers. At the same time, the constrain aspect is with banks, which are reluctant to provide loans and finance their projects. But as SMEs are better able to adapt to new market conditions, they will overcome the crisis more easily. SMEs usually face challenging access to finance, still most SMEs still find a way to cover all or at least part of their financial plans. SMEs have the needed flexibleness to withstand the crisis.

From the micro level perspective, the big reset for industries and companies will require series of changes and adjustments. Each enterprise must understand the complexity of the tasks they face. With their in-depth knowledge of the industry and profound expertise, a move to the next level is possible. Many industry leaders and managers are aiming to rearrange business and operations to the bare minimum, hoping to return to the old normal and in that course return to the known traditions,

procedures and methods, as familiar before the pandemic. However, returning to "business as usual" as known before COVID-19 or at least most of its part was exterminated by the pandemic. The key matter is to find the right balance between the approaches that were successful in the bast and the new ones that are required because of the new settings, or the "new normal". Therefore, the COVID-19 pandemic is the exceptional chance to reconsider the organization and achieve sustainable and long-term progress.

Also, looking into some businesses, returning to the familiar circumstances as known before pandemic will not be possible any time soon or maybe not even ever. Therefore, mutual questions that a lot of managers worldwide will contemplate are the following, as suggested by Schwab and Mallert, 2020:

● Will I encourage online working among the employees who practice it?
● Will I reduce business travelling in my company, and which portion of face-to-face meetings can I replace by virtual ones (e.g., using advanced communication tools)?
● How can I transmute the business and the decision-making mechanism to be more agile, act faster and more decidedly?
● How can I accelerate the digitalisation and implement digital solutions?

The new trends are already present in many industries and companies, and it will depend on each company how these trends will be adopted. It is expected that the businesses that act in the most agile and flexible way to develop into more robust organizations. (Schwab, Malleret, 2020).

ACCELERATION OF DIGITALIZATION

Digitalization is spread among many industries today; however, the resistance by many stakeholders can be present. However, the small companies that advanced are in favor of digitalization on their bottom lines.

Digitalization is a great driver for accelerating the transition to a climate-neutral, circular, and capable economy. At the same time, we need to establish an adequate policy framework to keep clear of the negative effects of digitalization on the environment.

Lessons from the past show us that the pandemic will pass and that we will make progress in many things, but also that a new pandemic can strike us at any moment. Next time we might be ready. In the future, we will need to be better organized and prepared for situations like this, and this pandemic will certainly teach us that. Unfortunately, we like to learn the hard way, on our own skin and from own mistakes.

In the period before pandemic, the "digital transformation" was present as the catchword used by many managers and leaders. Since then, within just few months, this motto has become a must-even, in the case of many companies become prerequisite for doing business during new circumstances. We became even more reliant on the internet and online tools, which became essential in almost all spheres

of life from working, education to socialization. Even for the companies who were reluctant to adopt new digitalized solutions were hard-pressed to embrace them since the new conditions dictated to do almost everything remotely and online. New information technology also helped companies to reduce many costs while implementing agile operations. Also, new emerging trends as working from home and telemedicine that appeared are unlikely to disappear, as expansion in this direction continuous. (Schwab, Malleret, 2020).

Therefore, the new pandemic changed many prevailing rules. There is a worldwide pressure to improve social protection and salaries for low-paid employees. Further, consumers are more and more digital and it is increasing trends. Therefore, online business that are present online gain more access to these digital consumers and there are more favorable to them.

New reality changed all spheres of our lives.

ADAPTATION OF COMPANIES IN WORKING FROM HOME

Before Covid-19 some companies have had experience with employees working from home and therefore have systems and such plans established. Nevertheless, as expected many businesses are facing these set-ups for the first time.

Conferring to the global survey conducted in March 2020 by International Labor Organization, revealed the readiness of worldwide companies, the large ones and the SMEs in regard to the COVID-19 pandemic.

The bright examples were found in Argentina, as among 250 large companies, 93% of them have implemented home office as a policy response due to pandemic as a new reality. Also, in India, Tata Consultancy Services, the principal business outsourcing company, stated that 85% of their 400,000 employees have been working from home. On the other hand, in Japan survey conducted before 7th April 2020 showed that even though 94% of respondents that working from home as important, while 31% of them were unable to set-up this new format of working. Some of the main issues were information privacy and security breaches as well as that most of the paperwork is not digitalized and the new procedures on such arrangements were not in place.

In regard to outlook of response of small and medium-size enterprises (SMEs), recent surveys shows that many SMEs are struggling with adoption of working from home as the new form of work. It was found out that SMEs use less working from home than large companies. In this regard, Mercer's Global Talent Trends Study conducted in 2020 reports that only 22% of companies were prepared for working from home set-up prior to pandemics. Also, the study reported that only 44% of companies rather estimate the jobs adaptability than this opportunity has been given to be determined by their employees.

Advanced ICT progress that was witnessed in the past, enabled more connected world via e-mail, video calls, messaging tools, social networks provided the opportunity to stay linked within organizations all over the world. Even though, most of the business world was operating with the employees being in their offices most of the times, the notions as telecommuting or telework or remote work was not a new

trend, especially highlighted by the study published on working from home in the Chinese industry already in 2014, as a model to follow for the future (Bloom et al. 2014). However, the permanent situations of pandemic, required the quick response in the permanent set-up of working from home conditions with the use of the full-time communications set-up that has its limitations in the current situations.

The advantage for the companies and employees in the interconnected world, is that there are many ICT tools that make communications easier. Many of such software are free or low cost, and accessible for companies and their employees to use. In addition, the familiarity of such tools (e.g., Zoom, slack, Skype etc.) were used by employees even before pandemic, which assisted in this rapid transition. However, in some cases the employees have not developed their IT skills before and they needed to adapt quickly, to stay productive and also to add value to , and in some cases even to keep their jobs.

That is why the learning culture is more than ever oriented towards building necessary skills. Therefore, it was particularly recognized and emphasized as guide for companies, learning culture is encouraged, in order to develop needed skills and competences as quickly as possible, so they can perform their jobs and bring value to the company. On the other hand, within online and remote trainings, coaching, learning with help of peers and ongoing support of software and tools, the education is more accessible for the employees to develop and acquire necessary knowledge. Further, such tools are crucial for employers to keep the regular communications with employees, to provide training, coaching and mentoring, but also prerequisite in order encourage employees and keep their motivation as well as development and productivity during Covid-19 pandemics, which is the crucial element in keeping business sustainable. (ILO, 2020)

One of the challenges that companies could face, were technical obstacles, as connectivity problems, which can impede effective communications, collaboration and flow of work. The main issue arose within SMEs, which lacked communications infrastructure and workstation set-up that they could not plan in advance nor and allocate sufficient resources for working from home arrangement. As it was found it by recent surveys, in regard to outlook of response of small and medium-sized enterprises (SMEs), showed that many of them were struggling with adoption of working from home as the new demanded form of work. It was found out that SMEs use less working from home than large companies (Mercer's Global Talent Trends Study 2020).

With the outbreak of COVID-19, the new directions for the companies and SMES were needed to be developed to provide solutions and procedures in regard to crucial factors that determine the busines sustainability, as cooperation with employees and offers solutions that can assist in new re-established operations as well as strategies for communications, productivity and motivation of the employees.

The importance of coordinated and harmonized communication has been emphasized as the overall necessity in organizations to achieve consistency among its employees and other stakeholders. (Kotler, 1999, Ognjanov, 2003). The times of crises particularly put the light on the effective communications as the driver of keeping the connections within organizations to ensure productivity and bolster motivation of employees to add to the value to the companies.

In regard to the effective communications process, Guide on working from home developed by International Labor Organization in July 2020 suggested the following guiding principle for employers:

●Choose adequate communication channels that foster the company to keep the needed communications with employees during new working from home, to ensure constancy of messages.

●Keep regular and continuous communications with employees to keep them updated on the pandemics and as well influences on companies' operations, and changes in the regulations.

●Foster and encourage discussions: exchange of opinions and ideas on business steadiness strategies

●Virtual meetings organization and coordination to inform the employees on the current developments, also review their work and discuss on delivery of company's services, also to help employees in the process to feel more connected and less isolated during pandemics.

●Maintaining data registry with all relevant employees' details (e.g., contact information- phone numbers, physical address, e-mail)

Further, mutual understanding is the essence of the communications process. In order to establish the flow of effective communications, the field of mutual elements and understanding for two parties to comprehend each other, needs to be empowered. The ultimate goal of effective communications process is to achieve mutual understanding between parties as it is the main determination of the comprehension success (Lunenberg, 2011)

In Covid-19 pandemic environment, as suggested by the International Labor organization report 2020, employers should look for cooperation with their employees and reach out for ideas and commitments from their employees, in order to address and overcome communications and business challenges, while ensuring business sustainability and jobs. Therefore, employers should be aware of the limitations of employees that encounter due to home office environments (e.g., family issues, noise background, living conditions). For business sustainability, employers are suggested to assess and comprehend the limitations and adjust accordingly their work load, tasks and responsibilities.

Further, clear communications methods with applied tools add to the evaluating and measuring of productivity, which is the main obstacle in the pandemic work environment. The main issue with companies and working from home employees is the lack of trust and questioning whether employees are actually working or how efficiently they are working (ILO, 2020).

Trust was identified as one of the main components in establishing and maintaining relations of organization and its stakeholders and significantly amounts the effects of the communications process (Plazinic & Bozic, 2014). However, even though ICT added to the speed of the work, interconnected activities and people, sometimes even though employees are connected within working platforms and using VPN- virtual private networks, employers are not convinced in their performance. Therefore, trust is particularly hindering aspect especially in regard to work

performance assessment, in the "new normal", since it is not possible any more to physically be present and therefore as such assess and supervise the working activities and outputs of the employees. Therefore, more than ever, clear communications process, with communicating business goals, evaluations, plans, assessments between employers with employees are essential. In regard to the productivity boost, as suggested by ILO, employers should first define clear goals and deadlines, and then also communicate them clearly, in the similar way as the staff was in a physical office or other kind of workspace.

OTHER BENEFITS OF HOME OFFICE

It is evident that the future of work has been changed and influenced by technological developments. In that regard, digitalization is identified as the main root of expected future transformations with future progress and use of digital logic courses and derived technology-computer, smart phone and the Internet.

Smart automation will probably not affect overall job losses, but may lead to considerable shifts in the structure of employment, e.g., regarding sectors, professions, skills, and tasks. With the new technologies, more work will be done online. The office presence is not obligatory anymore. This also opens new labour markets. It is less important than before, and it will be less and less important over time, where the employee is sitting, in Bangkok, Sydney, Bilbao or Vienna. It is important to have regular contacts and that work is done. This opens new doors to the cheaper or better qualified employees. This will stop physical migration, but it will make possible new kind of migration, a virtual migration. This will also open a lot of legal issues (taxes, work permission, data protection etc.). This is a trend that many companies have already used. But it is something that must be used now also by SMEs. Only applying this new business model, this sector will be able to optimize its resources, find more suitable work providers, more educated employees, another points of view, culture etc. But the question is if it is always possible. It is not because it depends on the business of the company. If business is more service oriented- this will be a perfect combination. That is why for example a company from Serbia can buy training or accounting services from someone in Vietnam but also provide these or another services (e.g. Programming services, web design, accounting services, risk management model development etc.) to companies in the USA or Austria, where it is possible, depending on the kind of services. But still the communication stays a critical point that must be always considered as outsourcing enters completely new dimension.

Finding high quality employees continues to be one of the biggest challenges for modern companies. Present education has changed continually. But it seems that the future education is going into the clouds, into virtual universe. Online learning platforms and open-source materials have the possibility to drive the expenses of the education down, even very close to zero and ensure access to learning opportunities for those who otherwise could not afford or access it. Social constraints in the education system have to be broken down rapidly in order to minimise disqualification and to ensure lifelong employability (Božić. 2013). As new technologies are available

and margin expenses of usage is close to zero, proper training and knowledge transfer between employees should be organized not only for big companies but also for the SMEs that might organize trainings platform and also share knowledge between different entities (not only inside same organization). This might increase employee retention rate and keep skills up to everyday needs and knowledge.

Interest of market players cannot be satisfied in same time in different situations in the market. In modern business it is very possible that some companies are selling their patents to competitors. Licensing removes the company's monopolistic position on the market but also generates extra revenues through different types of licenses and sometimes procuring better pricing from the supplier. (Božić, 2014). As SME sector is also a big source of innovations and new technologies, this might be also a source of creating additional value. Minimizing expenses and maximizing revenues as well as winning new markets in modern digital era, might be a win-win strategy for small and medium enterprises to go beyond local and limited markets. This might be a way to go from local to regional or even global markets.

CONCLUSION

In order for companies to re-establish the functional work operations, the main obstacles and opportunities were in terms of employees as their greatest assets, interrelated particularly with communications tools, equipment, channels and impact on the productivity and motivation of the employees. Because working from home can be a great barrier from employees, that would still need to be connected to the organization and feel trust and connection that is essential element in raising motivation, interest and loyalty to the company.

Digitalization could open an owner's eyes to new revenue streams and improvements to current products or cost structure. Employees and managers who are resistant to digitalization may simply need guidance. Digitalization is a unique journey for every business. For businesses that have not taken the first step, it is never too late to start, but this is the only way to meet with the future and to survive the COVID-19 Business reset. The employee motivation with new competencies and skills within a changed work organization are important factors that require to be effectively and quickly addressed in the new modern business environment.

REFERENCES

1. Bloom, N.A., Liang, J., Roberts, J., Ying, Z.J. (2015) Does working from home work? Evidence from a Chinese experiment, The Quarterly Journal of Economics, pp. 165–218
2. Božić, M. (2013) The future of education: online learning as applied lifelong Learning is able to meet global challenges of the 21st century, Actualities, Journal of Social Issues, 2013 (21)
3. Božić, M. (2014) Horizontal Licensing and Corporate Group, Strategic Management, Vol 19, No.3. pp. 54-59
4. International Labor Organization (2020) An employers' guide on working from home in response to the outbreak of COVID-19, Geneva: ILO, 2020

5. Keyton, J. (2011) Communication and organizational culture: A key to understanding work experiences, Thousand Oaks, CA:Sage
6. Kotler, P.T, Armstrong, G. (2000) Principles of Marketing, Prentice Hall Europe
7. Lunenberg, F.C. (2011) Communication: The process, barriers, and improving effectiveness, Schooling Vol1. NO.1 Sam Houston State University.
8. Plazinić, A., Božić, M. (2014) Brend Evropske Unije u Srbiji (the European Union brand in Serbia) Aktuelnosti no.27, Banja Luka College Journal, pp 30-52
9. Schwab, K., Malleret, T. (2020) COVID-19: The Great Reset, World Economic Forum
10. Službeni glasnik Republike Srbije (2019) br. 73

REZIME

Da bi kompanije ponovo uspostavile funkcionalno poslovanje, glavne prepreke i mogućnosti bile su u pogledu zaposlenih kao njihovog najvećeg bogatstva, posebno u vezi sa komunikacionim alatima, opremom, kanalima i uticajem na produktivnost i motivaciju zaposlenih. Pošto rad od kuće može biti velika prepreka za zaposlene, to bi ipak trebalo da bude povezano sa organizacijom i da oseti poverenje i povezanost što je suštinski element u podizanju motivacije, interesovanja i lojalnosti kompaniji.

Digitalizacija bi mogla otvoriti oči vlasniku za nove tokove prihoda i poboljšanja postojećih proizvoda ili strukture troškova. Zaposleni i menadžeri koji su otporni na digitalizaciju možda će jednostavno trebati uputstva. Digitalizacija je jedinstveno putovanje za svako preduzeće. Za preduzeća koja nisu napravila prvi korak, nikada nije kasno da počnu, ali ovo je jedini način da se sretnu sa budućnošću i da prežive resetovanje poslovanja COVID-19. Motivacija zaposlenih novim kompetencijama i veštinama u okviru promenjene organizacije rada važni su faktori koji zahtevaju efikasno i brzo rešavanje u novom modernom poslovnom okruženju.