INTRODUCTION

The COVID-19 pandemic has become an event that has significantly complicated the economic, social and political environment in all countries of the world. Having originated in Wuhan (China) at the end of 2019 and quickly spread around the world, the pandemic took the world by surprise, leading to a huge number of deaths (MOSS, HARRIS, 2020). The pandemic has significantly affected economic policy and created an uncertain world of blockages, bans on social and economic activities and serious disruptions in supply chains, which are likely to last long after the formal end of the pandemic itself. Despite the widely popularized vaccination campaigns, there is still extreme uncertainty about the future of the pandemic and the second-order consequences caused by the government’s response, which makes long-term planning extremely difficult for businesses (PEKAR, et al. 2021).

The literature has repeatedly expressed concerns that the relationship between politics and business is fraught with dangers for the world economy. In fact, the concept of political risk - and, more broadly, the threat of political uncertainty and the effectiveness of political institutions - has grown and faded as a topic of research interest, evolving in a reactive way and determined by the actual conditions of emerging markets faced by multinational enterprises (MNEs). In particular, in modern conditions, political risk has become more acute, defined most widely as instability and direct violence or restrictions on operations, such as expropriation, discriminatory taxation, competition in the public sector, and the like (AHRNE, BRUNSSON, KERWER, 2016).

At the same time, the concept of political uncertainty, which expands the idea of political influence beyond discrete politics and covers ongoing instability, was crucial for predicting political events that can be detrimental to modern companies. The difficulties faced by multinational corporations operating in different environments have prompted researchers to focus on the role of various institutions in providing incentives for companies to deal with emerging obstacles.

It should be noted that the phenomenon of populism and the threat of a pandemic pose a direct challenge to the existing theoretical foundations, since both phenomena not only accelerate existing institutional changes, but also potentially serve as initiators of new institutional structures and create institutional instability. In particular, the breadth and depth of the success of populist political parties and leaders in gaining power and their sustained success over time is partly due to their ability to use existing institutional levers for their own purposes, creating uncertainty, rather than weakening it (BAKER, BLOOM, DAVIS, 2016). Similarly, the uncertainty associated with COVID-19 has led to the fact that individual institutions were used to achieve goals directly opposite to those for which they were theoretically designed (and, in many cases, to the elimination of checks and balances designed to preserve the narrower focus of these institutions).
For example, the political institutions of liberal democracy are designed to promote freedom of speech, freedom of assembly, freedom of movement and freedom to engage in commerce, that is, to promote the realization of rights that are enshrined in the constituent documents and constitutions. However, when faced with COVID-19, politicians used the same existing institutions to force businesses to close (by blocking their work under the threat of infection), impose a ban on mass events and meetings, and restrict domestic travel. From an international perspective, it was argued that countries such as China and Russia used the pandemic to expand and consolidate regional and global power. It can be noted that the key driver of institutional changes created by populism and the pandemic does not come from within these institutions (at least not initially), but is an exogenous shock caused by the appearance of specific political leaders at a favorable time. Populism may be a popular idea, but without a tool - such as a charismatic leader who can give him a vector to power, populism cannot lead to significant institutional changes. Similarly, the use of existing political institutions in ways against their intent took place almost everywhere around the world during the pandemic.

Although some differences in the degree of reorientation of institutions can be explained by social norms, existing systems of checks and balances, or even the severity of morbidity, most of the specific policies implemented cannot be explained without addressing the specific leaders involved (BERGH et al., 2019). This reality has led to the need for scientists to expand their vision, exploring the role of leaders and personalities as driving forces, assistants and users of political and social institutions that surround, inspire and restrain business. Accordingly, it is necessary to analyze the past (both distant and recent) in order to understand the new problems that international business is facing in the near future. In particular, early and seminal works on political risk and uncertainty offer many ideas for understanding the behavior of companies in both developed and emerging markets today. However, the current business climate has been shaped by a new type of risk driven by political leaders and the phenomenon of institutional instability, creating uncertainties that go beyond quantifiable unknowns.

RESULTS

Inspired by decolonization and the explosion of international trade opportunities in the 1960s, researchers quite rationally emphasized the importance of understanding the operational and strategic problems that arise in an occasionally complex external environment. MNEs often found themselves outside their comfort zones, starting to operate in countries with weak legal systems and unstable policies. It is in this context that the literature on “political risk” has emerged – a whole line of research on the various risks and opportunities that MNEs face outside their country. Much of the research has discussed how the environment and cultural circumstances will influence the models of multinational corporate strategy, structure, investment, and location and operational choice (BRONK, JACOBY, 2020).

While most of the literature considers culture as static compared to the time frame of business decision-making, political risk has a distinctly dynamic aspect. The very nature of political changes is often difficult to predict. This is further complicated by the fact that what constitutes a political risk for one firm does not necessarily have anything to do with another. The current literature on political risks focuses mainly on the macro-political threats inherent in doing business in emerging markets, with the most important political risk faced by MNEs in the 1960s and 1970s being the risk of expropriation and nationalization (BUCKLEY, 2020). Widespread nationalization and expropriation occurred in all developing countries in the 1960s and 1970s, as governments tried to “localize” production and keep local subsidiaries supporting national policies.

Although expropriation was the most important issue covered in the literature, additional threats to business were also considered as they became more prominent, including the impact of political violence and terrorism on the entry or operation of companies, problems of decolonization and large-scale political changes that can lead to disruptions in the business environment. These issues have expanded in later waves of political risk research to cover conflicts and instability, perceptions, political connections, and MNE risk reduction.
strategies (CHI et al. 2019). Using qualitative and quantitative indicators to understand the risk from the point of view of the firm and how it can be handled in organizational terms, in the literature of the 1980s, the danger of the connection between politics and business was formed on two ideas, such as political risk, and uncertainty—a broader environmental characteristic that can cover regime change. It was noted that when an international manager makes a probabilistic assessment of an uncertain political event in the host country, he thereby turns political uncertainty into a political risk.

Thus, while risk can mean a discrete problem that companies can overcome with the help of competent management or financial solutions, “uncertainty” focuses on constant and widespread environmental factors that managers must face on a daily basis (KURKI, 2019). In fact, the driving force behind this movement towards quantifiable unknowns and moving away from specific categorical risks was the change in the international business climate of the 1980s, as the well-established problems of the 1960s and 1970s changed and became more numerous. The emerging market crises caused by the Latin American debt crisis in the middle of the decade, combined with the growth of terrorism and conflicts in Africa and Latin America and macroeconomic instability, meant that business faced a wider set of problems (CSEHI, ZGUT, 2020).

At the same time, expropriation remained a threat, but it decreased as a serious problem for MNCs and was less used as a policy tool, becoming another of a number of risks that can be considered in management strategies. This proliferation of risks, including the usual business risks associated not with politics, but with industry, market or firm-specific variables, has directly led researchers to insist on a more holistic approach to risk in general, including political uncertainty as one of the many unknowns.

As in the literature on political risks, there was also a desire to recognize firms as actors in the political sphere, identifying ways in which enterprises could take measures against political uncertainty and, possibly, preventatively mitigate it (DAVE, MCNICHTONS, SABIA, 2020). The specter of endogeneity also reared its head, as some scientists argued that firms can also create political uncertainty by their presence, their operations or even their contribution to economic development, since their growth creates new participants on the political scene, threatening overall stability, even if the overall effect of their activities is favorable.

While political risk and uncertainty stemming from specific policies (such as expropriation) were still key concerns for managers, the changing political situation in Central and Eastern Europe, combined with the rise of China and its own rapid institutional changes, triggered waves of globalization and liberalization in the 1990s. The new business challenges accompanying globalization meant the beginning of the “new institutional economy” (NIE) revolution. This shift towards institutional thinking was evident in the attempts to better understand the role of political institutions in setting the rules of the game for enterprises operating within their spheres of influence. Some authors focused on democratic regimes and their beneficial impact on the business environment. A special place in the literature was occupied by the study of the threat of corruption, which is a consequence of the weakness of institutions, both political and economic (DEVINNEY, HARTWELL, 2020).

Several studies have examined the impact of differences in the institutional structure or culture on the strategies, methods of entry and decisions of different firms, and highlighted in detail how distance from one’s own institutional environment is a background political basis. The researchers believe that institutional differences may even affect where firms choose to invest outside their country, especially if the desire to please the political elite by obeying their preferences for certain allies was a key motivating factor.

As in the literature on political risks and political uncertainty, the emphasis continues to be on legal remedies for businesses when dealing with the needs of institutions. Studies have shown that firms that had international potential, in general, were more flexible and could adapt to uncertainty within the country, while MNEs with emerging markets, exposed to institutional risk on a regular basis, developed their own strategic flexibility.
DISCUSSION

However, the next milestone in business development should be called the surge of populism after the global financial crisis was characterized by additional innovations, each of which has its own opportunity to create certain problems for business. A key characteristic of the current populist wave is the fact that it has embraced both developed and emerging economies and, indeed, seems to have been created in more developed countries, and then spread back to emerging markets. Although some populist successes preceded the global financial crisis (Erdogan in Turkey or Cristina Fernandez de Kirchner in the populist harbor of Argentina), it was only after the near collapse of the global financial system from 2007 to 2009 that we witnessed how populism began to actively invade most major economies. This reality means that multinational enterprises in developed countries are now not only under threat due to institutional voids and remoteness abroad, but also have to worry about the instability of their country, which can lead to the closure of markets or the threat to supply chains (FERNÁNDEZ-MÉNDEZ, GARCÍA-CANAL, GUILLÉN, 2018).

Since populism is also often associated with economic stagnation, a weakening of economic conditions or a change in the balance of economic power due to populism at home can directly affect firms’ decisions to internationalize or their ability to do so. The version of populism for developed countries emphasized the creation of differences in the belief system of the population by reducing the perceived reliability of information sources; thus, existing, entrenched institutions can be refuted or completely eliminated. The uncertainty of the future ensures that expectations cannot be firmly anchored in objective probability functions, making it impossible to know whether current best practice models will remain relevant in the future (MCLAIN, MATTHEWS, PARIS, 2021).

This reality also means that companies need to establish new political ties and invest resources in the political market in order to avoid the harmful consequences associated with staying on the side (or, even worse, connecting with the old elites). Despite the fact that there is an interesting and rich literature on the impact of the development of political ties and how they can help in improving the efficiency of the company. Perhaps more notably, although this new wave of populism avoids globalization, it is itself fueled by international cross-pollination, as global populist coalitions have begun to form to support each other through appropriate policies and strategies that coordinate existing institutions and co-opt them for their own use.

Despite the diversity of populist strategies, the conditions of their home country and the coherence of national goals have led to institutional instability. The expansion and coordination of populism mean an additional increase in uncertainty, as new institutional mechanisms appear, economic policies focused on political imperatives (for example, improving trade between like-minded countries) rule the day, and "official lines" become critically important for business. Understanding the "moment of populism" is a new challenge for international business researchers and companies; at the same time, it is similar, but unlike any other political force that has been encountered in the past (hence the early tendency to look for similarities between populism and previous political upheavals and changes). The current concepts of emerging market companies may have evolved to address this problem, but there is no framework for considering the full range of survival strategies in the context of a developed country that considers the political actors involved. As an example of this inadequacy, a narrowly interpreted institutional point of view can, if we focus on the institutional distance, give distorted forecasts about the consequences of populism.

Although the use of institutional principles is necessary to understand the long-term shifts that populism creates when applied to business, the concept of institutional distance may actually indicate a reduction in distance, but without any benefits for firms. In other words, populism could make developed countries more similar to emerging markets, but reducing this distance does not mean that business will become easier or that firms will receive any benefits.

In 2020, the political phenomenon of populism was joined (and largely fueled) by the COVID-19 pandemic - a problem that no living politician had ever faced before. Although the SARS and H1N1 pandemics occurred during the previous two decades, the scale of COVID-19...
meant that we had little experience of such an event to rely on. At the same time, the spread of the pandemic was so rapid and unexpected, and the sense of urgency was so unique, that even the established institutional mechanisms had little experience in how to deal with the situation in a political sense. This unprecedented scenario led to completely different policy responses, culminating in the introduction, lifting and re-introduction of bans on economic activity and movement simultaneously with the waves of the spread of the virus around the world (SHARMA et al. 2020).

Despite the evolution of organizations and institutions to work with complex technologies and attempts to minimize risks and the occurrence of "accidents", "black swan" events, such as COVID-19, can also threaten existing institutional orders, especially if these institutions are already weakened by waves of populism. Although COVID-19 is an extreme event that is unlikely to happen again in the near future, it has increased the ability of political figures to push the boundaries of existing institutions and change them for certain purposes. In fact, one of the key lessons of COVID-19 is that institutions actually have limitations in times of stress: deprived of memory or leadership in an unprecedented situation, and with any institutional capabilities highly scattered across decision-making departments, institutions must rely on their leaders.

However, unlike populism, where there are concrete plans for changing society and its institutional matrix, during the pandemic we saw political actors without any guidance from personal experience, who resorted to their heuristics, ideologies and biased worldviews to declare solutions under stress. One strange example of this is how the UK Health Secretary, Matt Hancock, pointed out that much of his surprisingly successful vaccination strategy was based on the film "Contagion". This reality means that each leader's innate personality traits and their existing heuristics had important policy implications during isolation, going beyond the institutional mechanisms that were designed for "normal" times. This does not mean that institutions were necessarily completely abandoned or radically changed during the pandemic. Indeed, in countries with developed democracies, institutional structures continue to set the boundaries of acceptable politics based on culture and social relations, and there have been no obvious coups or overthrows of democratic processes (despite exaggerations on the part of all kinds of political figures). The pandemic instead expanded the boundaries of the set of acceptable policies, pushing the fences even further back, as formal institutions that could not contribute were leveled. And, as in the case of populism, the pandemic has allowed specific leaders to use institutions to implement policies that either go beyond their original competence or actually contradict the normal functioning of institutions, creating a high level of institutional instability and uncertainty.

The biggest problem for business is that all over the world, institutional barriers were quickly removed under the pretext of fighting the virus, and new powers that are not usually present in a liberal democracy are assigned to managers. Thus, New York has established a number of bans on isolation, including a ban on the opening of "bars", but such a ban did not apply to the opening of "restaurants", since they can provide consumers with the opportunity to purchase ready-made food. Accordingly, the business world has changed dramatically, in particular, due to the institutional instability that accompanied the pandemic.

The researchers note that the probability of bankruptcy of companies burdened with debt increases significantly during a pandemic. Even firms that have been rescued by massive state fiscal packages may find that they are facing a new competitive environment that is much more sensitive to political risks and depends on the generosity of the government, since they are forced to compete in the political market, rather than in the real market. At the same time, the decrease of globalization and the ease with which it was done - may become a permanent feature of the post-COVID world, as localization and diversified supply chains become more important than dependence on remote regions. It is also suggested that after stopping the spread of COVID, governments are more likely to use the tools acquired during the pandemic, even in more or less stable political and economic situations (ZEFFMAN, 2021).

CONCLUSION

There is a fundamental endogeneity between events, institutions, political agents and politicians. The COVID pandemic illustrates this, because it will forever be associated with
people involved in the response (Trump, Biden, Fauci, Merkel, Putin, etc.), whose political influence is far superior to the institutions involved in the response. In fact, it was the leadership of institutional structures that was much more important than those structures when the event and its potential consequences were mostly unknown, and clear roadmaps for getting out of a difficult situation were simply not available.

The ongoing haphazard response to COVID-19 in national and subnational jurisdictions has shown how important the role of specific leaders can be in shaping public policy, which sometimes goes beyond the general institutional framework. For firms, this means that dynamic political opportunities become more critical in an uncertain environment and that real options increase in price. The greater the uncertainty, the longer firms have to wait for information to be disclosed and the faster they must respond to this information when it becomes known. Consequently, pre-planned readiness becomes a critical operational need for the MNE. Opportunities need to be used faster, but they also need to be disposed of faster, and long-term reconfiguration of assets or associations becomes more perilous and, therefore, has a lower long-term value, especially if companies have a strategic reserve of development options.

The larger the “non-stationary” component of the business environment, the less important long-term dynamic opportunities are and the less reliable the models aimed at predicting policy changes are. Companies must find new ways to adapt, ways that remain beyond the reach of existing theories. By focusing exclusively on the basic institutions or specific risks, a firm can easily lose sight of where, why and by whom the unknowns are generated, and what this threatens it in the future. This implies the need for greater progress towards a real option strategic logic with components of strategic and operational modularity, which allows for flexible response to changes in the institutional environment. Business analysts in the coming years should focus on the specific qualities of political leaders and how they influence countless firm decisions. Perhaps this is the only way to give firms and managers a chance to adapt to a rapidly changing global situation.

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The article examines the features of international political uncertainty and institutional instability that act as a reaction to COVID-19. It is concluding that the greater the "non-stationary" component of the business environment, the less important are the long-term dynamic opportunities and the less reliable are the models aimed at predicting policy changes. By focusing exclusively on the basic institutions or specific risks, a firm can easily lose sight of where, why and by whom the unknowns are generated, and what this threatens it in the future. This implies the need for greater progress towards a real option strategic logic with components of strategic and operational modularity, which allows for flexible response to changes in the institutional environment. Business analysts in the coming years should focus on the specific qualities of political leaders and how they influence countless firm decisions. Perhaps this is the only way to give firms and managers a chance to adapt to a rapidly changing global situation.

Keywords: COVID-19. Political uncertainty. International relations. Institutional instability.

El artículo examina las características de la incertidumbre política internacional y la inestabilidad institucional que actúan como reacción a COVID-19. Se concluye que cuanto mayor es el componente "no estacionario" del entorno empresarial, menos importantes son las oportunidades dinámicas a largo plazo y menos fiables son los modelos destinados a predecir los cambios políticos. Al centrarse exclusivamente en las instituciones básicas o los riesgos específicos, una empresa puede perder fácilmente de vista dónde, por qué y por quién se generan las incógnitas, y qué es lo que esto la amenaza en el futuro. Esto implica la necesidad de un mayor avance hacia una lógica estratégica de opción real con componentes de modularidad estratégica y operativa, que permita una respuesta flexible a los cambios en el entorno institucional. Los analistas de negocios en los próximos años deben centrarse en las cualidades específicas de los líderes políticos y cómo influyen en innumerables decisiones firmes. Tal vez esta sea la única manera de dar a las empresas y a los directivos la oportunidad de adaptarse a una situación mundial que cambia rápidamente.

Palabras-clave: COVID-19. Incertidumbre política. Relaciones internacionales. Inestabilidad institucional.