THE INFLUENCE OF THE CORONAVIRUS CRISIS ON THE ASSOCIATION OF ENTERPRISES IN UKRAINE

Lynenko A. V.
Zaporizhzhia National University
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66
konf.econom.znu@gmail.com
ORCID ID 0000-0001-6473-6074

Key words: COVID-19 coronavirus epidemic, coronavirus crisis, business combinations, consolidated business, economic support.

Brought, that the reaction of integrated business to the impact of the coronavirus crisis has its own characteristics due to its economic nature. Most modern associations of enterprises have an extensive network, the structure of enterprises united in consolidated groups can cover the whole of Ukraine, as well as go beyond state borders, so in some quarantine zones economic activity almost stops, in others – to be carried out normally. The large scale of business associations, their strong financial, labor and other resources, make integrated business somewhat “clumsy” and vulnerable to the effects of the coronavirus crisis, but the same features provide consolidated businesses the potential to adapt to new realities of economic activity. The article identifies the nature of the impact of the coronavirus crisis on the development of modern business associations in Ukraine, substantiates the possibilities of overcoming the crisis in the economy caused by COVID-19, by consolidating the efforts of Ukrainian business to solve this large-scale problem. The main directions of counteraction of consolidated associations of enterprises to the crisis are investigated, namely: 1) care for employees; 2) creation of a response headquarters 24/7; 3) supply chain support; 4) care for the community. Positive examples of consolidated business assistance to communities are given. It is substantiated that modern associations of enterprises in Ukraine, which have financial opportunities, need to direct them to the modernization of their production facilities, re-profiling activities on an innovative basis. Due to the limited cross-border cooperation, integrated business entities can focus on the domestic market, which will only strengthen the Ukrainian economy in the strategic perspective. Consolidated business support for social programs and research aimed at overcoming COVID-19 should become a mandatory component of corporate social responsibility, which will contribute to the recovery of both the business environment and society as a whole.
Statement of the problem

The epidemic of coronavirus disease (COVID-19) has spread throughout the world, having a negative impact on all areas of human activity. Due to strict quarantine measures, a large number of patients and significant mortality, most businesses have suffered economic losses. Of course, these problems have not escaped Ukraine, although the spread of the new coronavirus can be curbed. Now that the government has eased the restrictions somewhat, it is possible to make interim assessments of the damage caused by COVID-19, as well as to summarize certain achievements that have become a response or an attempt to adapt to the new conditions.

As the current trend of business processes is the merger of enterprises, and given that such consolidated formations determine the priorities of economic development at the level of regions, individual states and even at the macroeconomic interstate level, it is necessary to trace the impact of COVID-19 on modern activities. associations of enterprises in Ukraine.

It is important to analyze their weaknesses in the current environment, as well as opportunities to overcome these barriers, help communities and work together to address and combat the coronavirus epidemic.

Analysis of recent studies and publications

The Ukrainian economy is characterized by global trends in the merger of enterprises and financial institutions, mergers and acquisitions in the business environment, the development of economic relations on the basis of mutually beneficial cooperation, horizontal and vertical integration. These processes were investigated by K.V. Avdalian in his scientific article [2]. It should be noted here that in Ukraine, associations of enterprises are often informal, but their impact on the economy and the development of the state in general is significant. This necessitates the study of business associations in the new context of the coronavirus epidemic.

Exact research conducted by scientists of the Igor Sikorsky Kyiv Polytechnic Institute under the auspices of the International Science Council provides answers to many problematic questions about possible scenarios for the spread of COVID-19 and the corresponding impact on economic processes in Ukraine and the world [5].

Also of great practical importance is the special project “Business vs COVID-19”, launched by the magazine “BUSINESS” together with national investors “BUSINESS 100” and venture corporate investment fund “FinStream”, aimed at financing Ukrainian entrepreneurs ready to quickly transform into new realities [10].

Scientist Ya.A. Zhalilo substantiated the guidelines for Ukraine's development after the coronavirus crisis [12], and researchers from the Center for Applied Research and the Konrad Adenauer Foundation Office Ukraine analyzed the impact of COVID-19 and quarantine restrictions on Ukraine's economy [4].

Useful analytical information is summarized in the publication “COVID-19: quarantine measures significantly change business expectations for economic development” according to a study by the NBU [3]. These and other studies provide an opportunity to assess the impact of the coronavirus epidemic on socio-economic processes for further development of tactics and strategies to overcome COVID-19, in particular with the help of modern business associations.

Objectives of the article

The aim of the study is to identify the impact of the coronavirus crisis on the development of modern business associations in Ukraine, to substantiate the possibilities of overcoming the crisis consequences in the economy caused by COVID-19 by consolidating the efforts of Ukrainian business to solve this large-scale problem.

The main material of the research

The coronavirus crisis, which has without exaggeration affected the entire world economy, has a negative impact on business development in Ukraine. Certain sectors or sectors of the economy, due to their specifics, suffer greater losses, and some areas of economic activity are better protected from adverse crises, but the coronavirus crisis affects all businesses in one way or another.

The Ukrainian economy is reacting negatively to the coronavirus epidemic. Thus, in particular, the mood of business after the introduction of quarantine measures has deteriorated significantly and sharply. The prospects of the service sector are most pessimistic. Representatives of this sector suffered the greatest losses from quarantine measures, so their estimates of the volume of services provided and new orders were at record lows. Pessimistic expectations prevail in industry as well. Slightly better estimates are observed in the trade sector given the growing demand for consumer essentials (food and personal care products), as well as the possibility of a fairly rapid reorientation of business to alternative sales and delivery channels.

In the labor market there is a decrease in the number of vacancies. Due to growing uncertainty, even IT companies that are least vulnerable to quarantine have stopped new hires. In general, during the quarantine period, the number of new vacancies decreased by 44% [3].

Given that modern associations of Ukrainian enterprises, established in accordance with current economic legislation, as well as informal, are an essential component of Ukrainian business, it is safe to say that they have also suffered economic losses from COVID-19.

However, the reaction of integrated business to the impact of COVID-19 has its own characteristics due to its economic nature. Thus, most modern associations of enterprises have an extensive network, the structure of...
enterprises united in consolidated groups can cover the whole of Ukraine, as well as go beyond state borders, so in some quarantine zones economic activity almost stops, in others – to be carried out in normal mode. The large scale of business associations, their powerful financial, labor and other resources, make integrated business, not surprisingly, somewhat “clumsy” and vulnerable to the effects of the coronavirus crisis, but these same features provide consolidated business entities the potential to adapt to new realities of economic activity.

Today, the Ukrainian economy finds itself in a new system of risks associated with the global economic recession, which laid the foundations for the slowdown in economic dynamics. The sudden cessation of a significant share of enterprises in various spheres of economic activity has significantly worsened the situation in the economy [12]. However, state policy is now aimed at finding funds and providing (directly or indirectly) assistance to citizens and businesses that have been most vulnerable to the effects of the coronavirus epidemic. For example, in early April, the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Aimed at Providing Additional Social and Economic Guarantees in Connection with the Spread of Coronavirus Disease (COVID-19)” entered into force. This normative legal act, in particular, provides:

– release of persons responsible for the timely and full submission and disclosure of financial statements from liability for violation of the terms of disclosure of financial statements for 2019 or consolidated financial statements for 2019 together with the auditor’s report, if such statements are disclosed during the period of quarantine established to prevent the spread of coronavirus disease COVID-19 in Ukraine, or within 90 calendar days from the day following the day of completion of such quarantine, but not later than 31.12.2020;
– the possibility of postponing the legislative terms of the annual general meeting of shareholders of joint stock companies, members of limited and additional liability companies that are issuers of securities, members of credit unions within three months after the end of quarantine established by the Cabinet of Ministers of Ukraine;
– the possibility of remote holding of the general meeting of shareholders and participants of companies that are issuers of securities, in the manner and terms determined by the temporary procedure of remote holding of the general meeting approved by the National Commission on Securities and Stock Market;
– the possibility of remote convening and holding of general meetings of members of credit unions in the manner and terms determined by the temporary procedure of remote holding of general meetings, approved by the National Commission for State Regulation of Financial Services Markets;
– release of consumers from creditors from liability for delay in fulfillment of obligations arising in the period from 01.03.2020 to 30.04.2020, for all consumer loans concluded both before and after the entry into force of the Law of Ukraine “On Consumer lending”;
– temporary ban on carrying out by state supervision (control) bodies of planned measures on state supervision (control) in the sphere of economic activity, except for state supervision (control): on activity of business entities, according to criteria of risk assessment approved by the Cabinet of Ministers of Ukraine from carrying out economic activity attributed to business entities with a high degree of risk; in the field of compliance with the requirements for the formation, establishment and application of state regulated prices; in the field of sanitary and epidemic well-being of the population;
– a ban on raising the interest rate under the loan agreement during the implementation of measures in Ukraine to prevent the emergence, spread and spread of epidemics, pandemics, including coronavirus disease (COVID-19);
– extension of the statute of limitations established by the Civil Code of Ukraine for the period of quarantine;
– extension of the grounds for extension of procedural terms established by the court or the law [8].

According to the Center for Applied Research and the Konrad Adenauer Foundation Office Ukraine, quarantine has dramatically worsened consumer sentiment, almost stopped several industries – retail, hotel and restaurant business, air transportation. The amount of budget revenues decreased. As a result of the quarantine, Ukrainian companies and their associations “froze” investments, as well as production chains [4]. Therefore, in May, the Government of Ukraine approved the State program of economic stimulation to overcome the negative effects caused by restrictive measures to prevent the occurrence and spread of acute respiratory disease COVID-19 caused by coronavirus SARS-CoV-2, for 2020-2022 [9].

Thus, the goal of introducing a comprehensive system of new opportunities for stabilization and sustainable development of Ukraine's economy and increasing employment by maintaining existing, as well as stimulating the creation of new highly productive jobs with decent working conditions. Among other things, measures are provided to support small and medium-sized enterprises, as well as their associations. However, the implementation of these measures, unfortunately, does not always achieve the stated goal of overcoming the coronavirus crisis in Ukraine. The quarantine process for the domestic economy may involve much greater risks than the quarantine period itself. Intensification of economic processes, especially in conditions of depletion of “airbags” in the form of personal savings and insurance reserves of small, medium and combined businesses, may be accompanied by exacerbation of credit insolvency risks, complicating the budget situation due to lags in tax payments and the effects of coronavirus crisis of tax preferences, recovery of devaluation trends due to increased demand for imports, increased inflation risks due to weak response of domestic supply to growing demand, declining employment due to structural imperfections in the labor market [7].

It is worth noting that so far the international community has identified the main directions in which business should move, including the association of enterprises in the fight against coronavirus and overcoming its consequences, namely:
1) care for employees;
2) creation of a response headquarters 24/7;
3) supply chain support;
4) care for the community (Table 1).
During the quarantine, almost all business associations transferred about 95% of office workers to remote work, leaving a few on duty, who provided certain office functions on a shift basis. Of course, the rapid establishment of remote access and the transition to electronic document management have become a challenge. However, 80% of the production staff continued to work normally. On the positive side, in each consolidated company, senior management is developing an anti-crisis plan and implementing urgent measures. The work is carried out constantly, online, branch managers, HR departments, IT specialists, lawyers, etc. are involved in monitoring the situation. For the most part, supply chains of business associations operate according to the usual scheme. For imported industries, the only problem was the delays at customs due to the additional inspection of drivers. Today, conscious Ukrainian business has demonstrated extraordinary mobilization capacity in the face of the crisis. Quarantine has become a serious test of strength and principle [10]. Business associations are actively helping communities. For example, the agro-industrial holding MHP has already allocated UAH 84 million to fight the coronavirus pandemic, and 110 medical institutions have received this assistance [1]. Also at the beginning of April, 10,000 express tests for COVID-19 arrived in three regions of Western Ukraine, and the entire process – from test search to delivery – was carried out by six companies that are members of the cluster association [6]. In Ukraine, there are many practices of various support by associations of social enterprises aimed at reducing the negative consequences of the coronavirus crisis. For example, a group of enterprises (parent company – JV “NIBULON”) directed to the fight against COVID-19 for about 70 million UAH, which were used for the reconstruction of medical institutions in Mykolyiv, the purchase of protective suits, shields, respirators, rapid tests, as well as ventilators [11]. And there are many such positive examples of consolidated business assistance to communities. Associations of enterprises, especially modern ones, which combine in their structure not only production and sales companies, but also research institutions, research centers, able to produce innovations that will help overcome COVID-19 and further business development on new principles based on the priority of social and environmental responsibility.

### Conclusions
Modern business associations as an important part of the economy have faced a new challenge, extremely powerful in its negative impact, due to the spread of COVID-19. However, although at a high price, new experience was also gained, which led to the acceleration of the digital transformation of business, the development of remote communication channels, customer service, working with contractors, training and retraining. Consolidated businesses have assessed their weaknesses, in particular through awareness of vulnerability and unpreparedness for new conditions. However, the focus on this large-scale problem has already given impetus to the development of research that intensifies innovative processes aimed at overcoming both COVID-19 and the development of modern business associations. It is hoped that the awareness of new potential threats will guide this development to the economical use of resources and increase the social and environmental responsibility of powerful integrated business entities. Modern associations of enterprises in Ukraine, which have financial opportunities, need to direct them to the modernization of their production facilities, re-profiling activities on an innovative basis. Due to the limited cross-border cooperation, integrated business entities can focus on the domestic market, which will only strengthen the Ukrainian economy in the strategic perspective. In addition, the consolidated support of social programs and research aimed at overcoming COVID-19 should become a mandatory component of corporate social responsibility, which will contribute to the recovery of both the business environment and society as a whole.

| Directions for counteracting the coronavirus crisis | Characteristics of business actions within the areas of counteracting the coronavirus crisis |
|-----------------------------------------------------|------------------------------------------------------------------------------------------|
| Caring for employees                                | Business associations have a significant staff. The health of people working for a consolidated business must be a top priority, so all measures within the framework of economic activity and counteraction to the coronavirus crisis should focus on employee safety |
| Establishment of a response headquarters 24/7       | The coronavirus crisis has already proven the insidiousness of the disease that caused it and demonstrated the rapid development of events. Business associations must ensure the smooth operation of response headquarters, without weekends or holidays, without interruptions in their activities, in order to take appropriate action immediately, without delay. Only such a rapid response can ensure the effectiveness of measures to combat the coronavirus crisis |
| Supply chain support                               | In modern conditions, when quarantine zones are introduced, their boundaries change, as well as the approaches to zoning, it is important not to lose contact with suppliers, to find new ways of interaction and development of relations in accordance with modern business conditions |
| Caring for the community                            | Every business entity today must conduct its activities in accordance with the principle of social responsibility. Consolidated business, which has a strong impact on community development, must pay particular attention to the consequences of its economic activities and support communities in difficult economic conditions |

Table 1 – The main directions of counteracting the coronavirus crisis are identified by the international community
References

1. Ahroindustrialnyi kholodnyn MHP vydilyv na borotbu z pandemiiiu koronavirusu 84 mln hrn [Agro-industrial holding MHP has allocated UAH 84 million to fight the coronavirus pandemic]. (2020, November 6). ukrinform.ua. Retrieved from https://www.ukrinform.ua/rubric-economy/3010556-agroholding-mhp-vidiliv-na-borotbu-z-koronavirusom-84-miljoni.html [in Ukrainian].

2. Avdalian, K.V. (2019). Suchasni tendentsii obiednannia pidpryiemstv v ekonomitsi Ukrainy [Modern tendencies of merging enterprises in the economy of Ukraine]. Ekonomika, upravlinnia ta administruvannia – Economics, Management and Administration, 4 (90), 3-7 [in Ukrainian].

3. COVID-19: Karantynni zakhody suttievo zminyuiut ochikuvannya biznesu shchodo rozvytku ekonomiky [COVID-19: Quarantine measures significantly change business expectations for economic development]. (2020, November 7). visnuk.com.ua. Retrieved from http://www.visnuk.com.ua/uk/news/100017557-covid-19-karantinni-zakhodi-suttyevo-zminyuyut-ochikuvannya-biznesu-shchodo-rozvytku-ekonomiky [in Ukrainian].

4. Dienkov, D., Karakuts, A. & Shchedrin, Yu. Vplyv COVID-19 ta karantynnykh obmezhen na ekonomiku Ukrainy [Impact of COVID-19 and quarantine restrictions on the economy of Ukraine]. Kyiv: Center for Applied Research and the Konrad Adenauer Foundation Office Ukraine [in Ukrainian].

5. Foresight COVID-19: impact on economy and society. (2020, November 6). wdc.org.ua. Retrieved from http://wdc.org.ua/en/node/190017 [in English].

6. Klasternyi proekt zabezpechuv 10000 ekspress-testiv na COVID-19 [The cluster project provided 10,000 rapid tests for COVID-19]. (2020, November 6). eu4business.eu. Retrieved from http://eu4business.eu/uk/success-stories/klasternyy-proyekt-zabezpechuv-10-000-ekspres-testiv-na-covid-19 [in Ukrainian].

7. Polityka oduzhannia: protses vykhodu z karantynu dla ekonomiki navit bilsh ryzykovanyi, nizh sam karantyn [Recovery policy: the process of quarantine for the economy is even more risky than the quarantine itself]. (2020, November 7). niss.gov.ua. Retrieved from https://niss.gov.ua/en/node/3668 [in Ukrainian].

8. Pro vnesennia zmin do deiakykh zakonodavchykh aktiv Ukrainy, spriamovanych na zabezpechennia dodatkovykh sosialnykh ta ekonomichnyh garantii u zviazku z poshyrenniam koronavirusnoi khvoroby (COVID-19) [On Amendments to Certain Legislative Acts of Ukraine Aimed at Providing Additional Social and Economic Guarantees in Connection with the Spread of Coronavirus Disease (COVID-19)]. (2020, November 7). zakon.rada.gov.ua. Retrieved from https://zakon.rada.gov.ua/laws/show/540-20 [in Ukrainian].

9. Pro zatverdzhennia Derzhavnoi prohromy stymuluvannia ekonomiky dla podolannia nehatyvnykh naslidkov, spyrchnynych obmezhuvalnym zakhodamy shchodo zapobihannya vyny knenniu i poshyrenniu hostroi respiratornoi khvoroby COVID-19, spyrchnynej koronavirusom SARS-CoV-2 na 2020-2022 roky [On approval of the State program of economic stimulation to overcome the negative consequences caused by restrictive measures to prevent the occurrence and spread of acute respiratory disease COVID-19 caused by coronavirus SARS-CoV-2, for 2020-2022]. (2020, November 8). zakon.rada.gov.ua. Retrieved from https://zakon.rada.gov.ua/laws/show/534-2020-%D0%BF#Text [in Ukrainian].

10. Sakharuk, T. (2020). Reaktsiia biznesu na pandemiiiu: shcho zrobлено ta kudy my rukhaiemosia [Business response to the pandemic: what has been done and where we are moving]. (2020, November 7). Biznes vs COVID-19. Retrieved from https://business.ua/business/10125-biznes-vs-covid-19 [in Ukrainian].

11. U period koronakryzy «NIBULON» ne prypyinae dopomahaty ukrainskii medytsyni [During the coronavirus crisis, NIBULON does not stop helping Ukrainian medicine]. (2020, November 8). nibulon.com. Retrieved from https://www.nibulon.com/news/novini-kompanii/u-period-koronakrizi-nibulon-ne-pripinyae-dopomagati-ukrainskii-medicini-video-8710.html [in Ukrainian].

12. Zhalilo, Ya.A. (2020). Ukraina pislia koronakryzy – shliakh oduzhannia [Ukraine after the coronavirus crisis – the path to recovery]. Kyiv: National Institute for Strategic Studies [in Ukrainian].