

GOOD GOVERNANCE AND RESILIENCE

**Sharing Best Practices and Challenges
in Times of Crisis across Europe**

**Laura Mina-Raiu
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(Editors)**



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List of Abbreviations

ANB	Apa Nova București
BPR	Business Process Reengineering
CCMs	Cabin Crew Members
CEHAT	Spanish Confederation of Hotels and Tourist Accommodation
CEO	Chief Executive Officer
CEOE	Spanish Confederation of Employer Associations
CEV	Valencian Confederation of Employer Associations
CITRAM	Integrated Public Transport Management Centre
CRTM	Regional Transport Consortium of Madrid
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
EC	European Commission
EU	European Union
EUR	Euros
EXCELTUR	Alliance for Excellency in Tourism
FP	Financial performance
GDP	Gross domestic product
GRI	Global Reporting Initiative
GST	General Secretary for Tourism
HOSBEC	Employers Association of Hotels and Tourism Sector Valencian Community
HR	Human Resources
ICEX	Institute for Foreign Trade
ICT	Information and communications technology
ICTE	Spanish Institute for Tourist Quality

ILO	International Labour Organization
INE	National Statistics Institute (Spain)
KPI	Key performance indicator
MICE	Meeting, Incentives, Conferences and Exhibitions
NFRD	Non-Financial Reporting Directive
NGOs	Non-governmental Organizations
OECD	Organisation for Economic Co-operation and Development
PPP	Public-private partnership
R&D	Research and development
SCCM	Senior Cabin Crew Member
SDGs	Sustainable Development Goals
SMEs	Small and medium sized enterprises
SST	Secretary of State for Tourism
STD	Smart Tourism Destination
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNWTO	United Nations World Tourism Organization
WFA	Work from anywhere
WFO	Work from home

Preface

This collective volume is one of the major research outputs of the Erasmus+ project KA203 *Teaching Institutional Resilience and Prompt Reaction to Crisis: Good Governance Experiences in Europe* (TERRAGOV). The project reunites five partner universities: University of Iceland (lead partner), Bucharest University of Economic Studies, Romania, Faculty of Economics and Business-University of Zagreb, Croatia, Vilnius University, Lithuania and Complutense University of Madrid, Spain. The project aims to promote and foster internationalization through collaborative knowledge production at the level of both academic staff and students.

The format of this volume arose out of TERRAGOV's project concern to enhance and improve teaching experiences in the field of governance studies, by delivering up-to-date content that enables a comparative study of good governance using national case studies.

The book represents research efforts conducted by project members in the last two years, from January 2021 to December 2022 and is aimed at reflecting the diversity of experiences of cooperation between the public sector, the private sector and the civil society from a crisis perspective, with a special focus on good governance, institutional resilience, public governance, change management, multi-governance, public-private partnership, corporate social responsibility, human resource management, digitalization, sustainability, etc. In the context of the book, the topic of crisis ranges from relatively minor incidents (creeping crisis) that might escalate if not addressed, such as cases of general dissatisfaction of staff or the public related to the decision-making process within organizations, to crisis related to the COVID-19 pandemic (entailing aspects of slow-burning and crisis) (Management Library, 2022).

We consider that the richness of these country cases lies in the unicity of the experiences encountered at national or local level, translated into a series of lessons to be learned and good practices to be shared, as no single framework can capture the whole diversity of contextual elements and relevant parameters.

We hope that this volume will stimulate insightful and relevant discussions in the field of good governance and institutional resilience across Europe and worldwide, broadening the theoretical and empirical understanding of these concepts. We are positive that this book will also be a useful teaching tool, highly relevant for both faculty and students, as the case method blends theory with practice and comes closer to students dealing with real world issues, making them more active learners (Načinović Braje et al., 2022).

We hereby thank all contributors for their consistent and significant input and support in the production of this collective volume.

The Editors
December 2022

Introduction

This volume is a collection of 11 case studies, intended to bring together a broad span of experiences, in order to tackle the topic of good governance and resilience from a comparative crisis perspective, in five European countries that belong to different socio-economic regions, both old and new EU member states; namely Iceland, Spain, Croatia, Lithuania and Romania. Furthermore, by including Iceland, the analysis extends beyond EU to European Economic Area and allows the analysis Northern and Southern governance experiences.

The introduction briefly presents the conceptual framework applicable to the national case studies, to make the audience familiar with main concepts illustrated in the chapters: good governance, resilience, crisis management, COVID-19 crisis, change management, public governance, multilevel governance, public-private partnerships, corporate social responsibility, business restructuring, multi-stakeholders, and human resource management.

An overview of country cases is then presented, containing a short description of each of the five countries in the light of the cases that were presented, as well as a joint presentation of the national cases, showcasing the peculiarities of each.

This general introduction into the problematic of good governance and resilience in times of crisis is followed by 11 case studies. Chapters 1 and 2 provide country cases from Iceland. Chapters 3 and 4 provide country cases from Spain. Chapters 5-7 offer country cases from Croatia. Chapters 8 and 9 addresses cases from Lithuania. Chapters 10 and 11 provide country cases from Romania.

Conceptual framework

The various chapters included in this volume use different theoretical lenses to present actual situations involving challenges, decisions, and opportunities, problems related to good governance and resilience in various institutional contexts in times of crisis. In order for readers to get a better understanding of the country case studies developed in the chapters, the volume first provides a synthesis of the main concepts that will be explored from an empirical point of view.

Good governance

Good governance has long been an important topic for academics of different disciplines, despite the fact that it does not have a single, clear and overarching definition. Most often governance is used to connote a complex set of structures and processes, both public and private (Thomas, 2010). The World Bank defines governance as ‘the manner in which power is exercised in the management of a country’s economic and social resources for development’ (World Bank, 1992).

Starting with the 90s, researchers and practitioners have focused increasingly on the concept of “good governance” as both a means of achieving development and a development objective *per se* (Thomas, 2010). Despite its popularity there is a lot of confusion surrounding the good governance concept (de Graaf and van Asperen, 2016). Good governance is supposed to be the opposite of bad governance according to some authors, used in the public arena to discourage certain government actions and to promote others (Bouckaert, 2003; 2015). Some authors highlight that good governance is associated with the promotion of economic development (de Graaf & van Asperen, 2016), while for other scholars’ good governance translates into performance and results (Rotberg, 2016) and focuses on efficiency, effectiveness and good quality public services (Massey & Johnston 2015).

There is a quite large consensus among scholars that it was the World Bank that introduced the concept originally in 1989, making good governance a special requirement for developing countries who wanted to borrow money (de Graaf & van Asperen, 2016). Not surprisingly, one of the most cited definition for good governance originates from the World Bank, where it refers to (1) the process by which governments are selected, monitored and replaced; (2) the capacity of the government to effectively formulate and implement sound policies; and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them (de Graaf & Van Asperen, 2016).

Crisis situations, no matter their nature, are inevitably major tests for governments, challenging their capacity to resist and overcome the crisis. Obviously, when threatened with such pressure, governments need to plan and prepare carefully. However, despite the fact that governments can learn from their own mistakes or from the best practices of other similar institutions, it is almost impossible to anticipate the nature and the specific context of a crisis. Thus, the best strategy for getting ready and facing a crisis is to develop flexible and adaptable government structures (Peters, 2003).

In this volume we refer to good governance as a mode of governance that brings multiple stakeholders together, based on the optimal collaboration between the public sector, private companies and civil society organizations. In this conception, the public actors plays a crucial role, but other actors, such as business organizations, non-profit organizations, foundations, labor unions, etc, and the inter-organizational collaboration among these various actors - may play important roles as well (Wolman, Levy & Hincapie, 2011).

Crisis management

One the most important reason for which good governance is a vital topic in all society fields is linked to crisis situations, because crisis, no matter its nature requires that resources (human, time, financial, etc.) are allocated in a way that guarantees results (Bouckaert, 2015). In contemporary societies, changes are very difficult to predict, as the environment has become very dynamic and volatile. Therefore, crisis management becomes crucial and demands for knowledge, skills and partnership

between different types of actors. Crisis can be defined as a process of transformation, where the old system cannot be maintained anymore (Mikušová & Horváthová, 2019), which contains both a threat and a surprise element and requires short time decisions. Osmanagić Bedenik (2010) identifies three phases that correspond to a successful crisis management. These are anticipatory crisis management (pre-crisis phase which focuses on prevention measures), identification of the crisis (the crisis phase where the focus is on recognizing the crisis and correctly assessing its magnitude) and reactive crisis management (post crisis phase focusing on recovery and learning from the crisis).

COVID-19 pandemic

COVID-19 pandemic has all the elements to be considered a severe public health crisis that impacted all sectors of society, including public and private actors, namely public services and business organizations. All these stakeholders had to quickly respond to the COVID-19 crisis, overcome its challenges and/or take advantage of its opportunities and learn from this experience in order to become more flexible and more resilient, as illustrated in the abovementioned crisis management phases. However, COVID-19 was different from previous crises (Ng et al., 2022), being declared by the WHO a "public health emergency of international concern" on 30-th of January 2020 and classified as a pandemic on 11th of March (WHO, 2020), as the total number of confirmed cases worldwide grew at a historically high rate, reaching over 6.3 million by November 2022 (WHO, 2022). Apart from the severe public health crisis, COVID-19 crisis has led to great uncertainty and disruption of the global economy. Because of travel restrictions and social exclusion measures, the survival of many businesses was seriously threatened on one hand, while for other companies it proved to be a lever. Nevertheless, COVID-19 challenged all types of organizations to reflect on the values of relationships with employees, suppliers and communities (Sheth, 2020).

Resilience

Increased competition, complexity, volatility, and environmental uncertainty are pressing organizations to adapt and change. With this respect, during the recent decade and especially during the COVID-19 pandemic, the concept of organizational resilience received much attention and become a true buzzword in the managerial vocabulary. Organizational resilience describes the ability of an organization to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper (Denyer, 2017). Despite the concept's popularity, most literature concludes that a consistent definition and a valid measurement scale of organizational resilience is still lacking (e. g. see Hillmann & Guenther, 2021). Resilience thus takes different forms as it can be seen as a capability, capacity, characteristic, outcome, process, behaviour, strategy or approach, type of performance or a mix of all these (Hillmann & Guenther, 2021). Key issues in resilience are mostly related to readiness and preparedness, response and adaptation, and recovery or adjustment after the sudden turbulence. It is

considered that organizational/institutional resilience develops over time, as organizations often establish business continuity or crisis management plans and train for emergency situations to strengthen their general resilience. Resilience is thus inherent to an organization and is dependent on its resources and capabilities (Hillmann & Guenther, 2021).

The concept of resilience becomes crucial when sudden changes occur. Therefore, when studying resilience, it is often necessary to point out the specific change and phenomenon it relates to (Hillmann & Guenther, 2021). In the case of recent pandemic crisis, for most organizations resilience become a matter of urgency, necessity to survive and continuing functioning after the turbulence caused by the COVID-19. Organizations dealt with COVID-19 crisis in different ways, both defensive and progressive. Several chapters in this volume provide examples of organizational resilience in different national contexts, as a response to the crisis/change.

Multi-stakeholders

Joint efforts from several stakeholders, public and private, are often necessary for resolving challenging targets and reaching prosperity. Multi-stakeholder approach includes cooperation and collaboration among civil society, businesses, government, NGOs and other parties. The importance of multi-stakeholders' approach has been on the rise in the past two decades as many intergovernmental organizations failed to effectively achieve their goals while there was a growing sense that private-sector organizations have the expertise and knowledge that governments lack and depend on (Berman, 2017). In cases of multi-stakeholder view, actors from business, civil society and governmental or supranational institutions come together in order to find a common approach to an issue that affects them all and that is too complex to be addressed effectively without collaboration. The collaboration between business, civil society and local government was at some cases key to organizational resilience during the COVID-19, as is shown in several chapters in this book.

Human resource management

In cases of change or crisis, one of fundamental roles belongs to human resources (Adikaram et al., 2021). For a couple of months, COVID-19 has changed work practices for most employees around the globe. In addition, some of the core HRM practices such as training and development, recruitment and selection and performance management had taken the backseat compared to practices such as compensation management, employee motivation and engagement or health and safety that were found to be crucial for overcoming the crisis (Adikaram et al., 2021). Despite severe reduction in operations and financial difficulties that companies were facing due to pandemic, most organizations have tried to avoid the more negative HRM practices that are common during crises, such as cut down on benefits/welfare or layoffs (Adikaram et al., 2021). Job retention as one of the HRM practices, pursued in cooperation with other stakeholders, namely state, proved to have beneficial effect on resilience (Stuart et al., 2021). In fact, HRM

practices supported many other activities organizations undertook to overcome the crisis and reach sustainability and resilience. Although COVID-19 has posed extreme demands for managers and HRM practitioners, it has also opened possibilities for long-term implementation of some working practices that gained popularity during the pandemic.

Change management

Changes in the external or the internal environment of organizations require revision of the daily operations. Changes can be incremental or drastic, depending on the situation organizations need to adapt to. When they transform the daily operations to improve quality, cut costs, increase earnings, streamline processes and so on, internal stakeholders, particularly employees, need to accept and implement the change initiatives, large or small (Naslund & Norrman, 2022). The purpose of the change must also be “relevant, justified, urgent, [have] a clear destination, clear scope and explicit goals”. These aspects need to be communicated to the relevant employees (Naslund & Norrman, 2022, p. 1). If the vision and goals are clear and follow a thorough analysis of a problem, acceptance of change is more likely to occur. Clear commitment and support from company leaders is another prerequisite for the successful implementation of change initiatives (Naslund & Norrman, 2022). In case of major shocks, such as the COVID-19 pandemic, organizational resilience is based on businesses’ ability to adapt to the situation (Neise et al., 2021).

Corporate social responsibility

There are many ways to define the concept of corporate social responsibility (CSR), but the European Commission has defined it as “the responsibility of enterprises for their impacts on society and outlines what an enterprise should do to meet that responsibility” (European Commission 2011, p. 6), and it “concerns actions by companies over and above their legal obligations towards society and the environment” (p. 3). To fully meet CSR, the European Commission reckons that enterprises should have in place a process to integrate social, environmental, ethical, human rights, and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of (p. 6):

- maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- identifying, preventing and mitigating their possible adverse impacts.

It is now a legal requirement for certain large companies to report on information relevant to their operations and how they manage their environmental and social affairs (European Commission, n.d.).

Business restructuring

Business restructuring, or restructuring for short, has been defined as the act of reorganizing the legal, ownership, operational, or other structures of a company to make it more profitable and better organized for its present needs (Norley et al.,

2008), thus overlapping with concepts such as change management, strategy, and strategy implementation. It entails a complex and long-term process, which often includes changes in the ownership and management structure, business processes, and internal capacities, as well as the introduction of new technologies and investments, and also employee motivation (Trstenjak & Altaras Penda, 2018). Restructuring can encompass a broad range of transactions, including the ones related to organizational assets (portfolio restructuring), the structure of capital (financial restructuring) or organizational structure (organizational restructuring) (Bowman & Singh, 1993). As such, restructuring is one of those business strategies that can help organizations address current internal and external pressures threatening business longevity. In the case of restructuring public services, three goals drive the process, namely improving performance, sourcing finance, and meeting new legislative requirements (Bakker, 2003).

Public governance

Governance can be defined as “the institutional capacity of public organizations to provide public and other goods demanded by the country citizens or the representatives thereof in an effective, transparent, impartial, and accountable manner, subject to resource constraints” (Katsamunska, 2016, p. 134). However, public governance has changed along the history of public administration as well as regarding aspects such as the role of the State, its scope, the conduct and organization of public administration, relation between politics and public administration, the role of officials, the role of public administration beneficiary, the scope and orientation of administrative law and procedures, and its deficiencies.

Kovac (2015) based on Bevir et al. (2011), Raadschelders (2011), Pollitt et al. (2011), Rose-Ackerman & Lisbeth (2011) and Mathis (2014) classify the different models of public governance according to aspects such as the chronological period, the role of the state, the scope of the state and public administration in the society, the conduct and organization of public administration, the relation of public administration to politics, the role of an official, the role of public administration beneficiary, the scope and orientation of administrative law and procedures, and deficiencies. The model of public governance that rules today is good governance, which implies principles such as participation, transparency, legal certainty, responsiveness, accountability, and efficiency. In this model the role of the state is collaborative, and its focus lays on partnerships for co-decision-making. Its scope is small, but coordinates networks in public interest.

Public-private partnerships

Regarding the rationale behind the government providing the service or transferring it to the private sector, the classic theoretical model of Hart et al. (1997) cited in Del Ponte et al. (2020), aims to identify the conditions, that is when the cost reduction has great effects in the project quality, and when the quality innovation is not relevant, service provision by the government is stable. However, when cost

reduction can be controlled by a competitive contract or when the innovation process can improve quality characteristics of the project, privatization is preferable.

Public-private partnerships (PPP) aim to overcome the rationale described by Hart et al. (1997) by benefiting from both the private and public positive aspects in service provision. Nevertheless, the definition of PPP isn't always clear so a more specific approach can be followed.

Some authors, emphasize exclusively two aspects. First, whether PPPs are voluntary short-term philanthropic partnerships and alliances between the governments (public sector) and industry (private sector) or, second if they are contractual arrangements between the public and private actors aimed at providing public works, goods, and services over a defined period of time, in a partnership that improves delivery efficiencies through innovation, risk sharing, and mobilization of joint resources (Baxter & Casady, 2020).

According to Bandeira de Mello (2008), cited in Del Ponte et al. (2020), the traditional concession contract/model is the legal institute by which the state designed the public service provision to a third party that accepted to provide the service at their own risk and that the public party has the majority control of the contractual clauses. Del Ponte et al. (2020) divide into two modalities the possibilities of contract through public-private partnerships that is sponsored or administrative. In the first one, by receiving a fare collected from the users, the private party can be remunerated, and there is also the possibility of receiving financing from the public sector. A road under the responsibility of a firm (concessionary) via PPP would be an example of this first modality.

In opposition to the sponsored, that is in the administrative type, the private party is the provider of a service (may this be direct or indirect) to the public administration, where a construction and operation of a hospital can be used as an example. The patients (citizens) would be the direct users of the service and the administration would fit in the indirect use and pay for the service (Del Ponte et al., 2020).

Multilevel governance

According to Vallès and Martí (2020) in the centralised state, political power resides in a single centre from which it is projected over the entire territory. Although the central power can delegate powers and distribute resources to municipalities, counties, provinces, departments and regions, these powers can be revoked by the centre by means of a unilateral decision. The resources they control (material, financial, personal) also depend on the will of the political centre, which gives them away or transfers them at its discretion.

Following the aforementioned author, the extreme version of centralisation is called the Jacobin model, namely a radical sector of the French revolutionaries of 1789 who defended state centralisation as a guarantee of equality among citizens. However, many unitary states have moderated the centralism of their origins by seeking formulae for inter-territorial cooperation and decentralisation. And this is the

requirement for multilevel governance that is a form of cooperative government between different territorial administrations to deliver coherent policies in specific functional areas. This explains why decentralised states are the ideal terrain for multilevel governance. In this type of territorial distribution of power, there is a political agreement to share - and not just delegate - power. Instead of the principle of vertical hierarchy typical of unitary states, the principle of horizontal coordination between institutions predominates in this model (Vallès & Martí, 2020).

Methodology

The main methodological approach used in this book is based on exploratory case studies for several reasons. First, we considered that given the subnational focus of our investigation and consequently the wide range of experiences, it is crucial to capture the unicity of each country case, enabling us to reveal a richer set of lessons to be learned and best practices in relation with good governance and resilience in times of crisis. Second, teaching methods based on case studies are considered to be highly effective for classwork (Rebeiz, 2011; Bruke et al., 2013; Naude & Derera, 2014; Bonney, 2015), as they provide both educators and students with an engaging teaching experience, based on discussions and debates, starting from real-life situations. Third, the importance of empirical evidence cannot be ignored, especially when carrying research about crisis situations, such as the COVID-19 pandemic, which serves as a natural experiment in order to investigate institutional resilience across various types of organizations and countries worldwide (Gherghina, Volintiru & Sigurjonsson, 2022; Raiu & Mina-Raiu, 2022).

The book offers deductive case studies, structured in three parts. First, the theoretical framework is introduced. This is done by describing in a concise, student-oriented manner the main concepts and theories closely related to the practical issues presented in the case studies. Then the case study per se is detailed, followed by several questions and debate topics for classroom discussion. Finally, chapters include recommendations for further readings.

Most country cases use secondary data analysis, making use of statistical data, company records, official documents etc., for instance policy documents, annual reports and/or sustainability reports (e.g., chapters 1 and 2). Some country case studies use individual interviews with experts from public or private organizations, such as the case on the public transport system in Madrid (chapter 3) or the case of the water and sanitation services in Bucharest (chapter 10).

A comparative analysis was employed for drawing up the conclusions of this volume, as comparative research is one of the most attractive areas for studying governance (Profiroiu & Mina, 2013). Four relevant dimensions were used to sort the national cases: keywords, sector of activity (public sector, private sector, public-private partnerships), industry (aviation, transport public services, water utilities, retail, communications, alcohol and tobacco production, and more) and theoretical approaches. The output of this comparisons were synthetic tables which helped editors draw a series of similarities, as well as discrepancies among cases. On one

hand, similarities enable the identification of several patterns and therefore generalizations, while on the other hand the differences among cases indicate contingencies – aspects that depend on the country context, organization, sector of activity, etc.

Overview of country case studies

Iceland is a small, populated island in the middle of the Atlantic Ocean, with a relatively large landmass, or 100,250 sq km (CIA, 2022). The total population is around 380 thousand inhabitants, whereof 63% live in the Greater Reykjavík area (Statistics Iceland, 2022). The main economic pillars are tourism, aluminum smelting, and fishing, but since 2010 tourism has been driving the country's economic growth (CIA, 2022). Consequently, there was a deep contraction of the economy during the COVID-19 pandemic (-6,6% in 2020), but it has been recovering significantly as the economy is expected to grow by 4.5% in 2022 (OECD, 2022). The total number of visitors to Iceland was over 2,3 million in 2018, dropping to less than 500 thousand in 2020, growing by 44% in 2021 (Ferðamálastofa, n.d.). These numbers do not include international cruise ship passengers, but the total number of passengers almost reached 190 thousand in 2019, compared to around 1.300 in 2020 (Ferðamálastofa, n.d.). Tourism-related industries are therefore of interest to explore in the Icelandic cases, namely in the context of sales of alcohol and aviation.

The Icelandic chapters deal with aspects of corporate social responsibility (CSR), corporate governance, international reporting standards, and/or change management. Both cases deal with employee-related issues and some form of measuring performance, either utilization of a performance measurement tool based on employees' surveys or by using international sustainability reporting standards, where in this case the emphasis is on the governance and the human resource management aspect of the standards.

The former case (chapter 1) addresses the change initiative carried out by the national airline, Icelandair, which received negative feedback from those it affected, or the cabin crew of the airplanes defined as one of the company's critical groups of stakeholders (Icelandair Group, 2022). It uses a theoretical framework, the 5C framework (Johannsdottir & McInerney, 2018), to explore the success of the change initiative of the new performance measurement tool, where cabin crew must rate their own, as well as their colleagues' motivation, attitude, and appearance after each flight but unless the new tool will be well perceived by the cabin crew the implementation of the tool will not be successful.

The latter case (chapter 2) explores a public company operating the space of a controversial industry by looking at the Icelandic State Alcohol and Tobacco Company, (ÁTVR, commonly called Vínbúðin) and the criticism arising when employees have received occasional gifts from the company, even though similar gifts would be considered trivial in many private companies. The criticism has to do with the nature of the business, namely a public company, even though it is although

generating revenue for the national treasury. In this case, both public and governmental officials have called for consistency when it comes to state-owned companies regarding tangible and other benefits periodically offered to their employees (Mbl.is, 2014).

The cases showcase the relevance of various management tools and methods which are suitable for daily operations, human resource-related matters, and performance measurement.

Spain, or the Kingdom of Spain, is a country located in southwester Europe with parts of territory in the Atlantic Ocean and across the Mediterranean Sea. With an area of 505.990 sq. km. Spain is the second largest country in the European Union and, with a population exceeding 47,4 million, the fourth most populous European Union member. Gross Domestic Product is driven by the services sector (tourism and transport among other services) that accounts for 74,2%. Secondly, the industry sector accounts for 23% and agriculture for 2,6% (OECD, 2022).

The Spanish chapters show, like many countries around the world, the effects of the pandemic within the post-New Public Management (NPM) context, which means a pre-existing network involving governments (public) highly engaged with multiple private agents was in the picture when COVID-19 arrived.

However, power and decision-making is in most countries divided among different levels of government, in what is known as multi-level governance which is a form of desirably “cooperative” government between different territorial administrations (Vallès & Martí, 2020). This structure was also part of the scenario when the pandemic erupted.

Spain is a valid example for both public-private partnerships and Multi-Level governance in different areas of policy making, since it’s organized into five levels of governance (municipalities, provinces, 17 autonomous communities, central State and European Union).

In this volume, two Spanish examples are provided regarding transport (chapter 3) and regarding tourism (chapter 4). Both cases belong to the services sector, which is the strongest in terms of accounting for the Gross Domestic Product (OECD, 2022). The case of Madrid transport shows on the one hand, the outputs of the multilevel cooperation of all the public administrations belonging to different territorial levels and on the other hand, and also the public-private partnership results. The case of Benidorm shows a sun and sand tourism destination located in the province of Alicante in Spain by the Mediterranean Sea as a paradigm of resilience in the sector during more than six decades and especially during the pandemic crisis.

Croatia, the youngest EU member state, is a South-Eastern European country occupying area surface of 56.594 km² and with a population of 3,88 million (Croatian Bureau of Statistics, 2022). Demographic trends indicate that it is a country of a declining and aging population. In January 2023 Croatia is set to join the eurozone. Croatia has a long coastline along the Adriatic Sea (5835 km) which

makes it a popular summer vacation destination for many Europeans. Tourism industry contributes to a high share of GDP (20%), higher than any other EU member state. In 2020 due to the pandemic tourist arrivals decreased by 68% compared to 2019 (Ministry of Tourism, 2021). It is projected that due to COVID-19 in 2020 country's GDP contracted by 8 percent (Worldbank, 2021). In addition to health crisis, Croatia's central region suffered from two strong earthquakes (March and December 2020). Both government and the private sector implemented strong crisis management efforts to mitigate the economic impact of the two crises, as will be shown in the chapters.

Croatian chapters discuss resilience and governance in the private and public sector, as well as possibilities to embed remote working practices as a part of normal working environment post-COVID.

The first Croatian case (chapter 5) examines the peculiarity of remote work, as a possible long-term consequence of the pandemic. The case of a Croatian IT company Combis is used to demonstrate the importance of remote work during and after COVID-19. The case study of the city of Sisak (chapter 6) provides a unique insight in the case when two crises combine, as this town was hit by the health crisis and a devastating earthquake which caused extensive damage to private and public buildings and infrastructure, in addition to all problems caused by the pandemic. The case shows that Government support, and solidarity demonstrated by individuals, associations and companies were necessary to enable relief from the crisis and a faster recovery process of businesses and local community. The case study of Croatian company Pevex (chapter 7) examines organizational life cycles and business recovery after organizational downturn and decline. Specifically, this chapter emphasizes the importance of restructuring as a strategic response to organizational crisis.

Lithuania is the most southerly republic in the Baltic region of Europe. The capital city is Vilnius. Lithuania has been a European member state since 2015. The surface area of the country is around 65.3 thousand square kilometres, and the total population around 2.8 million (European Union, n.d.). In 2020 the main economic sectors were "wholesale and retail trade, transport, accommodation and food services (29.9%), industry (20.5%) and public administration, defence, education, human health and social work activities (16.1%)" (European Union, n.d.). It should be noted that state-owned enterprises (SOEs), "create a significant portion of the gross domestic product, often with a monopoly market position and by providing important public services" (Kloviene & Gimzauskiene, 2016). Economic recession, due to the COVID-19 pandemic, was less than in many other countries, but in 2020 the GDP was projected to drop by 2%, but then to rebound by 2.7% in 2021 (OECD, 2020). The Lithuania's government has put an emphasis on local public investment, as a part of regional development, "to help mitigate the economic impact of the COVID-19 pandemic" (OECD, 2022).

The Lithuanian chapters deal with the transition of the innovation ecosystem during 2012-2022 and organisational resilience in the context of the COVID-19 pandemic where a case of a retail company is discussed. The former case (chapter 8) builds on assumptions from the transition theory which underlines that society changes in a rather evolutionary and organic way to a certain development. The latter case (chapter 9) focuses on what factors determine organisational resilience in the case of the pandemic, and dealing with issues, such as why some companies manage to survive in the same situation while others do not.

The former case (chapter 8) discusses the innovation ecosystem as a collaborative network, but approaches this in the context of transition mechanisms that include multistakeholder network, development of sustainable and specialisation program, mobilisation of business, science and execution of projects, monitoring midterm evaluation and improving, as well as societal support. The case discusses the development of innovation ecosystem in Lithuania, which is rather young, making the transition mechanism an interesting avenue to study. Two examples are used to emphasise the case, namely Deeper which is one of the innovative tech companies in the sonar system market and Thermo Fisher Scientific which is the world's leader in the life science sector. The chapter provides a framework for transition management for start-up companies within the innovation ecosystem.

The latter case (chapter 9) explores the Maxima Grupė UAB, which is a Lithuanian group of retail chain companies. It is one of the country's largest taxpayers and the largest employer in the country with around 40,000 employees. In addition to Lithuania, Maxima operates in Latvia, Bulgaria, Estonia, and Poland. The issue the company has been facing during the pandemic is that while the retail market in Lithuania grew by 8.4% in 2021 the market share of Maxima Lithuania had dropped by 1.1%. To address consequences of the pandemic, Maxima launched an e-commerce operation. Given its focus on social sustainability the company incurred significant costs to protect the health of the employees as well as the customers.

These cases showcase the relevance of creating a shared value for the economy as well as various others stakeholder, through innovation and/or flexibility, whether the company operates in technology, science, or retail.

Romania is the sixth largest EU state member, situated in Central Eastern Europe, with a population of 19,4 million. In the 1990s, after the collapse of the totalitarian regime, Romania started its transition towards democracy and market economy. Since 2007, when it joined the EU, Romania has experienced a slow-but-steady rise in the standard of living, as well as many reversals in bringing about reform in all areas of public life, from the economy, education, healthcare system, to the judicial systems (Euobserver, 2022). Although considerable efforts have been carried out in the last decade for the implementation of NPM reforms, which have shaped public administration and public sector management, Romania is still not part of the Schengen area, nor adopted the single currency (Cuglesan, 2020). However Romania is considered to be a good performer in the IT sector, in terms of high

density of IT experts and IT startups, internet speed, IT contribution to the GDP – almost 8%, despite the fact that digitalization, especially in the public sector is still in an early stage.

During COVID-19 crisis face-to-face interaction was severely curtailed in most European countries, which generated a considerable shift to digital services in all sectors (Urs, Spoaller, 2022), but especially in the public services, namely education and healthcare. Moreover, the COVID-19 epidemic has led to a digital transformation of working arrangements, pioneered by private companies, but also embraced by public entities (Basuki et al, 2022). Nevertheless this crisis has shown that participatory mechanisms based on public-private partnership and cooperation are crucial for strengthening good governance and resilience (Raiu, 2021, Profiroiu & Negoită, 2022).

The Romanian chapters deal with good governance and institutional resilience in public services (chapter 10) and business environment (chapter 11), taking an insight into the water service provided by a public-private partnership company (Apa Nova București) and two international retail and communications companies present on the Romanian market, Kaufland and Vodafone. Both cases reveal that although none of these organizations was specifically prepared for a pandemic, their high level of digitalization helped them quickly adapt to the new situation and have a positive and strong impact on the society during these harsh times.

Another peculiarity of the Romanian cases is that none of organizations selected for the case studies was coming from a sector that was severely affected by the pandemic. However, even these organizations were faced with significant challenges especially in the field of human resources operations and also in terms of providing support for other sectors or persons in need (Vodafone offered significant support for the education sector, Kaufland helped disadvantages social categories and to its own employees, ANB experienced pressure in the process of assuring the continuity of an essential public service at high quality standards).

Chapter 1

How the 5C Framework Facilitates Corporate Change Initiatives: The Icelandair Case

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Introduction

When organizations transform their daily operations to improve quality, cut costs, increase earnings, streamline processes and so on, internal stakeholders, particularly employees, need to accept and implement the change initiatives, large or small (Naslund & Norrman, 2022), otherwise, innovation fails (Lozano, 2012). One pertinent tool is the 5C framework, that focuses on 1) companies and leadership *commitment*, 2) *configuration* of business elements such as the structure, principles, codes of conduct, 3) *core business* which differs depending on companies operations, 4) *communication*, both internal and external, and 5) *continuous improvement* (Johannsdottir & McInerney, 2018). The framework also emphasis the driving forces of actions, namely internal and external driving forces.

It should then be noted that organizations run the risk of unsuccessful implementation if employees resist the targeted changes (Bovey & Hede, 2001; Coetsee, 1999). On the other end of the spectrum is employee acceptance of change, which has four dimensions, depending on the nature of the support, namely *openly expressive*, *concealed*, *active support*, or *passive* (Bovey & Hede, 2001). The support offered depends on the nature of the change. If it is seen to improve a specific situation, such as sustainability-related matters, employees may be more willing to support the initiative so long as a vision has been developed and shared with them (Johannsdottir, Olafsson, & Davidsdottir, 2015). The outcome is therefore more likely to be successful (Steinburg, 1992).

The purpose of the change must also be “relevant, justified, urgent, [have] a clear destination, clear scope and explicit goals”. These aspects need to be communicated to the relevant employees (Naslund & Norrman, 2022, p. 1). If the vision and goals are clear and follow a thorough analysis of a problem, acceptance of change is more likely to occur. The clear commitment and support from company leaders is another prerequisite for a successful implementation of change initiative (Naslund & Norrman, 2022).

Building on the ideas of employee resistance or acceptance of change, the aim of this chapter is to analyse change management efforts influencing the daily operations of

the main Icelandic airline company, Icelandair. Furthermore, the relevance of the 5C framework will be evaluated in relation to the change initiatives discussed.

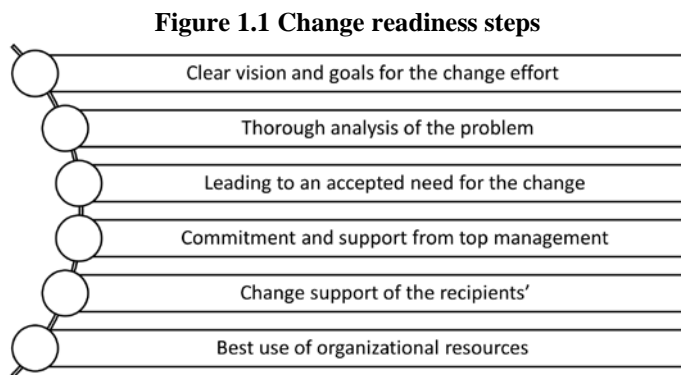
The chapter is structured in the following manner: First, the theoretical aspects of change management and the 5C framework are explained. Second, the case of Icelandair is documented. Third, the questions and debate topics for classroom discussion are presented. Fourth, further readings will be suggested, before the list of references is presented.

Keywords: acceptance, change management, core business, integration, human resource management, readiness, resistance, stakeholder, performance

Theoretical Aspects of Change Management and the 5C Framework

Various change management models exist. They contain some common elements and steps to follow (Johannsdottir & McInerney, 2018; Kotter, 2007; Naslund & Norrman, 2022). These include: to “unfreeze” current situations; implement change and move towards new situations; and institutionalize the situation (Johannsdottir & McInerney, 2018; Naslund & Norrman, 2022). To implement change initiatives, the current situation must be analysed (Hoffman, 2000), stakeholders must be engaged (Cramer, 2005) and then the change effort justified, as these elements may influence the readiness of the organization. These steps are commonly emphasised in change management models (Self, Armenakis & Schraeder, 2007). Readiness may relate to individuals, groups, or organizations (Holt, Armenakis, Feild, & Harris, 2007; Rafferty, Jimmieson, & Armenakis, 2012; Weiner, Amick, & Lee, 2008), including “alignment between the value system of the change intervention and of those members of an organization undergoing the change” (Burnes & Jackson, 2011, p. 133). This posture consequently determines the acceptance or resistance to change (Bovey & Hede, 2001; Coetsee, 1999; Johannsdottir et al., 2015).

In assessing different models for evaluating readiness for change, at least six inter-related steps should be followed systematically (Naslund & Norrman, 2022) (see Figure 1.1).



Sources: inspired by Naslund & Norrman (2022), p. 5.

Furthermore, to understand how change purpose is accepted, detailed steps must be followed, both regarding change purpose and how the purpose is communicated. The relevant steps suggested are (Naslund & Norrman, 2022):

Change purpose

1. Relevance: Problem analysis based on facts and business processes addressed.
2. Justification: Actional reasons and indicators.
3. Urgency: Need addressed and burning platform, or sense of urgency.
4. Clarity of destination: Future business processes made understandable.
5. Scope of the change: Timeline, scale, functional or cross-functional impacts, speed.
6. Explicit goals: Measurability and related to the outcome expected.

Communication

1. Support: Top management
2. Prioritization: Decisions and resources
3. Change champions: indicators, sponsors, drivers
4. Alignment: Values, strategy, and processes

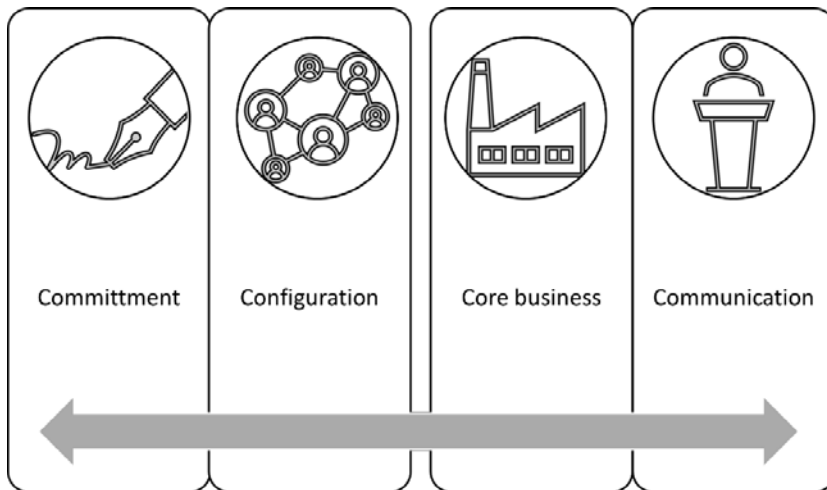
Crises, such as dire economic situations, natural disasters, pandemics or health emergencies, or political instability, are examples of drastic conditions that can help establish the sense of urgency needed for organizational change to take place, particularly in case of work situations and human resource management (Edvardsson & Durst, 2021). This is, however, not always the case, as other factors may influence the success or failure of change management initiatives.

In some cases, changes are minor, but in others they are of great importance and can impact core business. To emphasise the criticality of the core business aspect in change initiatives, the 5C framework was developed, in the context of sustainability responsibility of businesses. 5C is relevant for other change initiatives as well, as it is based on the change management literature and framework (Johannsdottir & McInerney, 2018). It explains both the internal and the external driving forces establishing the need for change (Naslund & Norrman, 2022).

The key elements of the 5C framework are: (1) commitment; (2) configuration (formulation, arrangement or organization of actions); (3) core business; (4) communication; and (5) continuous improvement (Johannsdottir & McInerney, 2018), see Figure 2. Commitment entails elements such as leadership commitment to the change initiative, training of employees, employees' skills and training, and their empowerment which enables them to integrate changes into their daily jobs. Configuration considers aspects of the business that need to be reconsidered and, in many cases, changed such as corporate governance, policies, codes of conduct, the organizational chart, mapping and measurement systems and so on. Core business revolve around the daily operation of each business, but these are the areas of operation where companies can have most impacts, either positive or negative.

In this context, it is important to emphasise the core business element, otherwise the level of change will be minor, not supported or low on the agenda of organizational leaders, and therefore likely to fail (Johannsdottir & McInerney, 2018). Communication includes stakeholder engagement, internal and external communication, partnership and collaboration, and transparency and disclosing of information. To ensure that operations do not revert to the old ways, it is important that improvements are continuous (Johannsdottir & McInerney, 2018).

Figure 1.2 The key elements of the 5C framework



Source: authors' illustration, inspired by Johannsdottir & McInerney, 2018, p. 1259.

Indicators are significant, both in the case of individual organizations and in the wider economic context. They can be used to trace and influence the performance of individual employees, groups of employees, organizations, sector of the society, or the economy. Indicators relevant to organizational performance are often categorized as financial, customer-related, internal/business process-related and learning and growth indicators (Kaplan & Norton, 2001), and they need to be *SMART*, or specific, measurable, attainable, relevant and time-bound (Doran, 1981). Indicators can also be focused on an individual level, such as in human resource management (Gabčanová, 2012).

It should be emphasised that, particularly with economic downturns, gender equality, i.e., pay, may be affected (Conley & Page, 2018; Patterson & Benuyenah, 2021). Therefore, it is important to track gender balance aspects, in the case of change management initiatives, or on different levels of the society, such as has been done in a proposed Gender Equality Scorecard developed for the Icelandic economy (Ólafsson et al., 2020).

As a part of the communication element of the 5C framework, standards, including the Global Reporting Initiative (GRI), are relevant both in terms of measuring and communicating performance in case of environmental, social and governance aspects of the daily operation (Global Reporting Initiative, n.d.; Global Reporting Initiative & Global Sustainability Standards Board, 2020). GRI is an international standardization organization that helps the private sector, governments, and various organizations understand, through data collection and analysis, their impacts on issues such as human rights, climate change and corruption (Global Reporting Initiative, n.d.).

The Case of Icelandair Group and Icelandair

The Icelandair Group consists of the commercial airline Icelandair, Icelandair Cargo, Loftleiðir Iceland and the tour operator VITA. With headquarters in Iceland, Icelandair Group is traded on Nasdaq Iceland’s main market under the symbol ICEAIR. In 2021, Icelandair’s first Annual and Sustainability report was published, with the intention to use the Global Reporting Initiative (GRI) standards in the subsequent reporting cycle (Global Reporting Initiative, n.d.). The Icelandair Group also frames its operations around the United Nations’ Sustainable Development Goals (SDGs) (United Nations, n.d.). Figure 1 shows that it has prioritized four of the SDGs, namely decent work and economic growth (Goal 8), climate action (Goal 13) responsible consumption and production (Goal 12) and gender equality (Goal 5). Figure 1, the responsibility model of Icelandair, also reveals the shared value ideology (Porter & Kramer, 2011). See details in “Further Reading”.

Figure 1.3 Shared value of Icelandair Group and key elements of responsible business



Source: Icelandair Group, 2022

Alongside the SDGs, the Icelandair Group has defined three main focal areas i.e., economy, society, and the environment and have performed a materiality analysis on relevant matters in these areas. In addition, Icelandair has defined its primary stakeholders, who are their business partners and suppliers, employees, customers, shareholders, NGOs and business associations, government and regulators, tourism industry and shareholders. The responsibilities defined in relation to each stakeholder group can be seen in Table 1 (Icelandair Group, n.d.).

Primary stakeholders and the Icelandair Group responsibility towards them

Table 1.1

Primary stakeholders	Our responsibility
Business partners and suppliers	+ Sustainability + Good business practices + Responsible supply chain
Employees	+ Health and safety + Equal rights and equal pay + Employee satisfaction + Training and competence development
Customers	+ Health and safety + Simplicity in booking process and change process
NGOs and business associations	+ Sustainability + Good business practices
Government and regulators	+ Compliance with regulations
Tourism industry	+ Cooperation groups + Sustainability
Shareholders	+ Good business practices + Good governance practices + Sustainable growth

Source: Icelandair Group, 2022

Icelandair Group’s strategic vision is: “*We bring the spirit of Iceland to the world*”. Its stated mission is: “*We offer smooth and enjoyable journeys to, from, via and within Iceland – our hub and home*”. The values selected are “*passion, responsibility, simplicity*” (Icelandair Group, 2022). The strategic initiatives cover five targets: 1) excellence in all operations; 2) be the most customer-focused airline in the market; 3) commercial excellence; 4) culture of teamwork and high performance and 5) an agile and sustainable network (Icelandair Group, 2022).

In 2021, the Icelandair Group received the World-class Workplace award (Pellikaan, 2021), thanks to its score above the global benchmark. This award relies on the opinions of employees. According to Sveina Berglind Jónsdóttir, the director of personnel operations at Icelandair:

We are very proud of this label, especially after last year, which was very challenging for our business, as for other airlines. It's truly rewarding and encouraging.... I think it is important to use measures like employee surveys and help each team create action-plans based on the results of such a survey. For the management team, communication is very important to keep employees informed, be as honest and transparent as possible, and give employees the chance to have a voice (Pellikaan, 2021).

More on Icelandair

Icelandair is a part of the Icelandair Group and is the leading airline offering flights to, from, via and within Iceland. In 2021, the fleet consisted of 41 aircraft, mainly Boeing 757s, 737s and 767s. Icelandair has around 430 flights in and out of Iceland weekly to some 50 destinations – 16 in North America, 27 in Europe, 3 within Iceland and 4 in Greenland (Icelandair, n.d.-a). The number of employees was around 1.500 in early 2021 but increased significantly to around 2.500, after tourism picked up in 2022 (Icelandair, n.d.-a).

With regard to social responsibility, Icelandair aims to achieve gender equality (SDG 5), across the company; their target is to have less than 40% of either gender in management positions. Icelandair's target for 2025 is to increase the number of female pilot positions by 25%, grow the number of male cabin crew positions by 25%, and augment the number of female aircraft maintenance staff by promoting the craft and training to girls (Icelandair, n.d.-a). Icelandair, along with the Group, implemented an equal pay policy in 2018 and has been certified by a third party to receive Equal Pay Certification in 2021 (Icelandair, n.d.-a).

Icelandair is committed to providing an attractive place to work where people can thrive. They aim for safe and reliable flights with exceptional service. Icelandair looks to retain talent (Icelandair, n.d.-a) and with the new strategic vision introduced in 2019, cabin crew members (CCMs) play a major role delivering Icelandair's vision, namely bringing the spirit of Iceland to the world, i.e., warmth, optimism, and determination (Icelandair, n.d.-b). Considering the emphasis placed by Icelandair on customer experience (Icelandair, n.d.-b), front line CCMs are the key component in the travel experience and a core business aspect.

According to Guðný Halla Hauksdóttir, the director of Customer Experience Development & Innovation:

Customer focus is in our DNA and our goal is to be the most customer-focused airline in our markets. In our outside-in approach, we emphasize understanding our customer's needs and we put our

customers first in all our decisions and actions. With a strong culture of customer focus, our employees go out of their way to find solutions that cater to our customers' needs and the goal is to have our customers travel with us again (Icelandair Group, 2022).

Competing in customer experience and service is a challenging task. There are rankings published annually for the world's top airlines, for example the World Airline Awards, where airlines are rated in categories such as the best airline, best low-cost airlines, best regional airlines, and best cabin crew (World Airline Awards, 2022b). In 2022, the airlines ranking 1-5 in the category *World's Best Airlines* were Qatar Airways, Singapore Airlines, Emirates, ANA All Nippon Airways, and Qantas Airways (World Airline Awards, 2022b). When looking at the awards for *Best Airline Staff in Europe* in 2022, British Airways, Air France, Turkish Airlines, Swiss International Airlines and Finnish Airlines hold the first five spots (World Airline Awards, 2022b). The *World's Best Airline Cabin Crew* award recognizes e.g., staff enthusiasm, attitude, friendliness, and hospitality. The top five airlines in this category for 2022 are: Singapore Airlines, ANA All Nippon Airways, Garuda Indonesia, Thai Airways Japan Airlines, and Qatar Airways (World Airline Awards, 2022a). It should be noted that Icelandair did not appear in any of these award categories.

Companies who are operating in a competitive market strive to hire the best and the brightest, particularly when one of their goals is to provide outstanding service (Christensen Hughes & Rog, 2008). Not only is the hiring and training process extensive but following-up on employee performance becomes an ongoing priority to reach the strategic objectives of the organization (Barrick, Gatewood, & Feild, 2011). In this regard, it should be highlighted that sustainability focus of organizations can be used to attract and retain talent and extend the talent pool when hiring (Johannsdottir, Olafsson, & Davidsdottir, 2014). Human Resource Management research has indicated that performance evaluations that include a 360-degree feedback have been found most reliable, as they include feedback from subordinates and customers. This method however comes with its difficulties, as it can cause cynicism, suspicion and an "Us-against-Them" mentality (Peiperl, 2001). Other reasons for failure can be leniency in reviewing, cultural differences, competition, ineffective planning, and misguided feedback (Kim, Yu, & Hyun, 2022).

Evaluating CCM performance had been considered a challenge, as the work itself takes place far from headquarters. CCMs spend much of their work time at 30.000 feet; monitoring and following-up on performance becomes challenging particularly if evaluation covers staff enthusiasm, attitude, friendliness and hospitality towards passengers (Chen & Huang, 2018). However, performance reviews have been found a good way to evaluate where further training is needed and to detect poor job performance (Kim et al., 2022). In relation to CCMs, the most common performance failures include providing poor passenger service, lack of cooperation among team crew members, lack of self-management, inadequate job knowledge, and failure to respond to supervisors or to feedback (Kim et al., 2022).

In early 2021, a new performance measurement tool, called *My Motivation*, was introduced for CCMs at Icelandair (Ragnarsdóttir, 2022). The aim is for CCMs to rate their own, as well as their colleagues' motivation, attitude, and appearance after each flight. After a few months, two questions had to be eliminated from the app after feedback review by the Data Protection Authority (Ruv.is, 2022). They were related to how clear staff were about safety issues and what attitude CCMs had towards their employer. The remaining questions CCMs are asked to rate on a five-point scale are :“*Came well prepared to work*”; “*SCCM [Senior Cabin Crew Member] showed good leadership skills on this flight*”; and “*I felt I could look to SCCM for assistance if needed*” (Ragnarsdóttir, 2022). Furthermore, CCMs are encouraged to write one positive work-related comment about their co-workers.

The past three years (2020-2022) have been a rough ride for Icelandair. When COVID-19 hit Icelandair, the Group laid off around 2.000 employees. A considerable storm ensued, as some of the former CCMs were not re-employed, contrary to decades of tradition (Blöndal, 2021). This was highlighted by headline news where CCMs expressed their anger and disappointment. However, after some time passed and Icelandair got back on its feet in 2022, Icelandair was making the headlines again, this time in relation to the new performance evaluation app. In that context, a CCM stated in a newspaper article (Ragnarsdóttir, 2022):

Initially when the app was introduced there was a lot of fear and anxiety. Everyone was trying to show off and prove themselves, employees were on the edge of whether other employees were going to report a negative rating on them in the app or complain about the smallest detail, Icelandair has stated that it evaluates, among other things, performance when it comes to permanently hiring employees. The only performance that managers can look at is the performance rating in the app and how the cabin crew rated each other.

As noted above, CCMs are asked to give scores between one and five for each question. Icelandair has stated that the average outcome is three points; if a CCM wants to rank them higher or lower, such scores must be justified in a text. Icelandair further claims that it is optional for CCMs to use the app, but according to the CCM who was interviewed (Ragnarsdóttir, 2022):

It has been whispered among CCM's that it is better for those who do not have permanent employment to follow the instructions and use the program.

She further stated (Ragnarsdóttir, 2022):

People are on the edge and don't dare to say anything negative or criticize for fear of being laid off or not getting a permanent job at the company.

According to the news article, several other former and current CCMs have in conversations with the reporter described similar experiences in the working

environment. Icelandair's HRM director, who was also interviewed, said she regretted hearing about the experience described by the informant. She claims that Icelandair took the accusations seriously, adding "*Fear management and complaint culture are big words that of course go against our goals in developing and maintaining a good workplace culture*".

When organizations develop and integrate change initiatives, such initiatives will not be successfully integrated unless they are accepted by those they will impact, in this case the Icelandair airplane crews. To ensure successful implementation, elements from the 5C framework need to be considered. For instance, what are the driving forces behind the change initiative? Has the sense of urgency been established and explained to the relevant stakeholders? What was the role of organizational leaders in the process, is leadership commitment in place. What aspects of the business is being configured, and how does the change align with companies' strategic direction such as commitment to the SDGs, or standards being used, including the GRI's? Is the change of in strategic importance, and thus will the change have an impact on the core business or is it of less importance. Communication also play an important role, both internal and external communication, as well as the impact the change will have measured with relevant key performance indicators (KPIs). Finally, it should not be assumed that the change is a one-off project or an activity, but in many cases the success rests on continuous improvements after the initial implementation of the change.

Questions/Tasks/Debate topics for classroom discussion

The issues brought up in this chapter can inspire fruitful discussion about change management, human resource management, corporate governance, management models and frameworks, success or failure of change management initiatives, employee or leadership role in change management, and more.

- How well does the change initiative implemented by Icelandair follow steps in change management models?
- What is the core business of Icelandair?
- What relevance, if any, has the 5C framework for the change initiative implemented by Icelandair?
- How might Icelandair influence the resistance to change it experienced? Might the sustainability focus be used to overcome resistance?
- How well do the indicators in the app align with those relevant to organizational performance?
- Have indicators chosen by Icelandair implications (positive/negative) for gender equality towards employees as one of the primary group of stakeholders?
- How well do the indicators chosen by Icelandair align with its vision, mission, and values?

- What steps do you recommend Icelandair take in the aftermath of the public criticism?
- How might a situation of an industry coming out of a crisis, in this case COVID-19, impact the urgency for change?
- Is a company allowed to take more drastic (tougher) actions to drive change in times of turbulence? Or should a company always stick to the same change strategy?

Further reading

- A recent Harvard Business Review paper by Porter and Kramer (2011), *Creating Shared Value*, may be of interest in this context: <http://www.relativimpact.com/downloads/HBR-Shared-value.pdf>. This article argues that companies can enhance their competitiveness while they simultaneously benefit society and the economy in communities where they operate. This approach has been criticized; some of the counterargument can be found in an article by Crane et al. (2014), titled *Contesting the Value of "Creating Shared Value"*, <https://journals.sagepub.com/doi/10.1525/cmr.2014.56.2.130>.
- In the article *Leading Change: Why Transformation Efforts Fail*, the author discusses the mistakes companies often make when implementing change.

<https://hbr.org/1995/05/leading-change-why-transformation-efforts-fail-2>

- In the article *Why Do Employees Resist Change*, Paul Strelbel discusses change initiatives which do not reach past the Excel sheet phase and how personal commitment by employees are necessary for the change initiative to take off. <https://hbr.org/1996/05/why-do-employees-resist-change>

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Chapter 2

Corporate Governance and Wine: How Controversial Companies Deal with CSR and GRI Standards

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Introduction

Controversy has long stalked the production and sales of alcohol and tobacco products (Lindorff, Prior Jonson & McGuire, 2012). The positive aspects over time include socio-economic gains (Alonso, Sakellarios, Alexander & O'Brien, 2018; Miller, Serrine, McFarland, Howard & Malone, 2019) such as public and private revenue, taxes, economic growth, job creation, relevance to other industries such as tourism (Dunn & Wickham, 2016), and leisure and cultural activities, thus strengthening communities (Feeney, 2017). At the same time, alcohol and tobacco consumption causes significant negative social, health and economic costs, such as addiction, crime, violence against women, accidents, injuries, illnesses, mental disorders, and premature death (Our World in Data, 2019), thus harming societies (Dünnbier & Sperkova, 2016; Whiteford et al., 2013). It is therefore questionable if this “sinful” industry can be resilient and associated with corporate social responsibility (CSR), corporate governance and Global Reporting Initiative (GRI) standards.

In this vein, this chapter looks at the Icelandic State Alcohol and Tobacco Company, (ÁTVR, commonly called Vínbúðin), in the context of aspects of CSR, corporate governance, and GRI standards, with a specific focus on the governance and social aspects of the operation, particularly its human resource management. The chapter is structured in the following manner: First, we cover the theoretical aspects of CSR, corporate governance and GRI. Second, the case of Vínbúðin is recounted. Third, questions and debate topics for classroom discussion are presented. Fourth, further readings will be suggested, along with the list of references.

Keywords: controversial industry, corporate social responsibility, corporate governance, reporting standards, human resource management

Theoretical aspects of CSR, corporate governance and the GRI standards

The history of the Corporate Social Responsibility (CSR) can, according to some scholars, be traced back centuries (Carroll, 2008). However, academic discussion about the concept only emerged in the 1930s and 1940s, with initial discussion about what social responsibility meant (Agudelo, Jóhannsdóttir, & Davíðsdóttir, 2019; Carroll, 1999). Next, the 1950s and 1960s have been described as “the early days of the modern era of social responsibility”, where definitions of the concept were constructed, through theoretical focus and academic research (Agudelo et al., 2019, p. 3). CSR was subsequently discussed as a management concept in the 1970s, followed by discussion about how to operationalize it in the 1980s (Agudelo et al., 2019). During that period, alternative concepts emerged, including stakeholder management and business ethics (Agudelo et al., 2019; Carroll, 2008). In the 1990s, international events gave rise to the discussion about CSR and globalization. These landmarks include the establishment of *the European Environment Agency in 1990, the 1992 UN Rio de Janeiro Earth summit, which led to the Rio Declaration on Environment and Development, the adoption of Agenda 21 and the UN Framework Convention on Climate Change (UNFCCC) in 1992, and the adoption of the Kyoto Protocol in 1997* (Agudelo et al., 2019, p. 7). This was followed by the recognition and implementation of CSR by companies in the 2000s (Agudelo et al., 2019). In the case of controversial industries, including alcohol and tobacco production and sales, the CSR focus is on aspects such as harm mitigation (Lindorff et al., 2012), and the use of progressive development standards, so that such operations can be justified (Feeney, 2017; Gatrell, Reid, & Steiger, 2018; Ólafsdóttir, 2012) and resilient; these elements are most relevant to this chapter.

One way to define the corporate governance concept in a holistic manner is to place it within the rubrics of ethical behaviour, relevant stakeholders, shareholders, employees, creditors, suppliers, community, government and other participants, along with sustainable development, taking into account the economic, social and environmental aspects of such development (Salami, Johl, & Ibrahim, 2014). Another way is to review how corporate governance is defined by authorities, such as via the United Kingdom (UK) Corporate Governance Code, which came into effect in 2019. In this case, the aim is to promote the integrity of business and the transparency of listed companies through implementation of standards of best practices relevant to composition of the board and development, shareholder relations, remuneration, accountability and audit, sustainability of the business model, etc. (Financial Reporting Council, July 2018).

For about a decade, aspects of corporate governance and CSR have been studied and debated separately. This practice was also to some extent disjointed from evaluating performance, mainly financial performance (FP) and corporate social performance (CSP), covering employees, customers, suppliers, communities and societal dimensions, although there may be “significantly positive impact on both FP and

CSP, whereas FP itself does not influence CSP” in cases where there are “independent outside directors” with “specific ownership characteristics” (Huang, 2010, p. 641).

One of the main events influencing transparency and disclosure of activities of companies was EU Directive 2014/95, by which companies with more than 500 employees were required to disclose non-financial and diversity information, from 2018 onwards (The European Parliament & The Council of the European Union, 2014). This is also called the Non-Financial Reporting Directive (NFRD). Among companies required to report are listed companies, banks, insurance companies and “companies designated by national authorities as public-interest entities” (European Commission, n.d., p. 2).

The Global Reporting Initiative (GRI), launched in 1997, offers three sets of interconnected standards that are among the most used to report on corporate governance and CSR, or corporate sustainability performance (Global Reporting Initiative, 2022). GRI Universal Standards are relevant to all organisations and include GRI 1: Foundation 2021, GRI 2: General Disclosures 2021 and GRI 3: Material Topics 2021.

GRI Sector Standards consider the relevance of different impacts of various economic sectors, i.e., mining, food, textile and apparel, banking, insurance, asset management, utilities, renewable energy, forestry and metal processing (Global Reporting Initiative & Global Sustainability Standards Board, 2020). Finally, Topic Standards are organized into three categories, namely 200 (economic topics), 300 (environmental topics), and 400 (social topics), thus focusing on aspects such as tax, waste, or occupational health and safety (Global Reporting Initiative, n.d.).

To better centre our discussion on the case of Vínbúðin, in the context of corporate social responsibility, controversial industries and resilience, the focus will be on the Universal Standards and the 400 series of social topics, concentrating on those that are related to human resource management. These include standards on employment (GRI 401), labour and management relations (GRI 401), occupational health and safety (GRI 403), training and education (GRI 404), diversity and equal opportunity (GRI 405), non-discrimination (GRI 406) to name some of them (Global Reporting Initiative, n.d.).

The case of Vínbúðin

The Icelandic state-owned alcohol and tobacco company has a nearly exclusive right to sell both alcohol and tobacco. Vínbúðin, which was founded in 1961, had its mission updated on January 1st, 2020 “*to implement the Icelandic government’s commitment to improve public health and exercise social responsibility in respect of alcohol and tobacco, building on a community-wide-consensus*”. The objective stated is “*to be a market leader in terms of customer service and corporate responsibility.*” Further, Vínbúðin works according to 15 priorities supporting its five main areas of operation: superior service, highly qualified staff, responsible and

efficient business practices, good relations with suppliers and forging a community-wide consensus around their mission (Vínbúðin, 2020a).

As of the end of 2021, there were 479 employees on Vínbúðin's payroll, 273 women and 206 men. To be considered a candidate to work for Vínbúðin one must have reached the age of 20 (Vínbúðin, n.d.-b), or the same age as one can legally buy alcohol according to the Alcoholic Beverages Act nr. 75/1998 (Alþingi, 2022). As stated in the sustainability report of Vínbúðin for 2021, employees are categorized in accordance with GRI 102-8 on permanent employment (full-time and part-time, and part-time work) and temporary staff who work during peak hours in the second half of the week, during summer and at year-end holidays. The number of employees who received a salary during the year of 2021 was 629; when converted to annual work, they were 342, or ten fewer than in 2020. Average time of employment for permanent employees is 12,8 years and the average age of employees is 44 years. According to GRI 401-1, employment turnover is 33%. When looking at the numbers, one can see that the source of turnover is mainly from stores and employees 30 years and younger (Vínbúðin, 2021).

The company, which operates 50 stores throughout the country, reports to the Ministry of Finance and Economic affairs. A considerable amount of Vínbúðin's income is transferred to the Treasury in the form of alcohol and tobacco taxes, value added tax and dividends. For example, in 2021 the amount was around 30 billion ISK, like the year before, or Euro 215 million. For 2021, the dividend to the Treasury amounted for around 500 million ISK, or about Euro 3.6 million. In January 2021, changes were made to alcohol taxes, increasing them by 2.5% for all categories, namely beer, light wine, strong alcohol, tobacco, cigars, cigarillos, and snuff. According to the government's budget proposal for 2023, taxes on alcohol and tobacco sold in duty-free shops, are expected to increase, with an increased transfer to the Treasury of some 700 million ISK or Euro 5m (Vínbúðin, 2021).

Vínbúðin has no legal obligation regarding the prevention of use or abuse of alcohol or tobacco. However, a state-run liquor and tobacco store is different from a traditional retail operation, as it is not intended to sell as much as possible with the greatest possible profit. As a result, Vínbúðin has emphasized responsible consumption of alcohol, with campaigns on TV and other media. In 2009, a strategic change took place towards further social responsibility emphasizing prevention more heavily (Ólafsdóttir, Ísleifsson, & Jakobsson, 2018). Examples are limiting the number of stores and opening hours, maintaining strict age restrictions, encouraging responsible consumption, and supporting education about alcohol. While still consistent with this policy, online purchases have recently transformed the scenery. Customers can now order online; the goods still need to be picked up in one of the stores during opening hours (Ólafsdóttir et al., 2018).

Vínbúðin has joined forces with Finland, Sweden, and Norway since the 1990s, when the private alcohol stores there established a code of conduct based on the ten global principles of social responsibility, in accordance with the UN's "Global

Compact” agreement on sustainability issues, including human rights, labour, environmental protection and anti-corruption actions (United Nations Global Compact, n.d.)¹.

Regarding human resources, Vínbúðin emphasizes that employees can thrive within the working environment regardless of gender, race, religion, age, or place of residence. In accordance with GRI 102-41 and 405-2, Vínbúðin adopted an equal pay policy and published an equality plan. The goal of this policy is that all employees receive equal pay and the same conditions for the same or equally valuable work, regardless of gender, nationality of other unsubstantiated factors. However, no information is reported on actual target outcomes. The equal pay certification was renewed in the fall of 2021. In addition, emphasis is also placed on education and training for employees relating to products sold in the stores to provide knowledgeable and good customer service (Vínbúðin, 2020b). Vínbúðin takes it one step further, as they provide information on their website on, for example, how to pair wine with number of food recipes (Vínbúðin, n.d.-a).

Benefit Controversies

In line with GRI 401-2 and 405-2 on benefits, debate has emerged where the public and governmental officials call for consistency when it comes to state-owned companies regarding tangible and other benefits periodically offered to their employees (Mbl.is, 2014). Newsworthy aspect of these benefits include employees gifts worth 13.5 million ISK in 2013 from Vínbúðin (Mbl.is, 2014), or approximately 100 thousand Euros. This was a summer gift worth 36 thousand ISK, or approx. 260 Euros per employee, for hiking shoes and a fleece (Mbl.is, 2014). The summer gift was on top of a Christmas gift that was also found to be very generous. Again in 2020, Vínbúðin made the headlines with its generous gifts. A nurse came forward after hearing about the gifts (Sverrisson, 2020). She said that employees at the National Hospital in Iceland (where she worked) received a Christmas gift worth 7 thousand ISK, or approx. 50 Euros, including a bar of chocolate and restricted gift certificate to buy shoes, just enough to buy the cheapest available pair of shoes in the store. At the same time, employees at Vínbúðin received a Christmas gift of 36 thousand ISK, or approx. 260 Euros. The gift included a woollen blanket, wool socks, a candle, chocolate, facemask, a warming pad, hand cream, oil, and lip cream.

The nurse stated:

While employees of ÁTVR cuddle under expensive blankets bought with our tax money, it is not possible to provide proper health care during a pandemic due to financial inequality and shortage of employees (Sverrisson, 2020).

¹ It is notable that while ÁTVR reports to the Ministry of Finance and Economic Affairs, the Finnish, Norwegian and Swedish operations report to their Ministry of Integration and Social Affairs (Ólafsdóttir et al., 2018).

She added:

The jobs at ÁTVR do not require a university education like my job. These gifts to ÁTVR employees are to thank them for a job well done in unusual and challenging times as if they are on the front lines, comparing health professionals, teachers, and others. It is a completely broken comparison (analogy). Meanwhile, real frontline workers who are working in direct contact with the virus don't even get warm Coke because they can't take off their masks for hours and hours.... (Sverrisson, 2020).

Sigrún Ósk Sigurðardóttir, deputy director of Vínbúðin, said in an interview when asked about the ISK 80 million spending on summer gifts in just 10 years that “*the gifts are a part of the health goal... of employees. The purpose is, among other things, to encourage exercise and to spend time outdoors*” (Sverrisson, 2020; Viðskiptablaðið, 2015).²

At the same time, Gunnlaugur Þór Þórðarson, a member of Parliament, said on the topic:

This is all very special in light of how little is done for the employees of institutions that, in my opinion, perform a much more important role than the wine trade, with full respect for that excellent institution... As Minister of Health, I lobbied for the national hospital employees to at least get something, but at that time they didn't even get a Christmas card. They instead received a CD as a Christmas present (Viðskiptablaðið, 2015).

In April 2021, Vínbúðin again made the headlines, regarding annual summer gifts given to all 472 employees, either in full or temporary status. They received a jacket and a sports shirt worth 42.100 ISK (approx. 300 Euro) per employee or around 20 million ISK (approx. 143 thousand Euro) in total (Sigurðsson, 2021).

Green Steps

The “Green Steps” program of the Icelandic Environmental Agency was developed for multiple government agencies and institutions with the aim of decreasing the environmental impact of daily operations in the public sector. The program suggested in 2021 that gifts to employees to be related to non-materialistic experiences, such as vouchers for cinema, theatre, audiobooks, or swimming. “Green Steps” also suggested a grant for relief from work and identified charities which employees could support (Umhverfisstofnun, n.d.).

Of course, it is always challenging to find a gift fit for a group; in recent years there has been an increase in offering gift cards or giving employees a choice instead of a “one size fits all” approach (Pétursson, 2021). ÁTVR however seems to hold on to its core theme, i.e., to “*encourage exercise and healthy living*” (Vínbúðin, 2020a).

² See GRI 401-2 and 403-1, where good health is emphasized.

As one of Vínbúðin's main visions is to be a market leader in terms of customer service and corporate responsibility, it is relevant to benchmark pertinent survey results, such as the *Íslenska Ánægjuvugin*, or the Icelandic Satisfaction Scale. This tool provides companies with standardized measurements of customer satisfaction, and related factors, such as image, evaluation of quality and customer loyalty. The survey is conducted by Stjórnvísí, a non-profit organization and is centred on the quality of management in business operations in Iceland.

The Icelandic Satisfaction Scale has established itself as an important administrative indicator. It is also a good benchmark for Vínbúðin, given its goal of becoming one of the best service companies in the country. The results for 2021 were not as good as in previous years. In 2021, Vínbúðin was in ninth place, out of a total of 18 retail stores measured. The score decreased between years and is currently at 70.1. In 2020, the score was 75.4, and in 2019 it was 74.3 for overall performance (Stjórnvísí, n.d.). In comparison, the "ultimate perfect company" would receive a score of 100 points; the highest performing score in 2021 was 79.2 points in the retail store category, and the lowest was 54.1 points (Stjórnvísí, n.d.).

Another noteworthy national benchmarking of performance is a survey called *Stofnun ársins*, or "Institution of the Year," which measures, inter alia, management, workplace morale, salary, flexible work hours, image, equality, work environment, and pride. The survey is sent out to around 31 thousand employees at the national and municipal levels. In 2021, Vínbúðin was in 5th place, receiving the honorary title of an Exemplary Institution; in the previous year, Vínbúðin ranked 10th (Sameyki, n.d.).

Vínbúðin does not have corporate governance guidelines, per se. There can certainly be an overlap between ethical codes, following and adapting the SDGs or ESG guidelines, or implementing general or one's own corporate governance guidelines. Most Nordic countries have similar rules and regulations on how alcohol and tobacco are sold to the public. All these nations have implemented policies on their ownership of state-owned enterprises like Vínbúðin (see in reference links to these policies). The question is whether state-owned enterprises like Vínbúðin should establish governance guidelines aiding the implementation of the state's owner's policy, or even exceed that policy where the industry is so controversial.

Questions/Tasks/Debate topics for classroom discussion

The issues brought up in this chapter can open up fruitful discussion about CSR, corporate governance, and international reporting standards, including the following:

- Can, and how should, companies in controversial industries demonstrate corporate social responsibility?
- What are the main pros and the cons of operations of companies in controversial industries?
- How can companies in controversial industries minimize the harm they cause and/or maximize the positive aspects?

- Who should operate companies in controversial industries - the State or the private sector? Why?
- What drives companies in controversial industries to act in a responsible manner?
- What barriers are there for companies in controversial industries to act in a responsible manner?
- Are companies in controversial industries and/or public companies more likely to be scrutinised/criticised for actions, such as those related to human resource management?
- How can controversial industry remain resilient when publicly being scrutinised/criticised for its actions?
- What would be the pros and cons of changing the summer and Christmas gifts to less expensive options? Would it make a difference?
- Does the type of ownership matter for how a company in a controversial industry can or should conduct good governance?
- Does the State Ownership Policy provide sufficient guidelines for the management of Vínbúðin to conduct good corporate governance?

Further reading

- A review of the history and evolution of corporate social responsibility (see reference list) is recommended.
- Nasdaq offers corporate governance guidelines for listed companies and others that want to emphasise good governance: <https://ir.nasdaq.com/static-files/3e005938-23c9-4adc-b917-a4e3beca626c>.
- Most of the Nordic countries have similar laws, rules, and guidelines for how they provide products and services in controversial industries such as wine and tobacco. Norway: <https://www.regjeringen.no/en/dokumenter/meld.-st.-8-20192020/id2678758/?ch=1>. Finland: <https://vnk.fi/en/government-ownership-steering/ownership-policy>. Sweden: [state-ownership-policy-2020.pdf](https://www.government.se/press-releases/2020/04/state-ownership-policy-2020) (government.se).
- The Encyclopaedia of the UN Sustainable Development Goals offers a section on Environmental Social and Governance (ESG) Ratings. See https://link.springer.com/referenceworkentry/10.1007/978-3-319-95885-9_36.
- Regarding the Global Reporting Initiative Standards, the website of the standards organization should be explored: <https://www.globalreporting.org/>. The standards can also be downloaded for free in several different languages at <https://www.globalreporting.org/standards/download-the-standards/>.
- Many aspects of leadership and human resource management can be accessed, including leadership roles and employee acceptance of change, when companies have broader and higher agendas beyond financial motives. See: <https://www.emerald.com/insight/content/doi/10.1108/JOCM-12-2013-238/full/html>, and on the role of employees in implementing CSR strategies: https://link.springer.com/chapter/10.1007/978-3-658-06794-6_20.

- In the article “*How to Motivate Frontline Employees*,” Lindsay McGregor and Neel Doshi discuss an experiment conducted in the retail sector. <https://hbr.org/2018/08/how-to-motivate-frontline-employees>
- In the article “*Motivating Employees is Not about Carrots or Sticks*”, the author Lisa Lai discusses the challenges of motivating employees in real life situations and argues that financial motivators are not always the best options: <https://hbr.org/2017/06/motivating-employees-is-not-about-carrots-or-sticks>

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Chapter 3

Multi-Level and Multi-Stakeholder Governance in Essential Services. The Case of the Public Transport System in Madrid³

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Introduction

Nowadays, public transport in large cities is facing multiple challenges worldwide due to increasing mobility needs and greater complexity. On the one hand, urban sprawl has led to a significant increase in travel between urban centres and their periphery, and between the periphery and suburban areas. The construction of new infrastructures to facilitate mobility and the traditional lack of adaptation of urban planning policies to urban transport policies has encouraged the use of private vehicles. However, the serious air pollution problems in cities, which cause millions of deaths annually worldwide, the problems of road congestion, the need for sustainable transport models that limit dependence on fossil fuels, and the need, evidenced by the COVID-19 pandemic, for healthy cities based on the design of open and shared spaces, make public transport systems a central element in building liveable cities.

As will be seen below, the organisation of the public collective passenger transport service in the Madrid region corresponds to two management approaches: on the one hand, it is the result of the multilevel cooperation of all the public administrations with responsibilities in the region; and, on the other hand, it is based on the integration of these public actors and private commercial operators in a consortium that is responsible for the comprehensive management of the transport system from the planning and financing of investments to the approval of the fare policy.

In the following section, the theoretical approaches that illustrate the analysis of the public transport system in the Madrid region are highlighted. Subsequently, the text describes the territorial structure of the region and the legal framework that allows the creation of a transport consortium that leads to different ways of integration of

³ We thank Laura Delgado, Representative of the CRTM for External Affairs, and Francisco Gómez, Director for Strategic Planning of the CRTM, for the information provided for this case study.

public and private stakeholders. Finally, the chapter ends with the main conclusion of the case study and suggests topics for discussion and further reading.

Keywords: multi-level governance, multi-stakeholder governance, public-private partnerships, public transport services, public governance

Theoretical framework

The solution to many urban problems, and social problems in general, requires an approach based on multi-level governance, i.e. a form of cooperative government between different territorial administrations to deliver coherent policies in specific functional areas such as public transport. The underlying argument is that no level of government acting alone can solve most policy problems, with the result that multiple levels must cooperate with one another (Agranoff, 1989; Niemann and Schmitter, 2009; Pierre 2011; Phillimore, 2013; Poliak et al., 2017; Palladino 2020). In this sense, multi-level governance implies a pragmatic concern with finding solutions to shared problems through specific forms of regulation, decision-making processes and common resources that all tiers of government bring to the table.

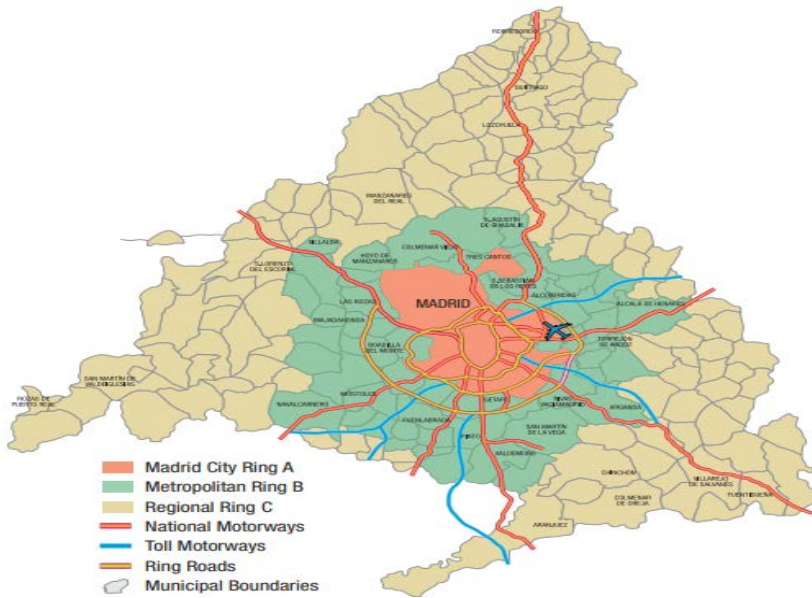
The idea of multi-level governance tries to capture the complexity of the relationships between levels of government. Besides, this idea carries a further implication: as with pluralism recognizes not only that public institutional actors interact to take decisions, but that private stakeholders can play an important role in decision-making and particularly in public policy implementation (Ruano, 2015a). In these conditions, governance appears as a form of government in which the coherence of public action (problem definition, decision-making and implementation) does not depend on the isolated action of one level of government, but on the adoption of forms of coordination between institutional and social actors (Ruano, 2015b). This inter-organisational management process immediately refers to the notion of a network, used as a metaphor to illustrate the existence of different actors (public or private) connected to each other through various patterns of interaction. The result is a situation of mutual dependence between public and private actors in the production of public services. (Kooiman, 2002; Pollit, 2003; Huxham, 2003), which blurs the traditional image of public authorities making decisions in isolation and a civil society that finances and is a passive recipient of public services. On the contrary, the notion of governance, by incorporating a plurality of actors in the design and implementation of policy, gives way to an arena of negotiation and horizontal (non-hierarchical) coordination based on mutual trust and shared interests.

The foundation of the Regional Transport Consortium of Madrid

The Autonomous Community of Madrid, one of the 17 regions into which Spain is divided, concentrates almost 7 million people (6,779,888 inhabitants) and is the third largest urban concentration in Western Europe after Paris and London in an area of 8,028.5 square kilometres. Of this total population, almost half is concentrated in the city of Madrid (49.18% with 3,334,730 inhabitants), surrounded by a metropolitan ring of large and medium-sized cities with a further 3 million inhabitants in an urban

continuum closely linked to the city of Madrid for reasons of physical proximity and economic connection (ring B), and the rest of the region (ring C), with small and rural municipalities.

Figure 3.1 Territorial Structure of the Region of Madrid



Source: Regional Transport Consortium of Madrid, 2020

In accordance with the State Law (Law 7/1985 on the Bases of the Local Regime), urban public transport is a competence of the municipalities (article 25.2.g), so they can exercise this competence to satisfy the needs of their citizens in relation to this essential service. However, for the 149 Spanish municipalities with more than 50,000 inhabitants -that represent 1.83% of the 8,131 municipalities in Spain in 2021 and concentrate 53% of the Spanish population (25 million out of a total of 47 million) (National Institute of Statistics, 2022) - it is a compulsory competence.

The foundation of the Regional Transport Consortium of Madrid (CRTM in Spanish) by the Law 5/1985 of the Regional Parliament, two years after the creation of the Autonomous Community of Madrid, is a unique organisation for several reasons: firstly, it is an example of multilevel management between different territorial governments that place their transport networks (rail, metro and buses) at the service of a body with its own legal personality for the integrated management of urban mobility; secondly, it is an experience of delegation of municipal powers to a supra-municipal body that ends up acting as a metropolitan government for the integrated management of urban transport; and thirdly, it is a governance structure that gives private operators access to the common network in the management of an essential public service.

Institutional description

The Regional Transport Consortium of Madrid is an autonomous body of the regional government that is responsible for the comprehensive provision of urban transport services to the inhabitants of the 179 municipalities of the Autonomous Community of Madrid that voluntarily joined it. Its operation is the result of 4 types of integration: administrative, fare, modal and technological.

Administrative integration

The founding of the CRTM in 1985 created a single public transport authority with the capacity to make autonomous decisions on investment, pricing and management of the urban transport system throughout the Autonomous Community of Madrid, based on the association of municipal governments and the delegation of their transport competencies to the consortium.

Its Board of Management is made up of 20 representatives from public and private organisations such as the Autonomous Community of Madrid (7), the city of Madrid (3), other municipalities (3), the central government (2), private transport operators (2), trade unions (2) and consumer and user associations (1), and is chaired by the Minister of Transport of the Autonomous Community of Madrid.

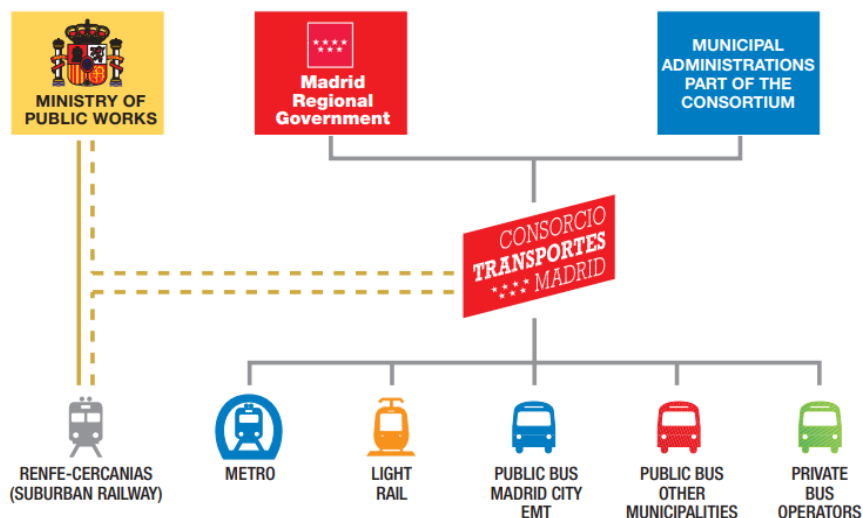
The main objectives of the CRTM are strategic and tactical:

- The planning of transport infrastructure;
- The establishment of a single fare system;
- The establishment of a financing system;
- The coordinated planning of transport services;
- The management and the economic control of the transport system;
- The creation of a brand image of the transport system and the unification of external relations with users.

The main operators of the system are:

- Metro de Madrid: Autonomous Community of Madrid-owned public company;
- Empresa Municipal de Transportes (EMT): public company owned by the city of Madrid;
- Urban transport in other municipalities: public companies or private concessionaires;
- RENFE Suburban Train Services: State-owned public company;
- Suburban Bus Services: private operators connecting the different cities in the region and between Madrid and the metropolitan ring;
- Light Rail Services: private concessionaires;
- Interchange Terminals: private concessionaires.

Figure 3.2 Stakeholders integrated in the Regional Transport Consortium



Source: Regional Transport Consortium of Madrid, 2020

The creation of an integrated transport system requires an institutional architecture that favours sustainable and equitable cooperation between the different actors in order to respond to the needs of travellers because particular interests and institutional barriers between the different stakeholders can block the integration of public transport networks (urban and interurban buses, metro, commuter train and light rail). Flexible integration contracts allow the parties to contribute their expertise in their field of competence and establish relationships covering financing and revenue sharing, transport timetable planning, infrastructure management, user relations, system quality management and responsibility sharing. The clear definition of transport policy needs and objectives, as well as trust between the actors, is the basis for successful institutional integration in a single body in which all parties are represented.

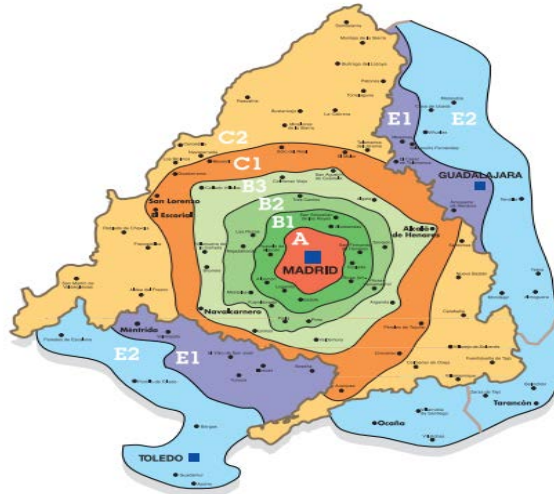
Before the creation of the Transport Consortium, the user had to purchase a ticket to use each network (bus, metro or train) and decisions on the planning of services rested with the owner of each transport network. Since then, institutional integration has allowed the shared management of the system as a whole, so that complex cooperative management between administrations allows public transport users to easily use all the networks with a single ticket.

Fare integration

The Transport Consortium prepares and approves a common system of fares. It also markets and advertises the different transport tickets and distributes the revenue among the operating companies. For this purpose, the region of Madrid is divided into six fare zones which set the price to be paid by the passenger. As can be seen in

Figure 3.3, two zones outside the Madrid region (E1 and E2) are included, although these territories belong to the bordering region of Castile-La Mancha up to a distance of 60 and 85 kilometres respectively. This is because the centrality of Madrid means that thousands of people commute daily to study or work, and the Consortium has signed collaboration agreements with the neighbouring region to facilitate the movement of these commuters and integrate them into the system.

Figure 3.3 Fare zones



Source: Regional Transport Consortium of Madrid, 2020

The costs of the system, as in other countries (Stojić et al., 2018; Mróz & Swianiewicz, 2020; Arranz, 2021), are financed by public contributions from the different territorial administrations (State, Autonomous Community of Madrid and associated Municipalities) and the rest is covered by user contributions from fares, as shown in the following table:

Consortium's Sources of Funding

Table 3.1

PUBLIC GRANTS	Millions of euros	% Public Grants	% Total
Central Government	127	7.67	5.67
Region of Madrid	1,337	80.83	59.69
City of Madrid	167	10.09	7.45
Other municipalities	23	1.39	1.03
Total public budgets	1,654		73.84
Fee revenues	586		26.16
TOTAL	2,240		100

Source: Own elaboration on the basis of official data from the Annual Report of the CRTM, 2020

Typically, more than 60% of the cost of the system is subsidised by public administrations, especially by the Madrid region, while around 40% is covered by users' charges.

However, as can be seen in Table 3.1, the incidence of the pandemic in 2020 led to a drastic fall of the demand compared to the previous year, and with it, the shortening of the passengers' funding of the system. In any case, beyond these extraordinary circumstances, the trend in recent years has been a progressive increase in the share of funding from public administrations and a consequent reduction in the contribution of the passengers.

Two factors have contributed to this issue: first, public transport fares are often used as an electoral claim by political parties; and second, there is a growing awareness of the need to promote public transport and reduce private car use as a way to achieve liveable cities even at the cost of increasing the public funding of the system.

The Consortium, on the other hand, rewards operators for the service provided based on the level of passenger demand and the inclusion of service quality commitments. Integration costs money and the risk is shared by all parties in the system in the long term. This requires a well-structured organisational and regulatory framework to delineate the responsibilities of each party.

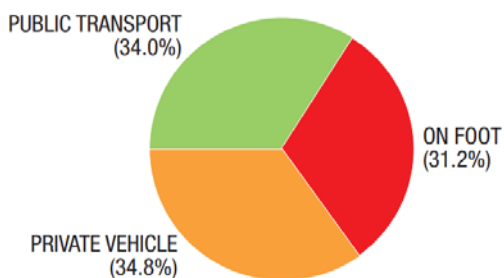
Modal integration

Modal integration plays an essential role in the success of any metropolitan transport system. In the integration of the different modes of transport, interchange stations function as gateways to the city of Madrid as they are the destination point for the radial corridors that connect the cities of the metropolitan ring with the city of Madrid, and where different modes of transport (metro, buses, and trains) coincide to facilitate the mobility of passengers.

These infrastructures are 30-year concessions for the construction and their operation, where private partners recover their investment by means of collecting a fare from each regular bus passenger that get on or off at the station and by the commercial exploitation of parkings, retail outlets, advertising areas or vending machines among others.

According to the Consortium's data (CRTM, 2018), journeys in the Autonomous Community of Madrid are mainly distributed between three modes of transport: 34% travel on foot (31.2% in the city of Madrid), 24.3% use public transport (34% in the city of Madrid) and 39% prefer the private car (34.8% in the city of Madrid), while other alternative modes (mainly cycling) are slowly starting to take off.

Figure 3.4 Distribution by modes of transport in the city of Madrid



Source: Regional Transport Consortium of Madrid, 2020

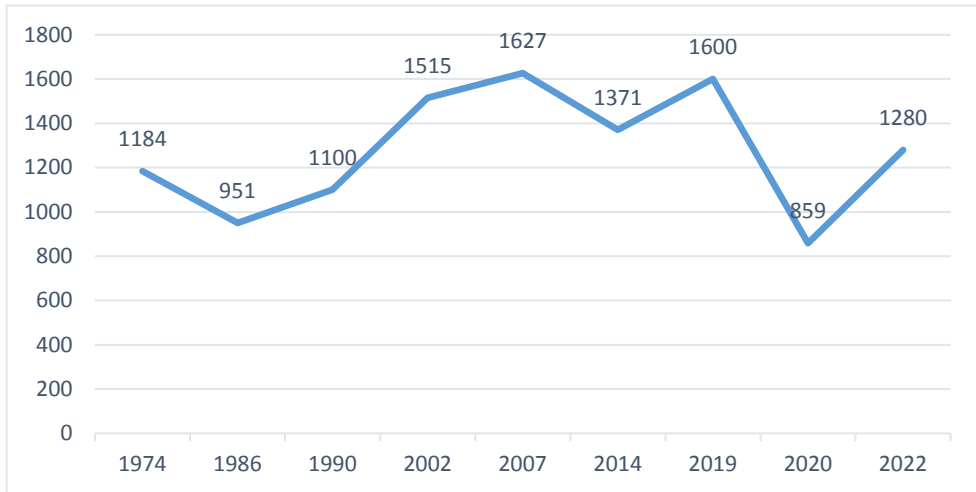
The annual demand for public transport has grown since the creation of the Consortium in 1985 and the monthly travel pass in 1986. Its evolution has been reflecting the economic situation. For this reason, the economic crisis of 2007-2008 led to the contraction of the demand until the economic recovery of 2013-2014, which is reflected in a new increase until 2019 (see Figure 3.5).

As it can be appreciated, the annual demand for public transport reached 1,600 million trips, representing 4,383,561 journeys per day and an average of 236 trips per inhabitant annually, which places Madrid at a very high level of public transport use among the Spanish and European cities.

The major challenge for the transport system during 2020 was to maintain the service delivery despite the large fluctuations in demand. Thus, 859.6 million passengers travelled in 2020 compared to 1,600 million the previous year, with demand falling by more than 90% at the worst moment of the pandemic, in April, because of the confinement of the population and the suspension of non-essential activities.

COVID-19 health and economic crisis led to a sharp drop in transport use, especially during the lockdown periods in March and April 2020. Since then, public transport use has been slowly recovering, although it has fallen by 47% in 2020 compared to the previous year and has reached 80% of the usual demand level in 2022 due to the teleworking measures taken during the lockdown periods and a light increase in the use of private transport perceived as safer after the pandemic.

Figure 3.5 Public transport demand in Madrid per year (in millions)



Source: own elaboration on the basis of official data from the Regional Transport Consortium of Madrid, 2020

Technological integration

Lastly, the Integrated Public Transport Management Centre (CITRAM in Spanish), as a part of the Consortium, coordinates the information on infrastructure and services of the different transport modes that operate in the whole region. The Centre provides real time information about the status of the public transport networks and gives integrated responses to all public transport stakeholders (customers, operators, emergency services, etc.). This way CITRAM can take decisions faster coordinating the entire transport system, which is especially important in case of big events in the city, major disruptions or security threats.

The different modes of transport are conceived as parts of a single multi-modal system and in this sense CITRAM monitors the proper functioning of the whole system.

Conclusion

The idea behind the implementation of an integrated public transport system is that the sum of all parts is more valuable to the final users of the system than fragmented solutions. This requires investing in costly infrastructure, sharing costs and remunerating operators, reaching agreements on tariffs and service planning, carrying out studies to fit to the behaviour of different types of users and, in short, sharing responsibilities between stakeholders of different kinds and interests, public and private, commercial and non-profit, on the basis of a multi-level, non-hierarchical and mutually dependent relationship.

Questions/Tasks/Debate topics for classroom discussion

- The case shows an example of multilevel cooperation between governments belonging to different territorial levels (municipalities, regions and central government) for the joint provision of a public service. What obstacles do you think may hinder cooperation between different territorial governments? Illustrate your answer with a case you know.
- Similarly, the case is an example of a public-private partnership in which private operators participate in the provision of a public service on the basis of an agreement in which all parties assume risks (the outbreak of a pandemic, the bankruptcy of a company, a political change, etc.). In what other cases and under what conditions do you think private operators should provide public services?
- Public transport is a type of service subsidised by public authorities in which the user only pays a part of the actual cost. Currently, there is a debate about the part to be paid by the user or by the public authorities (i.e. tax payers) or even whether this type of service should be completely free of charge for the user. What is your argued position on this issue?
- One of the major problems in large cities is air pollution associated with the use of private transport. City governments have come up with different responses to this problem (restricting the use of private vehicles in city centres, building park-and-ride facilities, etc.) What do you think are the most effective measures and why?
- Using this case as a reference, find out about the organisation of the public transport system in your city. What differences do you find between both models? What are the reasons that explain them?

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Chapter 4

Public-Private Partnerships and Good Governance

The case of Benidorm Tourist Foundation

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Introduction

Public-Private Partnerships (PPPs) are a widespread and controversial phenomenon. In the last three decades they have gone from being just one more option in the toolbox of policy makers, to occupying a central place in government action, at all levels of government, in almost all sectors, and virtually in every country (Boardman, Greve & Hodge, 2015) (Bovaird, 2004).

At the international level, a growing interest in PPPs has also been observed. International organizations of different kind have issued recommendations, guides and general frameworks to assist and support governments in the adoption of the governance model introduced by the PPPs. Thus, for example, the Organization for Economic Cooperation and Development (OECD, 2008; 2012); or, for example, the United Nations World Tourism Organization (UNWTO, 2003; 2015; 2017).

Indeed, the tourism sector is one of the sectors in which the presence of PPPs is dominant. As early as 1997, the UNWTO drew attention to the changes that national administrations were undergoing in the tourism sector (UNWTO, 1997) and the role that new forms of public-private collaboration were playing in these transformations. More recently, Tourism PPPs have been both advocated and analyzed as a key element in the implementation of new models of collaborative governance leading to sustainability and organizational resilience (Amore & Hall, 2016; Baggio, 2011)

The case of Benidorm and Benidorm Tourist Foundation is a case of collaboration and resilience. It is an illustration of how PPPs can redesign public governance and enhance efficiency and innovation.

Theoretical framework. What are PPPs and what they do.

The term Public-Private Partnership actually covers a wide range of meanings. Hodge and Greve (2007) maintain that the name PPP is used in reference to (1) a certain project, (2) a specific technique for the provision of a service, (3) a policy preference, or (4) a management tool.

Under any of these various meanings, it is important to clearly differentiate partnership from any other public-private relation. PPPs are characterized by non-hierarchical principal-principal (rather than principal-agent) relations (Brinkerhoff

& Brinkerhoff, 2011). PPPs also involve joint outcomes, synergy or added value for the partners. In the third place, risk sharing is also crucial.

All these three characteristics are common to most conceptualizations of PPP, but there is also an important point of departure: whether partnership is more a relative than a categorical phenomenon (Brinkerhoff & Brinkerhoff, 2011). PPPs may entail a formal collaboration between public agencies and private enterprises in the planning, construction and management of public services (Ansell & Gash, 2008), but may also involve a relatively 'loose' contractual partnerships for financing, designing and constructing infrastructure (concessions), whilst others involve more 'tight' cooperation in the on-going co-production of services (alliances) (Hodge & Greve 2007). Partnerships can actually be made of different combinations of actors, with different commitments and different levels of formalization, thus extending the field of study and analysis.

The rationale for using PPPs has changed over time, but in general could be summarized as follows:

- (1) To enhance efficiency and effectiveness through a reliance on comparative advantages, a rational division of labour and resource mobilization
- (2) To provide the multi-actor, integrated resources and solutions required by the scope and nature of the problem being addressed.
- (3) To move from a no-win situation among multiple actors to a compromise and potential win-win situation
- (4) To open decision-making processes to promote a broader operationalization of the public good. (Brinkerhoff & Brinkerhoff, 2011)

According to Siemiatycki, Reeves & Palcic (2022) these various motivations have evolved under two global waves. In the first wave between the early 1900s to the mid-2000s PPPs were the response to government need to fund infrastructure with private money, in a way that did not count as a part of the public debt. The second wave started in the mid-2000s, when PPPs emerged as an approach to deliver value for money, being the main objective the transference of major project risks from government to the private sector.

Despite the reasons and motivations behind the decision to use PPPs, there are significant changes that PPPs create in organizational ecosystems and governance structures.

According to Waring & Bishop (2018), in the PPPs, there is a blurring of public and private cultures, thus creating what it is known as "hybrid spaces" that blur spatial boundaries, combine different interests and produce shifting social identities. This hybrid nature of PPPs environment has also an impact in the way governance is understood. PPPs evolution lead to the definition of a "collaborative governance" (Emerson, Nabatchi & Balog, 2012).

Collaborative governance "captures a fuller range of emergent forms of cross-

boundary governance (Emerson et al., 2012). Collaborative governance is not reduced to formal, state-initiated arrangements, or to engagement between government and non-governmental stakeholders. Collaborative governance is a “multi-partner governance” which can include the state, the private sector, the civil society and the community.

PPPs have gradually extended its scope and in many sectors, such as tourism or development have evolved to encompass this kind of multi-partner structure. No single analytic framework can capture the diversity, relevant parameters and qualities of PPPs (Brinkerhoff & Brinkerhoff, 2011).

The case of Benidorm and Benidorm Tourism Foundation

Benidorm is a sun and sand tourism destination located in the Mediterranean coast of Spain, in the province of Alicante. It emerged in the 1960s as a major international and national coastal resort, characterized by elevated occupancy rates along the year (75,96% average occupancy) and long stays (average stay of 5,6 nights) (National Statistics Institute). In 2017 it was the fourth destination in yearly hotel overnights in Spain after Barcelona, Madrid and San Bartolomé de Tirajana in the Canary Islands (HOSBEC).

Benidorm can fairly be considered a paradigm of resilience in the tourism sector after COVID-19. An overall package of programs and actions was undertaken even during the lockdown in spring 2020 in order to prepare for the peak season in the summer, when any expectation to avoid further economic losses could only rely upon domestic demand.

The response to COVID-19 challenge materialized in a set of coordinated interventions under the Benidorm Smart Tourism Destination + Safe Plan (Benidorm City Council), whose main objectives were (1) building trust on visitors and residents and (2) promoting employment and local productive networks. Benidorm STD+Safe Plan encompassed three connected lines of action: (1) Management of public space through pedestrianization (2) Management of beaches through Benidorm Beach Safety Plan, (3) Trust enhancement through public health monitoring, with the implementation of protocols such as COVID-19 Protocol-ON and programs such as PATTi Recovery and City Sentinel.

In addition, a great effort was made on branding. The channel Life in Benidorm, a part of Visit Benidorm web page (Visit Benidorm), began to create and share contents related to daily life in the city. It was intended for former and potential visitors to follow, even during the lockdown, a variety of online activities and to discover the city under a new different view. Visitors to come could also find updated information on uses of common spaces and travel restrictions.

Year 2020 (as well as 2021) saw important overall losses despite the good behavior of domestic demand (Exceltur, 2020). However, Exceltur’s Solytur monitoring reports give evidence that Benidorm’s rebound began sooner when compared with other destinations in the Spanish Mediterranean Coast (Exceltur, 2021). Thanks to

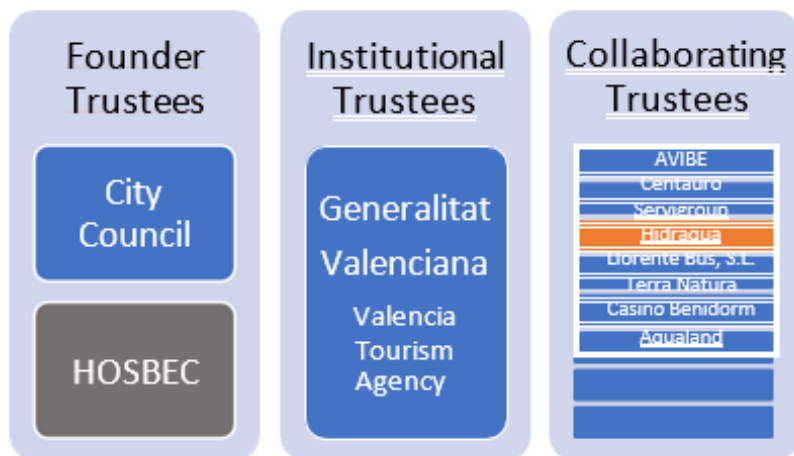
the recovery of international tourist arrivals, in the third quarter of 2022 the average occupancy reached 87,3% in hotels, 92,8% in camping facilities and 63,3% in apartments, with an average of 4,9, 11,6 and 6,2 overnight stays respectively (HOSBEC, 2022). These numbers are already very close to those previous to COVID-19 crisis, and announce a stable and sustained recovery.

The case of Benidorm shows that despite the lack of prior preparation in the tourism sector, the response to COVID-19 challenge has been much more interesting and valuable in some destinations than in others. Agility in decision making and determination to undertake the necessary – but sometimes difficult – changes seem to have been the key to success. Benidorm is an exemplary case in terms of agility, innovation and resilience capacity, and Benidorm Tourism Foundation has been the main driver.

Benidorm Tourism Foundation as an example of Public-Private Partnership

The Benidorm Tourism Foundation, best known by its commercial name Visit Benidorm, is a public-private entity created in 2010 by Benidorm City Council and HOSBEC – an association of local businesses in the hotel and tourism sector – on the basis of a 50/50 holding. The purpose was to introduce a more agile, transversal and innovative management model in an extremely changing and dynamic sector such as tourism. HOSBEC and the City Council became Founder Trustees of the Foundation, a non-profit organization acting under the guardianship of the regional government, Generalitat Valenciana, represented by the regional Tourism Agency. The governing body is the Board of Trustees, comprising the Founder Trustees, the Institutional Trustees (Generalitat Valenciana) and the Collaborating Trustees.

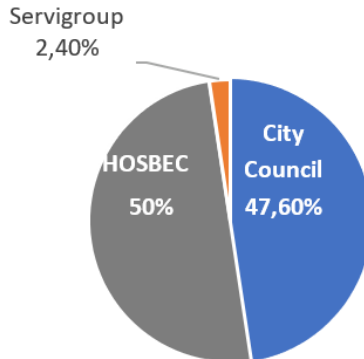
Figure 4.1 Benidorm Tourism Foundation Board



Source: Benidorm Tourism Foundation Board, 2010

The hotel chain Servigroup was among the Collaborating Trustees from the outset, and joined the City Council and HOSBEC as Founder Trustee in 2018, an action which involved a far-reaching strategic movement. The integration of Servigroup in the Board of Trustees as Founder Trustee forced a change in the share of the other two. In the new structure, the private part of the partnership, represented by HOSBEC and Servigroup, owns a share of 52.4% while the City Council has the remaining 47.6%.

Figure 4.2 Founder Trustees' share in Visit Benidorm Foundation



Source: Founder Trustees' share in Visit Benidorm Foundation, 2018

Thus, the private share surpasses –by a minimum difference – the public share, with important consequences in PPP management. With the previous distribution – the public and the private partners sharing the capital 50/50 – there was an obligation to apply administrative procedures and regulations to the Foundation's management. With the public partner in minority, more agile procedures could be implemented for decision making and, therefore, the organization could be best adapted to the changing dynamics in the sector. The importance of having more agile and flexible decision processes came out when Visit Benidorm had to respond to the COVID-19 crisis.

The private partners

HOSBEC was born in 1977 as a local association of hoteliers in Benidorm and the surrounding area, and since then it has gradually expanded in territorial scope. Until 2011 HOSBEC associates were only established in the province of Alicante, but that year the General Assembly decided to incorporate new partners in the entire Valencian Community, changing its name to "Hospitality and Tourism Business Association of the Valencian Community" and maintaining its acronym HOSBEC.

HOSBEC MONITOR currently reports 310 associated establishments with a total of 101,281 accommodation places on offer in 43 tourist destinations throughout the Valencian Community. Only in Benidorm, HOSBEC has 153 associated establishments (112 hotels, 33 tourist apartments, 8 campsites, 2 hospitals and

8 other establishments including restaurants, parks, golf and nightclubs) whose global offer is over 50,000 beds, which is equivalent to 86% of the total offer of beds in hotels and campsites and 23% of the total offer in tourist apartments.

In the province of Alicante, the places offered by establishments associated with HOSBEC represent approximately 67% of the total offer in hotels and campsites and 4% in tourist apartments. For the Valencian Community altogether, the figures would be 45% in the case of hotel beds, 30% for campsites and 3% for tourist apartments (HOSBEC, 2022). These data clearly speak of the origin of HOSBEC as a local association, its relatively recent territorial expansion, and the importance of Benidorm as a tourist destination in the region.

HOSBEC's Managing Director coordinates a staff of 10, organized in 4 departments:

- Communication and Marketing (visibility of associate establishments and destinations)
- Quality and Projects (creation of managerial tools aimed to facilitate certification, innovation and sustainability in the tourism sector)
- HOSBEC Health (training and consultancy for associates and representation before Health authorities).
- HOSBEC Data (elaboration and diffusion of statistic reports – MONITOR Reports – and implementation of projects based on the use of AI).

Servigroup Hotels has its origins in 1969 when Servihotel, the first establishment in the group, was opened in Benidorm. Therefore, it is originally a local business, as HOSBEC is. Servigroup's market niche is sun and beach tourism. In 2003 the group started its expansion outside the region, and in 2011 consolidated its position as a leader in the Valencian Community. Based in Servihotel Benidorm, the group manages 18 hotel establishments in different destinations on the Mediterranean coast, with an offer that amounts to 9,500 accommodation places.

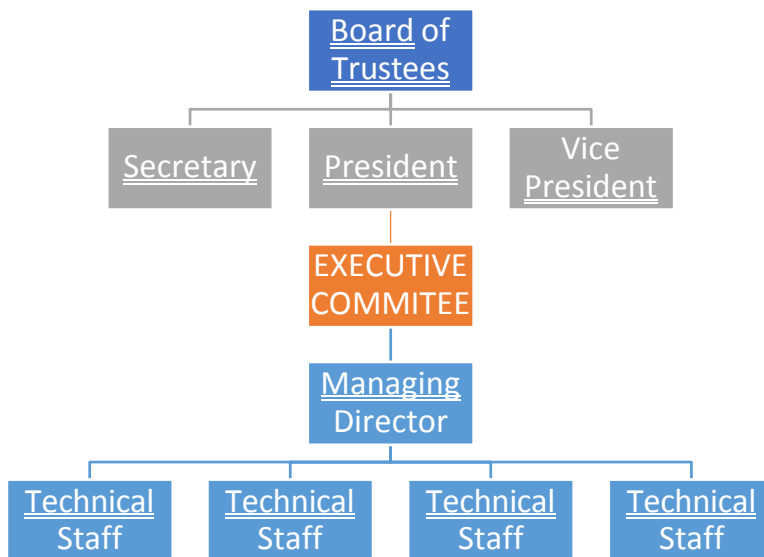
The group of Collaborating Trustees complete the Board structure by incorporating a representation of the rest of the local tourist industry. Current members are:

- AVIBE, the Association of Benidorm's Travel Agencies.
- Centauro Benidorm, the local subsidiary of Centauro rent a car.
- Hidraqua, a local subsidiary of Suez Group in charge of sewerage and water treatment and supply.
- Llorente Bus S.L., Avanza Group, passenger transport by bus and coach.
- Casino del Mediterráneo de Benidorm, Grupo Acrismatic, a HOSBEC associate.
- Aqualandia Benidorm (Aqualandia Group) recreational park, a HOSBEC associate.
- Terra Natura Benidorm, Fuertes Group, zoo and recreational park.

Governance structure and activity

The Major of Benidorm chairs the Board of Trustees and, on behalf of the Board, the Executive Committee, assisted by a Vice President and a Secretary, appointed among the Board members. The Executive Committee includes the Founder and the Institutional Trustees, and is the center of the planning and decision-making processes. The Committee appoints a Managing Director who coordinates the implementation of marketing and destination development actions.

Figure 4.3 Benidorm Governance structure



Source: Visit Benidorm Foundation. Transparency Portal

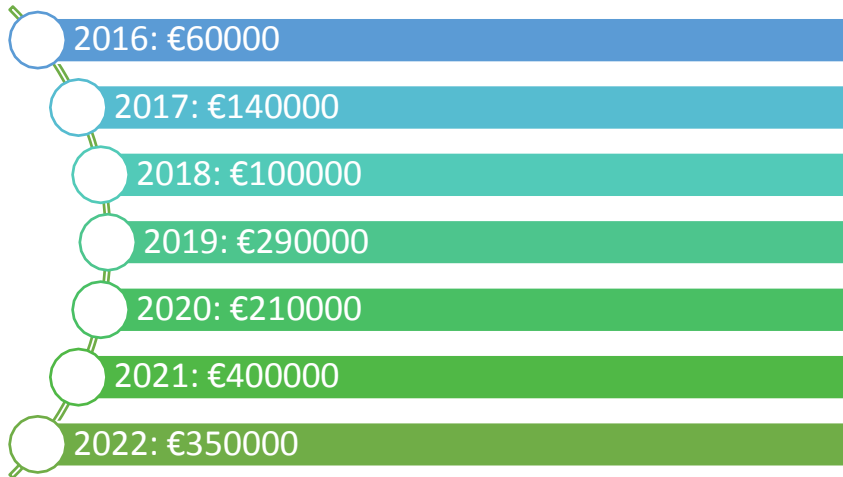
In 2021, 227 actions concerning marketing and destination development were finally carried out in 23 countries and Visit Benidorm was present at 18 Tourism Fairs. Also with promotional purposes, a total of 64 journalists, 86 influencers and 51 travel agents were also contacted. The 2022 Operative Plan of Benidorm Tourist Foundation encompasses more than 200 actions to be carried out during 2022 in twenty countries, focusing on a dozen products and segments. Among them, those that have experienced a greater momentum in the last few years are: Sports (diving, cycling, golf and running), Health and wellness, MICE tourism (Meeting, Incentives, Conferences and Exhibitions) and Digital nomads.

PPP embeddedness in policy networks

The Benidorm Tourism Foundation participates in different policy arenas from local to national level as a relevant actor in the policy process. At the local level de PPP encompasses and represents almost every industry and business in the tourism sector. Besides, it is also a fundamental stakeholder in regard to the policies and programs

implemented by the regional Tourism Agency. Being financing of marketing and development projects –national and international – one of the chief policy instruments in the hands of the regional Agency, Visit Benidorm has benefitted from increasing budget allocations, as reflected in the Transparency Portal.

Figure 4.4 Funds received via collaboration agreements between Valencia Tourism Office and Benidorm Tourism Foundation



Source: Visit Benidorm. Transparency Portal

In the national arena, Visit Benidorm participates in the policy process at the highest level via the relational network of HOSBEC and Servigroup.

HOSBEC has become a regional and national reference in tourism, with membership in a number of bodies and associations that hold representation in crucial decisional settings at national and regional levels. It is a member of the Chamber of Commerce in the province of Alicante, and the Confederation of Employers Association in the Valencian Region (CEV). At the national level, HOSBEC is associated to the Spanish Confederation of Hotels and Tourist Accommodation (CEHAT). CEHAT is the employer's association that encompass and represents the national accommodation sector as a whole, including hotels, tourist apartments, campsites, resorts, spas and others. CEHAT brings together 51 national, provincial, regional, local and sectoral associations, and participates in numerous bodies and negotiating conferences, playing a decisive role in the representation of the sector. Among the most relevant are:

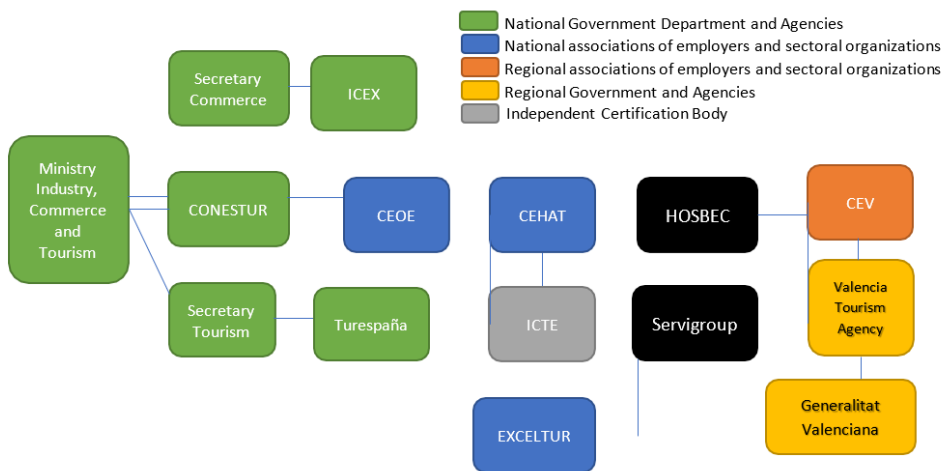
- Spanish Confederation of Employers Associations (CEOE);
- Spanish Institute for Tourist Quality (ICTE), an independent Certification Body.
- Spanish Institute for Foreign Trade (ICEX), an agency dependent of the Secretary of State for Commerce;

- Advisory Council of Spanish Tourism Institute (Turespaña), an agency dependent of the Secretary of State for Tourism;
- Spanish Tourism Council (CONESTUR), advisory council dependent of the Ministry of Industry, Commerce and Tourism.

On the other hand, Servigroup is a member of the Alliance for Excellency in Tourism (EXCELTUR), a non-profit group integrated by the Chairmen of 35 leading Spanish tourist groups from the following sectors: airlines, cruises, hotels, travel agencies, tour operators, credit cards, rent-a-car, tourist hospitals, and GDSs. EXCELTUR was created in 2001, with two main purposes: promoting a better understanding of the importance of tourism in Spanish economy, and encouraging the highest degree of competitiveness for the Spanish tourist industry. Collaboration between public and private agents in tourism value chain creation is at the heart of EXCELTUR vision.

The chart below shows the central part of Benidorm Tourism Foundation relational network via private partners, and the privileged access to key decisional settings at regional and national levels.

Figure 4.5 Benidorm Tourism Foundation relational network



Questions/Tasks/Debate topics for classroom discussion

- Do PPPs deliver value for money?
- Do PPPs effectively enhance innovation and transfer risk?
- Do they provide better outcome than alternative procurement approaches? Are PPPs a win-win solution? Who wins and who loses from PPPs?
- Are PPPs just a means to expand the role of private sector into everyday life?
- What are the features of PPPs that may have a positive impact in terms of governance? How could you describe define Benidorm’s governance model?

- To what extent is the governance model a key element of resilience in the case of Benidorm?
- How could you describe Benidorm's embeddedness in local and wider policy networks?

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Chapter 5

The New Normal: Remote Work after the COVID-19 Pandemic

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Introduction

The COVID-19 pandemic has initiated some of the most radical changes in the way people perform their jobs – the global lockdown in April 2020 and the request for physical distancing have pushed many employees out of their offices back to their homes. Although remote work has been on the rise since the 1970s, ever since the development of information-communication technology enabled knowledge workers around the globe to work away from the office as a telecommuter (Allen et al., 2015), for many employers the shift to remote work during the pandemic was like an experiment, or as International Labour Organization stated “the most extensive mass teleworking experiment in history” (ILO, 2020, p. 1). Many speculate that this has forever changed how and where people work and that it would become the “new normal” after the pandemic (Williamson et al., 2020).

The idea of remote work was preceded by “telecommuting”, a concept that has been previously well-examined, but is now phased out and replaced by remote work. Remote working is defined as “a flexible work arrangement whereby workers work in locations, remote from their central offices or production facilities, where the worker has no personal contact with co-workers, but can communicate with them using technology” (Di Martino & Wirth, 1990, p. 530). In the literature, remote work has also been referred to as telework, telecommuting, distributed work, work from anywhere (WFA), flexible work arrangements, or lately work from home (WFH) (Allen et al., 2015). These names have been used as synonyms, although there are some differences in describing exactly where and how people work. Before the pandemic, remote work was mostly used for experts or managers at upper organizational levels, and often on a voluntary basis, while during the pandemic it became compulsory for different employee groups (Wang et al., 2021). Such work from anywhere; one's home, airport lounge, coffee house, or beach, during and after the pandemic became a topic of great interest, as it was a major change to the traditional office workplace. Researchers indicate that both managers (Ozimek, 2020) and employees (PWC, 2020) show a positive attitude to remote work. Many CEOs are tempted to implement remote work as a new paradigm of work even if its consequences for the social capital organizations have been developing for decades are unsure (Johnson & Suskewicz, 2020).

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Having increased numbers of employees working from home raises several questions:

1. What are the benefits of remote work for employers?
2. What are the benefits of remote work for employees?
3. What is the future of remote work after its excessive use during the COVID-19 pandemic?

This chapter offers answers to these questions.

Keywords: telework, remote work, work from home

The theoretical background of remote work

Before the pandemic, remote working was not part of widely used working practices. Both in the USA and Europe, the number of employees that fully worked from home was between 2-8% (Wang et al., 2021; Bick et al., 2020). However, during the pandemic, 40% of all workers started working remotely on a full-time basis, and for many of them, this was the first time they teleworked (ILO, 2020). For employers this flexible working arrangement was not a voluntary decision, but rather a response to lockdown policies, so neither employees nor organizations were adequately prepared for what became known as the “new normal”. Nevertheless, remote working has soon been found an attractive new practice to organizations and individuals as it allowed space savings, the opportunity to use a global labor market, reduced commuting times and pollution, was family-friendly, work-life balance policy, etc. (Baruch, 2000; Aloisi & De Stefano, 2021; Licite-Kurbe & Leonovica, 2021). For example, employers belonging to traditional industries have realized that their employees can be equally effective by using Zoom or other videoconference meetings instead of face-to-face meetings which would make great savings on travel expenses and save time.

When the lockdown restrictions were lifted, some employers immediately called their employees back into regular workplaces, whilst others rely on working from home to this day. For instance, the majority of small and medium enterprises have abandoned remote work as soon as the public authorities allowed for it (Aloisi & De Stefano, 2021), while IT-supported companies like Meta Platforms (formerly known as Facebook), Airbnb or SAP announced that they will permanently implement remote work.

The success of flexible working arrangements, including remote work, is largely dependent upon the social and economic context (Bessa & Tomlinson, 2017). The pandemic was an external force that severely modified labor markets and workplaces, however, organizations were the ones that should adapt and implement such flexible working practices. Dingel and Neiman (2020) argue that some 37% of jobs in the USA can be performed entirely at home, but among other economies, with lower income, this percentage is lower as the share of jobs that can be done at home correlates with country's level of economic development. Having all this in

mind, it is necessary to question the future of remote work by synthesizing and analyzing past experiences with remote work.

Benefits and drawbacks of remote work

Although remote work has been known for several decades, it must be emphasized that before the pandemic remote work was often voluntary and reserved for most valuable workers, while during the pandemic it was a compulsory requirement irrespective of employee preferences (Wang et al., 2021). All prior-pandemic findings have this limitation and must be analyzed in such a context. During these prior-pandemic times, when remote work has been mostly used for elite workers, the major benefits of remote work were increased productivity and job satisfaction (Bloom et al., 2015). For example, it was believed that the more flexibility individuals have in terms of work location, the greater their work-life balance, job autonomy, and well-being (Ter Hoeven & Van Zoonen, 2015). In addition, other benefits of remote work included more positive work attitudes such as increased organizational commitment and identification, performance improvements, decreased stress-related outcomes, or decreased withdrawal behaviors (Allen et al., 2015; De Menezes & Kelliher, 2017). Individuals were able to better schedule work and family arrangements (Allen et al., 2015). Remote work has been found to have reduced commute times and fewer sick days (Bloom et al., 2015). Equally, as an example of a supportive work environment, remote work reduced attrition rates and increased employee engagement (Bloom et al., 2015; Lee & Kim, 2018). Some have found that just being eligible to telework significantly increased employees perceived fairness of the organization's activities (Lee & Kim, 2018).

Some experiments showed that, compared to office work, home working led to a 13% performance increase, due to fewer breaks and sick days and a more peaceful working environment (Bloom et al., 2015). Job satisfaction was strongly related to remote working (Troup & Rose, 2012; De Menezes & Kelliher, 2017). Specifically, some research found that job satisfaction was highest among those workers that have a moderate level of distance work, as opposed to those that have small or extensive remote work (Virick et al., 2010). Also, levels of job satisfaction were highest among remote workers with lower levels of task interdependence and/or higher levels of job discretion experienced (Golden & Veiga, 2005). Research by Lee and Kim (2018) showed that non-teleworkers, when given choice to work remotely, showed significantly higher levels of positive work attitudes than teleworkers, although they did not necessarily work remotely, whilst De Menezes and Kelliher (2017) verified that remote work established through an informal process appears to enhance performance more than the formally supported one. In other words, allowing employees to have more choices and freedom to work remotely was sufficient to stimulate their positive work attitudes.

Despite the benefits of remote work, there have been claims that it does not motivate all employees and that it encourages laziness (Bessa & Tomlinson, 2017), just as not all research results are consistent about the positive effects of remote work on

performance (e.g. see Lee & Kim, 2018; Charalampous et al., 2019; De Menezes & Kelliher, 2017). Reduced face time with their managers or less close supervision may hamper performance for some employees (De Menezes & Kelliher, 2017). Not surprisingly, many managers were reluctant about enabling lower-level employees to work from home due to concerns regarding the lack of adequate equipment with technology, unsupportive work culture for remote work, lack of trust, productivity, and underperformance (Williamson et al., 2018).

The prerequisite for the successful implementation of remote work is equipping employees with laptops, phones, and secure software and remote work training (Aloisi & De Stefano, 2021; Pokojski et al., 2022). In addition to the increased initial cost of equipment necessary for remote work (Pérez et al., 2002), some of the drawbacks of remote work during the pandemic included technological issues and distractions at home, although these could be resolved with sufficient preparation. For example, many workers needed to adapt to technologies that they did not use before, while distractions at home were the consequence of lockdown and closed schools (Ozimek, 2020; Wang et al., 2021). For example, in pre-pandemic times remote work actually had proven beneficial effects on work-life balance.

From an employer perspective, challenges associated with remote work were controlling employees, challenges associated with managing teamwork, and ensuring information exchange (Licite-Kurbe & Leonovica, 2021; Pérez et al., 2002). Reduced team cohesion was identified as a potential obstacle to remote work, but its importance was rated lower than the other obstacles (Ozimek, 2020). Problems with ineffective communication and the time cost of ICT communication have also been identified as a work challenge (Wang et al., 2021). For example, it is questionable how remote work impact teamwork and informal interactive learning that happens spontaneously among peers (Pérez et al., 2002). However, it is very likely that as technology is evolving, tools will be developed to overcome these issues.

Some employees, while working from home, showed problems with self-regulation, or procrastination (Allen et al., 2015; Wang et al., 2021). Loneliness, or lack of possibilities to meet colleagues, was another issue related to remote work (Bloom et al., 2015; Wang et al., 2021), so supportive management practices and communication might be especially important in the remote context.

Employees' chances for promotion might be negatively affected by remote work, possibly due to less on-the-job training from team leaders and "out of sight, out of mind" issue, but also professional isolation (Allen et al., 2015; Bloom, 2015; Charalampous et al., 2019). Such professional isolation might be experienced as a part of lacking interpersonal networking with colleagues and consequentially insufficient information sharing. To eliminate the promotion 'discrimination' penalty of remote work (Bloom et al., 2015), managers should be trained to adequately manage performance and promotion options for remote workers.

Often recognized benefits and barriers to the use of remote work, both for the employer and employees, have been further summarized in Table 5.1.

Benefits, costs, and barriers of remote work

Table 5.1

	Employer	Employee
Benefits	Increased productivity Increased job satisfaction Decreased attrition rates Office space and office costs savings Less absenteeism Management by objectives Competitive recruiting advantage	Increased employee performance Flexibility and autonomy Personal freedom Cost savings and less commuting time
Costs and barriers	Equipment costs Task selection mistakes Difficulties with coordination and organizing work between remote and office workers Information security Compatibility with existing organizational norms/culture	Difficulties related to teamworking Decreased promotion possibilities Psychological problems Perception of status loss

Source: Author’s work after Pérez et al. (2002)

Remote work is usually related to an increased workload (Wang et al., 2021). Therefore, it is important to increase the effectiveness of remote work. Previous evidence indicate that the effectiveness of remote work depends upon factors such as social support, job autonomy, monitoring, and workload (Wang et al., 2021). Job autonomy and the possibility to autonomously decide when and how tasks will be accomplished can have beneficial effects on organizing daily activities and work-family balance (Wang et al., 2021). Although the effects of monitoring have not been explored too much in the context of remote work, Wang et al. (2021) argue that a certain level of monitoring can have beneficial effects as it reduces the tendency for procrastination once it is used for the general workforce. Data indicates that tracking software was really in much-increased demand in 2021 compared to 2020 (Aloisi & De Stefano, 2021).

Some personality traits, for example, self-discipline, can also impact the outcomes of remote work, thus in the case of selection for remote workers, it should be among the selection criteria (Wang et al., 2021). Likewise, self-motivation, good time

management, or the ability to work independently should be important for the success of the remote worker, which leads to the conclusion that individuals with a high need for supervision will be unfit for remote working (Charalampous et al, 2019).

The future of remote work

The new era for the development of remote work has surely started with the pandemic outbreak. Remote work has enabled the continuity of operations in an emergency for many organizations. Even with the increased popularity of remote work (ILO, 2020), not all jobs have an equal opportunity for remote work. Those jobs that are physically portable or can be performed online have the highest chances of being performed remotely, especially in professional, scientific, and management-related sectors and in industries that involve information, finance and insurance, and services (Allen et al., 2015).

Equally, not all employee groups will likely have the same preference for remote work, for example before the pandemic when remote work was largely voluntary, it was more present among women, high-income workers, and adults without children at home (Brick et al., 2020; Dingel & Neiman, 2020). Also, not all employees will be equally successful in remote working, so it would be beneficial to list the competencies required for effective remote work and utilize them in the selection processes.

Remote work is not homogenous among industries and companies as they differ in the number or percentage of firms that offer remote work, and the number or percentage of employees who are entitled to remote work (Allen et al., 2015). Employers will have several scenarios of remote work to choose from; (1) all employees work fully on-site in the office, (2) employees can work both in the office and at home (e.g. half-time or some other fixed number of days remotely and the rest in the office) or (3) fully remotely (Licite-Kurbe & Leonovica, 2021), each with its benefits and disadvantages.

For example, combining office and remote work may be beneficial in the cases of mild illnesses or for some personal reasons that prevent an employee from coming to the office, but could instead work remotely, which subsequently increases employee productivity and job satisfaction. Also, it allows remote workers to remain "visible" in the office and prevents them to stay isolated from their peers or social aspects of the working environment (Pérez et al., 2002). Still, Johnson and Suskewicz (2020) emphasized that the future of remote work is contingent upon every organization and the objectives it strives to achieve. The comparative analysis for the different scenarios of remote work is shown in Table 5.2.

Benefits, risks, and application of remote work options

Table 5.2

	Benefits	Risks	Application
Option 1: All employees work in their offices eight hours/day	No additional expenses on assessments of work environment risks in the employee's home Easier to communicate with employees More effective employee control Easier to troubleshoot various technical problems	Employee productivity	Most suitable for companies providing no possibility to perform many or all work tasks remotely
Option 2: Employees work both in their offices and remotely	Some savings in electricity costs Increase in work productivity and employee job satisfaction Possible higher level of on-site communication and employee control	Additional expenses on the provision of equipment to work from home	More appropriate for companies to provide the possibility to perform many work duties remotely, yet some specific duties could only be performed from the employer's offices
Option 3: All employees work 100 % remotely	The largest financial savings are from lower rent, reduced electricity, and other costs	Employees must also be provided with equipment to work from home It is not so easy to control employees, so employers need to set clear goals and objectives for their employees	Appropriate only to the companies that have the automation of tasks at a high level Companies in which their employees perform their duties individually

Adapted after: Licite-Kurbe & Leonovica (2021)

Despite all mentioned benefits of remote work, new problems might arise in case it is used for less-disciplined people (Wang et al., 2021, p. 30). As has been stated previously, remote work had a positive impact on performance among experts/managers that do not need direct monitoring, while it is questionable what will be its long-term effect among those employee groups that can be indolent without monitoring. Another important point for the more extensive use of remote work will be its legal treatment. In some countries, aspects of remote work have been covered with regulation (e.g. Telework Enhancement Act in the USA), albeit in the future it is necessary to unanimously regulate the terms and conditions of employment for remote workers (Aloisi & De Stefano, 2021). Finally, in the future new forms of remote work may be developed, suited to employer needs. Airbnb is already using the concept of work-from-anywhere (WFA) to increase its talent pool (Airbnb, 2022), for which Choudhury et al. (2021) showed that further increased productivity by 4.4% compared to work-from-home. All evidence suggests that in 10 years this might be the dominant working practice, but it is yet to see whether this is just another fashion management technique or a true revolution in the world of work.

Case of remote work in an IT company

Combis Ltd. is a high-tech Croatian ICT company focused on the development and integration of ICT solutions, management of ICT infrastructure, and ICT support. With the integration of advanced technology, it provides complete business solutions, tailored to the specific requirements of customers, according to the "turnkey" principle. Since it was established in 1990 in Dubrovnik, it has completed thousands of complex projects in Croatia and abroad. In 2010 it was acquired and became a member of the leading telecommunications provider in Croatia – HT Group, a member of Deutsche Telekom group (Combis, 2022). Therefore, Combis is today a flexible and agile company, able to respond to market impulses, but also a company that pursues high international corporate standards which makes it an ideal partner for large companies. It is listed among the top 10 Croatian ICT companies by revenue (ICTBusiness, 2022).

The company has 400 employees operating in nine locations in Croatia and several locations in the region. During the pandemic, most of the employees worked remotely, but what makes Combis unique is the point it was the first large Croatian company that decided to permanently implement remote work in 2020, in this way also serving as a pilot program for HT and Deutsch Telekom groups (Ivezić, 2020). The new working arrangement was called Smart Work, and its essence was the permanent implementation of hybrid work – combining office and remote work. As the company CEO puts it: "What is more important than the location is whether job assignments have been completed or not" (Laslavić, 2020). Even before the implementation of remote work, Combis was the leader in adapting working practices, as it was among the first companies to use open-space office plans. As Combis CEO announced in an interview, as remote work has become a trend it was logical for ICT companies to introduce it, and then transfer experiences, new solutions, and good practices to other companies (Laslavić, 2020).

Before the implementation of remote work, the company took steps to technologically prepare for a smooth transition. When the lockdown started, Combis developed technological solutions for remote work for many other large Croatian companies, within extremely tight deadlines. For that purpose, in just two days they have adapted some of their existing ICT solutions for the new circumstances, so users could access their workspace documents and apps from any device, tablet, phone, or computer in a very user-friendly manner (Večernji, 2020).

The implementation of remote work post-pandemic was motivated by the results of the internal survey conducted during the lockdown, where the survey showed that 84% of employees consider that they can efficiently work from home (Laslavić, 2020). Combis has offered its employees several models that combine work from the office and home, with the condition that work from home cannot be more than 50 percent of the working time. In this way, most employees have the right to work from home up to 12 days a month, mostly in one of the typical work schedules in the new model: (1) 2 days from the office/3 days from home, (2) 3 days from the office/2 days from home, (3) 4 days from office/1 day from home, (4) 1 week from office/1 week from home, (5) 2 weeks from office/2 weeks from home, although other work schedule combinations are possible (Laslavić, 2020). However, there have been defined positions, mostly in technical assistance to customers, for which remote work was not possible. To assure a smooth transition to Smart Work, there were some other requirements, including that all larger meetings are expected to take place online, and they should not take place during lunchtime or after 5 PM.

Some additional activities were taken to increase the success of remote work. For example, one of those is supporting communication between employees. To support communication all employees were invited to an online “All Employee Meeting”, to which the feedback was excellent, so new gatherings of this type are planned for the future. With respect to future plans, the company CEO stated: “We introduced SmartWork as a long-term way of our functioning, and we will keep it as long as we maintain a satisfactory level of productivity and there is an interest of our employees in a combined way of working from the office and occasionally from home” (Laslavić, 2020).

This flexible working model aims to achieve the best balance between work and private obligations. However, Combis is aware that by the implementation of remote work employees will spend less time commuting, which has other side effects such as less pollution and other benefits. When the new model was tried out, feedback from employees was positive, and the overall work in the company has turned out to be more productive and digital, or as the company CEO stated: “We want our employees to be satisfied and fulfilled, creative and motivated” (Ivezić, 2020).

Questions/Tasks/Debate topics for classroom discussion

- It is expected that the number of employers using remote work will increase in the future. It is still unclear what long-term effects will it have on companies, employees, and societies. After reading this chapter students should debate about the following:

- Five years from now, what percentage of workers will work remotely? Compare it with the current situation.
- What must change for more people to be able to work remotely?
- How will vulnerable groups, e.g., ethnic minorities, unskilled workers, or women, be impacted by remote work?
- How will remote work impact individuals' possibilities of promotion?
- What will happen with current company offices and what will they look like in the future?
- If employees do not have to work in person (on-site) to be effective, could their jobs be outsourced?
- To what extent will remote work affect where people live?
- How will remote work affect pay?

Further reading

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- For a full analysis of remote working impacts on job satisfaction: Charalampous, M., Grant, C. A., Tramontano, C. & Michailidis, E. (2019). Systematically reviewing remote e-workers' well-being at work: A multi-dimensional approach. *European Journal of Work and Organizational Psychology*, 28(1), 51-73.

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Chapter 6

Preparing for the Flood – the City of Sisak in the Midst of COVID-19 Crisis and the Devastating Earthquakes of 2020

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I compare fortune to one of those great rivers, which when in flood covers the plains, sweeping away trees and buildings, bearing away the soil from place to place. Everything flies before it, all yield to its violence, without being able in any way to resist it. But although its nature is like that, it does not follow that people, when the weather becomes fine, should not make preparations, both with canals and defenses, so that in the future the rising waters are directed away, and their force is not so unrestrained and dangerous.

Niccolo Machiavelli, *The Prince*, Chapter 25

Introduction

In modern business, it can be difficult to predict changes occurring in a volatile and dynamic environment, all the more so if such changes happen globally. In the age of the digital economy, rapid technological and communication innovations, the growth of enterprises and other types of organizations demand a highly competitive environment. The COVID-19 crisis has had a significant impact on the stability and even survival of many organizations in both the public and the for-profit sectors. In the spring of 2020, Croatia faced an unprecedented situation caused first by the global health crisis and followed by a series of earthquakes that began with the massive Zagreb earthquake in March 2020. The same natural disaster hit Sisak and Petrinja in December of the same year. The two towns sustained extensive material damage. In an emerging crisis, due to the unpredictability of nature, effective crisis management of the local community is vitally important. Responsible management, based on high-quality strategic planning, should be well-equipped for various situations. It proved to be extremely effective in the case of Sisak. The solidarity shown by the citizens of Croatia in times of COVID-19 crisis and earthquakes is an indication of how formal and informal volunteering activities, as well as numerous organizations (humanitarian but also for-profit), can work together for the local community in an attempt to reduce the social and economic problems caused by the crisis /earthquake.

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Sisak is one of the most important towns in Croatia, and represents the economic, political, and social center of Sisak - Moslavina County. In the final days of December 2020, a strong earthquake struck not only Sisak but also nearby towns Petrinja and Glina. The disaster had grave material and social consequences. Unfortunately, there were human casualties, too. The ready answer to the emergency – a high-quality strategic plan and good crisis management, which the city of Sisak had, ensured a relatively quick and successful recovery. The local administration undoubtedly played a key role, but the immediate response from the rest of the country (material, financial, informational, etc.) both from various Ministries and from private, public, and non-profit organizations, helped significantly. The topic of crisis management is hugely important in a time of rapid technological and communication advances, where progress has been noticeable in all domains of life and business. Despite that, the general feeling of unease, fear, and insecurity has lately also been prevalent.

The majority of people in Europe have experienced those negative emotions for the past three years, especially during the peak of the COVID-19 pandemic, the consequence of which was an economic and energy crisis. The latest in the series of crises has been the Russian aggression on Ukraine. In addition to the global epidemiological crisis, devastating earthquakes struck Croatia, namely the capital in March 2020, and then Sisak, Petrinja, and Glina, in December of the same year. The recovery from crises caused by natural disasters requires top-quality management and the careful preparation and implementation of such sensitive projects. Crisis management demands a lot of knowledge and skills, harmonious teamwork, and cooperation between different organizations. It presupposes coordinated engagement of numerous civil services, volunteers from humanitarian organizations, and competent management of donations to overcome the crisis as painlessly as possible. The case study of the city of Sisak is exemplary in its successful management of the crisis, the effective implementation of strategic plans, and the coordination of many stakeholders. The aim of the paper was to show the importance of crisis management, the role of management, in other words, its adequate preparation and implementation by responsible individuals and political bodies. Due to changes in today's world, crises of different origins are quite common occurrences. Therefore, we ought to learn to live and do business anticipating, but also preparing to overcome them with a strategic approach and systematic solutions.

Keywords: risk management, crisis management, crisis leadership, inward resilience, outward resilience

Defining crisis, crisis management and crisis leadership

Paraskevas (2006) mentions the word “crisis” derives from the Greek word “*krisis*”, which in its English translation would be “choice” or “decision”. The word “crisis” has been used interchangeably with a number of other terms, including disaster, business interruption, catastrophe, and emergency (Herbane, 2010). So, analyzing crises according to these and many other definitions, there are several terms that

come to attention - choice, and decision. Hence it doesn't immediately imply discomfort or an unfortunate event, but it surely requires prompt and coherent action appropriate for the situation.

Au contraire to that, a congruent definition of a business crisis is most often defined as "... *an unplanned and unwanted process of limited duration and the possibility of influence, which harms the primary goals, with an ambivalent outcome*" (Osmanagić Bedenik, 2010, Birker & Pepels, 2000, Töpfer, 1999). It appears that there is no single solution to a situation as "decision" and "choice" is involved. These call for trade between critical options and acting accordingly, where strategic plans are essentially important. Mikušová and Horváthová (2019) cite Venette when describing the crisis as a process of transformation where the old system can no longer be maintained. Therefore, they stress that there is a need for qualitative change - so, if the change is not needed, the event could more accurately be described as a failure or incident, but not a crisis situation. The **definition of crisis** may differ from country to country and organization to organization due to variations in the level of turbulence in different situations in different corners of the globe (Eliasson & Kreuter, 2000). Hart, Heyse, and Boin (2001) refer to crisis as a progressive process that may not be restricted to one area within a common border, that may ensnare rapidly and emerge with other crises, and its consequences are extended. Generally, three elements are common to a crisis: a threat, surprise, and a short decision time. Coombs and Hollady (2012) highlight the fact that not every crisis is triggered by a "problem". So, we come to two possible crisis modes: normal and in-crisis mode. **Normal-mode** definition of crisis as the Harvard Business School states, is: "a change – either sudden or evolving – that results in an urgent problem that must be addressed immediately" (Luecke & Barton, 2004). On the other hand, the **crisis-ready-mode** definition of crisis comes forth from political science researchers. Their views are different because they are not constrained in the way that business researchers are by the limitations of organizational or economic thinking. Boin, t'Hart, Stern and Sundelius (2005) considered that construed threat was subjective and arrived at the following definition based on input from other researchers (Rosenthal et al., 1989, Stern, 2003). One definition of a crisis attempts to be all-inclusive, but reads like a narrative and is incredibly prescriptive and limiting: Crises will normally be "triggered" by an incident or another set of circumstances (these can be internal or external to the organization), that exposes the inherent vulnerability that has been embedded within the *system* over time" (Smith & Elliott, 2006) - (1) "a serious threat to the basic structures or the fundamental values and norms of a system, which under time pressure and highly uncertain circumstances necessitates making vital decisions" (Boin et al., 2005). (2) "an unstable or crucial time or state of affairs in which a decisive change is impending" (Merriam-Webster Inc, 2008). (3) "An uncertain situation possessing latent risks and opportunities that must be resolved within a given timeframe." (Canyon, 2020, p. 6).

In the context of observing the phenomenon of crisis and the need to "manage" the crisis, i.e. to keep the crisis "under control" in some way, we come across the terms

of crisis management and crisis leadership. **Crisis leadership** can in general be defined as the capacity of an individual to recognize uncertain situations that possess latent risks and opportunities to ensure systematic preparedness, to discern necessary direction, to make critical decisions, to influence followers and to successfully eliminate or reduce the negative impact while taking full advantage of positive aspects within a given timeframe (Canyon, 2020, p. 7). Part of the crisis leaders' job is to manage the crisis. There is far more agreement on what crisis management involves, however, there are still two major camps. Some definitions describe **crisis management** as a comprehensive approach involving a cycle that starts with preparedness and prevention and extends through response to recovery and learning (Drennan & McConnell, 2007). Canyon (2022, p. 8) further states that the roles differ considerably and proposes a definition of crisis management that focuses on the measures and methodologies used to recognize, control and limit the damage of a crisis, and its ripple effects. Also, when considered as a process, successful crisis management is presented through several stages (Osmanagić Bedenik, 2010, p. 108):

1. anticipatory crisis management, i.e. preventive action, crisis prevention (introduction of precautionary measures, prevention);
2. identification of the crisis (has it occurred, how to recognize it, how strong is it?);
3. reactive crisis management, i.e. crisis management (what to do in order to "get out" of the crisis successfully?).

Furthermore, crisis management is the process by which an organization deals with a disruptive and unexpected event that threatens to harm the organization, its stakeholders or the general public. Bernstein emphasizes that crisis management is not a single activity. There are several levels of activity, like crisis prevention and preparation (the pre-crisis); planning, training and response (the crisis); recovery, learning and revision (the post-crisis) (Mikušová, Horváthová 2019, p. 1847, Coombs & Hollady, 2012). Observing the crisis through certain stages, the management should approach and manage these processes responsibly and systematically. Related to this, it is necessary to recognize each of the stages and properly understand the challenges the organization faces. Connected to that is the importance of **creating a crisis management process within an organization**.

As Burnett (1998) concludes there seems to be a general agreement (and some empirical support) that the crisis management process contains five basic components: (1) a set of antecedents (internal/external), seen as conditions that determine the degree of control the organization has over its environment, as well as its susceptibility to crisis, (2) a typology of crises (based on susceptibility, control, positive or negative consequences, and structural similarities) that serves as the initial crisis-detection system, (3) a crisis assessment mechanism that considers the following criteria: (a) the relative threat level, (b) time restrictions, (c) the decision makers involved, (d) the quantity and quality of information, and (e) the short and long-term implications if action/non-action is taken; (4) establishment of an organization structure for managing crisis, that suggests a response pattern both

at the individual and organizational level, and (5) a mechanism to assess the success of solutions.

Table 6.1 gives a clear and logical overview of the different elements of crisis management formation. As visible in Table 6.1, there are four consecutive levels of elements where every next level gives more detailed information about the whole crisis management process.

The elements in a crisis management formation

Table 6.1

Basic first level	Second level	Third level	Fourth level
What is	Crisis; Problem; Crisis management		
Conditions	Personal attitude; Conditions for preparation; Subsystems for education	Relationship to the surroundings; Truth and reality; Human nature; Human activity; Relations between people Top management Communication; Plans creation; Strategy, structure; Functional skills; Team work; Psychological resistance	
Crisis profile	Focuses/sources of potential crisis	Types of crisis	Impact; Probability; Time
Strategy	Passive; Refusing; Defence; Pro-active		
Processes	Prevention; Realisation; After crisis	Risk management; Crisis team; Crisis plan; Early warning system; Organizational culture Sources; Tools Audit; Credibility	What? Why? Punishment; Change

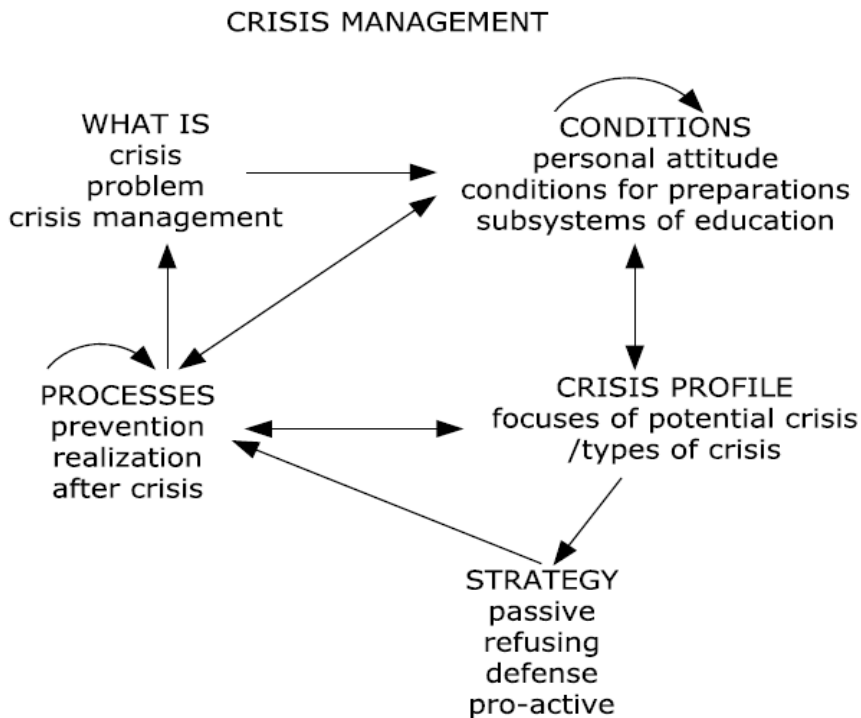
Source: Mikušová, Horváthová (2019), p. 1850

Figure 6.1. explains crisis management as a network and interprets the connection of the individual elements shown in Table 1. It visually expresses the relations between components of crisis management. Hence, it shows what is the definition of crisis or problem, then what are the conditions or circumstances present in that specific moment. Also, the network shows the crisis profile, strategy and processes that will be taken.

Therefore, crisis management should not be understood as something undesirable, but as an essential and integral part of responsible company management, in which risks and chances are assessed in a multitude of business decisions, and in which

crisis situations cannot be excluded, especially with increased uncertainty and rapid changes (Osmanagić Bedenik, 2010, p. 109).

Figure 6.1 Network in crisis management formation



Source: Mikušová & Horváthová, 2019, p. 1851

Rationale for selection (area of activity, COVID-19 Impact)

By the end of the year 2020, marked by the COVID-19 pandemic, another crisis event took place in the central part of Croatia. On Tuesday, 29th December 2020 just before 12:20 p.m. local time, a heavily damaging and destructive earthquake hit central Croatia, causing major human and material damage in Sisak Moslavina County and specifically the cities of Sisak, Petrinja, and Glina. The European Mediterranean Seismological Centre reported the magnitude of the quake to be 6.3 Mw (Associated Press, 2020). The satellite images provided by the European Space Agency showed that the disaster caused shifts of soil with an amplitude of up to 70 centimeters (HINA, 2021). The earthquake was felt in Bosnia and Hercegovina, the Czech Republic, Germany, Hungary, Italy, Montenegro, Romania, Slovakia, Slovenia, Serbia, and Austria. The maximum felt intensity was estimated at VIII (heavily damaging) to IX (destructive) on the European macroseismic scale, and it is the worst earthquake in Croatia in the last 140 years (UNICEF, 2021). According to the European Mediterranean Seismological Centre, the quake epicenter

occurred 10 kilometers (6,25 miles) from the city of Sisak. There has been extensive damage to buildings and infrastructure, traffic as well as disruption of electricity and water supply. In the aftermath, 2,467 buildings have been categorized as unusable and 4,144 are temporarily unusable. Damage was reported to almost 45,000 buildings (Lozančić, 2021). The damage was also extensive on the region's largest hospital and a variety of other public institutions like schools, primary care centers, kindergartens, etc.

Thousands of people have been internally displaced, many in hotels across the country or within relatives. Unfortunately, eight people died, including a 13-year-old girl from Petrinja. Also 36 persons have been seriously injured, and 30 persons were saved from the rubbles UNICEF, 2021). The response to the crisis situation was swift and included local and national government but also many volunteers from different parts of Croatia as well as Europe.

Institutional descriptive statistics

The city of Sisak is historically one of the most important cities in this part of Croatia. The modern town is built on the ruins of the first settlement, under the name Segestica, founded by the Illyrian-Celtic tribes and after that, the Roman town of Siscia was established, at one time being the capital and the most important town of the Roman province of Pannonia (Ministry of Culture of Croatia, 2010). It is one of the largest industrial cities in the history of Croatia thanks to the oil refinery, ironworks, river port and mill, and bakery production.

According to the last census that took place in 2011 the city's total population was 47,768 of which 33,322 live in the urban settlement (DZS, Popis stanovništva 2011.). Sisak is the administrative center of the Sisak-Moslavina County. The city administration is led by Kristina Ikić Baniček who has been mayor of Sisak since 2013. She is a member of the center-left Social Democratic Party of Croatia. The city administration contains five governing bodies (Upravna Tijela, n.d.), namely: (1) administrative department for administrative, property legal and general affairs, (2) administrative department for budget and finance, (3) administrative department for economy and communal system, (4) administrative department for education, culture, sports, veterans and civil society, (5) administrative department for physical planning and environmental protection.

Inward Resilience Evaluation (risk management, capacity to react to crisis, capacity to adapt to change etc.)

Prior to the earthquake, the city of Sisak had a relatively satisfactory policy of dealing with crisis events. During the second half of 2018, the document "Major Disaster Risk Assessment for the City of Sisak" was adopted and in accordance with that document, the "Decision on the adoption of the Major Disaster Risk Assessment for the City of Sisak" was enacted (Grad Sisak, 2019). This document analyzes in detail the propositions of action due to possible threats, including earthquakes. Elements elaborated in detail include, but are not limited to: (1) threat warning: an

overview of the warning sources, content, warning users, measures, forces, and means per threat; (2) basic parameters of possible earthquakes, (3) role and tasks of the Civil Protection Headquarters of the City of Sisak including relations between the operational forces of the civil protection system, the population of the endangered area and the public, (4) measures and forces determined by the Civil Protection Action Plan of the City of Sisak - human and material resources determined by the Civil Protection Action Plan of the City of Sisak - rescue, evacuation, care, first aid and other necessary care, rehabilitation and more (Grad Sisak, 2019, p. 7). The earthquake action plan also included an analysis of particularly vulnerable people such as people with disabilities in everyday activities, such as reading and seeing, listening, speaking, moving (walking, climbing stairs, going to the store), dressing, buying groceries or medicines, performing personal hygiene and cleaning living quarters. Furthermore, the plan contained an analysis of residential, business, sports, religious and cultural facilities in which a large number of people may be endangered (Grad Sisak, 2019, p. 39). Furthermore, the capacities and other facilities for shelter in the shelters of basic and enhanced protection were analyzed.

The development of the capacity to react to the crisis predicted an earthquake even more devastating than the one that occurred. In the area of the City of Sisak, relatively intense tectonic movements occur with the highest predicted occurrence of earthquakes of intensity VIII according to the MCS scale. The expected, possible earthquakes of the intensity of VIII MCS would cause, according to the crisis response plan, the following effects: “slight and moderate damage to 8,692 buildings; severe damage to 4,531 buildings and total damage and demolition to 792 buildings. These primary, as well as secondary effects of the earthquake, would have the following consequences: - number of shallow and medium buried persons 1266, - number of deeply buried persons 193, - interruption of electricity, water, gas supply, supply problems and lack of food, - explosions, fires, reduced opportunities in telecommunications, - psychosis, depression and panic of people, loss of safe housing and more” (Grad Sisak, 2019, p. 56). According to these expectations, devastation on the buildings was even higher than anticipated, but luckily with a considerably reduced number of victims. One of the reasons for that was certainly the fact that because of the COVID-19 pandemics schools, kindergartens and similar institutions were closed.

Outward Resilience Evaluation (institutional impact in society, capacity to reach intended goals, collaborative activities etc.)

The overall emergency response and coordination were primarily in the hands of the local authorities, including the city of Sisak, which coordinated civil protection, relief organizations, etc. Good preparation for the crisis event helped the city administration to decisively act even if they were also affected by the devastation. The City of Sisak undertook crucial tasks for the relief related to the following actions, as defined by the enacted plan (Grad Sisak, 2019, p. 57-62): (1) rescue and clearing organization, including coordination of tasks of all participants, as well as enacting civil protection operational forces system and other data relevant to the

operational activities of the Civil Protection Headquarters, (2) organization of protection of critical infrastructure facilities and cooperation with legal entities in order to ensure the continuity of their activities, (3) organization of firefighting (owners, tasks, responsibilities and coordination), 4) organization of traffic regulation during interventions, (5) organization of medical care, (6) organization of veterinary care, (7) organization of evacuation, (8) organization of rescue and evacuation of vulnerable groups, (9) organization of children care, (10) identification of the dead, (11) organization of hygienic and epidemiological protection, (12) organization of providing food and drinking water, (13) organization of information centers, (14) organization of reception of assistance, (15) organization of psychological assistance, (16) taking over the costs of engaged legal entities and regular services.

Besides the city of Sisak two other actors proved to be valuable for the population relief. First is the Government of Croatia who declared a disaster in Sisak-Moslavina County and parts of Zagreb County and Karlovac Country. The Government of Croatia formed the Government Coordination Body, led by the Deputy Prime Minister, to coordinate the national response.

Also, the government released 16 million EUR from the state budget for immediate intervention and assistance to the affected areas. Further on, the European Commission pledged to support and the first relief arrived through the EU mechanism of civil protection (UNICEF, 2021, p. 4). In addition to that, the army cleared rubble from the streets and together with firefighters distributed water and food.

Secondly, there was a significant solidarity demonstrated by individuals, associations and companies. Instantaneously after the earthquake an unprompted bottom-up humanitarian movement started in Croatia. Significant support was also provided by the Croatian Red Cross to whom the authorities mostly relied to deliver humanitarian aid to the affected population. Also, numerous volunteers from all parts of Croatia, including ultras groups who support different football clubs, came to the area and helped the population in all possible ways.

Expert evaluation of governance performance in the crisis context

In order to assess the local governance performance in times of crisis we used 4 indicators: preparedness, agility, robustness and impact on society (Gherghina, Volintiru & Sigurjonsson, 2022).

Issue of preparedness is especially problematic in the context of earthquakes since these events do not show any periodicity of occurrence, nor do they occur by any particular rule and therefore cannot be predicted with a reasonable certainty. The seismic hazard is thus mitigated solely by prevention. Regardless of that fact, the City of Sisak has anticipated the primary and secondary effects of the earthquake. The primary effects are demolition of buildings, damage to infrastructure, people trapped in demolished buildings, utility failures, while the secondary effects are fires,

floods, landslides, diseases, etc. The city was well prepared for the crisis situation, with an adequate approach to risk assessment and management.

Although the preparation for the crisis situation was systematic and detailed, the shock and the devastation that the earthquake brought managed to paralyze the city in a short period after the event. The initial response was therefore not so agile as it was indicated in the preparation phase. The main reason for that was the fact that the city infrastructure suffered heavy devastation. This is perhaps best described by the words of the mayor Kristina Ikić Baniček who exclaimed that: “half of the city hall has collapsed”. Some of the homes of the people in the city administration were also damaged and members of their families suffered injuries.

In respect to the issue of robustness, once the first shock was over, in a matter of hours, the city administration established crisis headquarters and conducted procedures as defined by the response plan in the Major disaster risk assessment document. The organization of the relief was efficient and the role of the city of Sisak in respect to this crisis event proved to be robust.

From the perspective of impact on society, the city of Sisak provided strong support to the needs of the citizens after the devastating earthquake, thus raising the confidence of the population in their local government. The preparation and execution of emergency reaction in the case of the city of Sisak can serve as a case for other bodies of local authority who find themselves in the midst of a crisis situation.

The crisis situation caused by an earthquake is in a way different from a health crisis because of its immediate effect which does not allow time for reflection and adjustment of responses. Because of this specificity we could argue that the long-term effects are not so severe as the effects of the COVID-19 pandemic. However, in this case even after three months the constant aftershocks were affecting populations mental health causing strong emotional and physiological reactions. Needless to say, the COVID-19 outbreak complicated the relief operation since the precaution measures and physical distance had to be maintained by the affected population as well as the response teams.

Conclusion

In times of crisis, management faces a number of issues. Challenges and problems require quick and high-quality solutions that have far-reaching consequences. A similar situation occurred during the earthquake in Sisak, which was well-prepared for the coming crisis. This was not the case for the Zagreb earthquake, which happened unexpectedly. Crisis management should be able to deal with unexpected and complex situations of emerging problems. It should involve thorough preparation and plan, a strategy of people and resources. It is precisely in situations of danger that crisis leadership questions its purpose and effectiveness.

The city of Sisak has demonstrated good preparation and implementation, and the whole of Croatia, i.e. self-organized citizens, individual organizations and state

institutions, have acted in an organized and systematic way towards helping the affected individuals, families and areas. The question arises whether we will be more exposed to crises in the future with technological development and overall progress, whether crises will become a part of our daily lives and our reality: the health, economic and energy crisis, etc. We do not know what the future holds in store for us. Possibly a new pandemic, natural disasters as a consequence of extreme weather conditions, or nuclear war threats. It is obvious that future organizations will be led by the management whose philosophy will be trying to foresee and gain knowledge of “crises” as situations that can be expected. Thus, the future of management and organization leadership will definitely involve the segment of crisis management, but also crisis leadership.

When both changes and crises become expected events, it is imperative to prepare and train the employees on how to act in unexpected situations through teleworking or virtual organizations’ teamwork. One should also promote ideas of solidarity and sustainability, which can ensure the growth and development of organizations in precarious times.

Questions/Tasks/Debate topics for classroom discussion

- What is the definition of crisis?
- What are the elements of the crisis or its key phases?
- Define the concept of crisis management.
- What are the specific historical, economic and sociological characteristics of the city of Sisak?
- Who are the key stakeholders in crisis management in the city of Sisak case?
- To what extent does the crisis management of the city of Sisak differ from another city in times of crisis?
- What are the particular features of crisis management in the management of the city of Sisak at the time of earthquakes?
- What are the key factors in the success of the elasticity of crisis management in Sisak?
- What was the role of management or quality planning as a strategic managerial function and preparation for the earthquake and the management of the crisis itself?
- How do you deal with crises in your personal life and to what extent is it possible to prepare for crises?
- What are the key skills and values important for overcoming personal and professional crises?

- Explain how the external environment affects the management of the city where you live and study.
- To what extent has the COVID-19 pandemic affected your personal life and how did you manage that crisis? Explain what benefits you have achieved by developing new skills and new knowledge in that precarious situation.

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Chapter 7

Navigating through Organizational Life Cycle and Longevity: Restructuring as a Business Transformation Strategy

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Introduction

Management's primary task is to ensure that organization acts efficiently in performing its tasks and achieving its goals. Long-term competitiveness and longevity have always been one of the most important goals that organizations deal with. However, especially in today's business environment, many organizations fail to be capable of providing its product or services in the long run. Financial problems and bankruptcy often emerge as phases in organizational life (Koh et al., 2015). Companies that survive these downturns and show long-term sustainability seem to be more successful in recognizing the needs of the organization on time and avoided negative performance cycles as opposed to other numerous companies whose lifespan was very short. If they did go through crisis, they were able to overcome them. In other words, they were successful in managing their life cycle and implementing strategies that lead to enhanced organizational performance and sustainability.

This chapter presents restructuring as a strategic response to organizational crisis, and one of the solutions that can lead to improved performance and renewal for organizations found in financial distress or decline as a phase of their life cycle. The case study presented in this chapter gives an example of Pevex Ltd., as a company that has successfully gone through restructuring after bankruptcy, and today presents one of the leaders in the segment of retail of non-food goods in Croatia.

The chapter structure is as follows: first part covers theoretical aspects of organizational life cycle and decline, together with characteristics of restructuring as a transformation strategy. Then presented is the case of Pevex Ltd., followed by questions and topics for discussion. The chapter ends with suggestions for further reading and a list of references.

Keywords: organizational life cycle, longevity, organizational decline, business crises, restructuring

Organizational life cycle and restructuring as a business transformation strategy

Understanding how organizations work and develop, presents a starting point for creating effective and sustainable organizations (Jones, 2004). One of the frameworks to follow is the organizational life cycle. As organizations grow, they go through a sequence of different developmental stages (Mosca et al., 2021) and these predictable phases of behavior form the life cycle of the organization. As a business grows in size and the organization matures, the very nature of the business changes, as well as the nature of challenges and crisis that occur inside organization. Each stage of the organizational life cycle includes specific organizational priorities, a unique structure, systems, and leadership (Greiner, 1998). Moreover, every phase of the organizational life cycle is characterized by predictable set of problems and crisis that need to be managed and controlled for organization to further prosper and grow. If not properly managed, crisis are not seen as opportunities for growth, but rather represent a start of an organizational decline, and ultimately the death, i.e. shutdown of the organization as the next phase of the life cycle.

The term organizational decline describes a state with a significant reduction in the organizational resources and decline in the performance over a longer period (Serra et al., 2017). The organization will often have a wide range of processes that destroy organizational effectiveness and reduce employee satisfaction and loyalty (Cameron et al., 1987). This life cycle stage “occurs when an organization fails to anticipate, recognize, avoid, neutralize or adopt to external or internal pressures that threaten its long-term survival” (Weitzel & Jonsson, 1989, p. 94).

When examining life cycles of the long living organizations, they appear to have an innate ability to exploit crises that arise and transform them into new business opportunities. These organizations typically could identify the upcoming downturn trend ahead of time and recognize the momentum as a new opportunity to create alternative avenues for company growth and profitability (de Geus, 2002). All of the long living companies encountered problems and made mistakes during their life, yet they display a notable resiliency and ability to bounce back, leading to their longevity (Collins & Porass, 1994).

In case of a crisis, especially a financial one, organizations can apply a set of strategies for their revival and avoidance of liquidation. Restructuring is one of those business strategies that can help organizations fight current internal and external pressures threatening its longevity. Restructuring can be defined as act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable and better organized for its present needs (Norley et al., 2008). It is a complex and long-term process, which often brings changes in the ownership and management structure, business processes, internal capacities, as well as the introduction of new technologies and investments, but also employee motivation (Trstenjak & Altaras Penda, 2018). Restructuring can encompass a broad range of transactions, including the ones related to organizational

assets (portfolio restructuring), structure of capital (financial restructuring) or organizational structure (organizational restructuring) (Bowman & Singh, 1993).

Some of the main reasons to restructure are (Szymczyk, 2016, p. 4):

- to make the organization more profitable and integrated;
- to achieve efficiency and effectiveness;
- to reduce unwanted and overwhelming expenses;
- to implement new technologies;
- to open to new markets on a global scale;
- to meet the customers' demands in a quicker and smoother way;
- to be more competitive and achieve the market advantage;
- to raise from the crisis or survive a currently adverse economic climate;
- to move in an entirely new direction and enhance the shareholder value.

Usually restructuring is focused at problems with financing debt, and as such oriented towards prevention of bankruptcy (Akbar et al., 2022). Still, there are situations when organization become unable to pay its debts and thus the bankruptcy occurs (Donaldson et al., 2020). In these situations restructuring in bankruptcy presents an opportunity for an organization to exit bankruptcy while continuing to operate in a modified form. Restructuring in bankruptcy is a process of comprehensive revision and rehabilitation of business, resulting with continuation of business in a more or less modified form (Hrkač, 2021; Sajter, 2010). As such, it constitutes an alternative to a classical or liquidation bankruptcy procedure, after which the sale of the debtor's assets results in the closure and consequently termination (death) of organization (Sajter, 2010). In a regular restructuring (without organizational bankruptcy), usually the company's management, together with the company's owners, decide on all aspects of the implementation of the restructuring. On the other side, in restructuring during bankruptcy, the company's management is replaced and the specially elected trustee starts to manage the company (Sajter, 2010). Often external advisors are also hired in the process of restructuring to provide professional, financial and legal help (Szymczyk, 2016).

Different elements can influence the success of restructuring, but it is mostly considered that successful restructuring is influenced by organizational capability to modify its strategy, structure, and ideology instead of just relying on the cost cutting tactics (e.g., layoffs) and short-term goals (Koh et al., 2015). Research indicates that the increase in business performance can be expected if restructuring strategy is successfully implemented inside organizations (Bišić, 2018).

Restructuring of Pevex – example of a business recovery strategy

PEVEX Ltd is the first Croatian non-food retailer that appeared on the market in the 1990s. Today it operates in all parts of Croatia and is established as the first choice for purchase when it comes to products for building, furnishing and decorating home and garden area. In the PEVEX sales centers it is possible to buy and choose from tens of thousands of different items (Pevex, 2022). However, several years ago, for

Pevec things did not look as good as they do today. Its life cycle was quite turbulent, characterized by bankruptcy and restructuring as an answer to organizational downturn and decline⁴.

Company was established as Pevec Plc in Bjelovar, and it was registered for trade of tools for agriculture and landscaping as well as spare parts for agricultural machinery. It was a family owned business with two employees - spouses Zdravko and Višnja Pevec, as company's founders. Owners were strongly focused on expansion and growth, so soon new stores were opened outside Bjelovar. First additional new store was opened in 1994 near Zagreb, followed by additional stores all over Croatia and expansion of existing ones in the following years. For instance, in 2000, the sales center in Zagreb was expanded by 2,500 to 7,000 square meters. This was also a year when the largest growth in the company's business was recorded and the company won the award for the most successful entrepreneurship organization, presented by the Croatian managers and entrepreneurs association - CROMA.

In parallel with the expansion of trade, Pevec also started to deal with transport and took over a lease of 500 trucks, thus becoming one of the largest transportation companies in Croatia. In addition to transportation, Pevec expanded its business to the field of tourism by buying a hotel in Đurđevac. The company also invested in construction. Therefore, a Pevec Group in 2004 was founded, encompassing all of the organizations under the ownership of Pevec and segments of trade, transport, construction and hospitality.

In 2007 and 2008, the company expanded its business to foreign markets as well. Sale centers were opened in Macedonia, Bosnia and Herzegovina and Serbia. In 2008, Pevec had 4,000 employees, 14 sales centers, 500 vehicles and a large number of properties. There was almost no major city in Croatia at the entrance of which there was not a shopping center with a green rooster logo and the green inscription "Pevec".

However, 2008 and 2009 were years of great changes. The expansion heavily funded on debt and the great diversification into non-core activities, together with the emergence of the global financial crisis lead the company Pevec to financial problems and bankruptcy. The bankruptcy was opened after the bank account had been blocked for several months, salaries for over five months had not been payed, and the over-indebtedness of a company towards banks, suppliers, workers and the state. Due to financial difficulties and debts to creditors and suppliers at the end of 2009, the company's sales centers were closed, and thus bankruptcy proceedings were opened against the company Pevec Plc. The proceedings opened at the Commercial Court in Bjelovar and more than 1,000 employees, 800 companies and 11 commercial banks reported their claims for the amount of HRK 1.9 billion (approx. 252,17 million euros).

⁴ Information presented in this case study are based on the following sources: Dnevnik.hr, 2009; Hrkač, 2021; Indeks.hr, 2019; Puzak, 2014; Sosa, 2020; Tportal.hr, 2019.

In 2010, a bankruptcy plan was drawn up and the process of company restructuring in bankruptcy began. A trustee was appointed to lead the restructuring. On June 21, 2012 by the decision of the Commercial Court in Bjelovar, the bankruptcy plan was confirmed, whereby Pevec becomes a joint-stock company. The claims from the workers were settled in money, while the banks were settled through a property collateral.

Several reasons seem to have led to bankruptcy, and eventually restructuring for Pevec:

- **Unclear and inadequate business strategy and financial mismanagement, together with operational inefficacy in the business model and in the system of internal control**

Company's management did not have a clear and focused strategy for the Group and its development. Non-profitable and large investments in non-core business activities such as transport, logistics, construction and hospitality lead to disruption of liquidity in retail, company's core business activity and the only promising segment of Pevec Group.

- **Business model complexity and inadequate organizational structure**

In general, organizational structure was not well designed. It was dependent on centralization of decisions in the hands of its owners. All of the authority and responsibility for decisions was in the hands of Zdravko and Višnja Pevec. They made all the main decisions, including those on division of labor and work tasks. Tasks were not assigned systematically and there was no control of work performance, which led to inadequate operations and caused poor financial results. Horizontal chain of command lead to bad interpersonal communication among employees. Monitoring of group business operations or establishment of an efficient control system of all related companies within group was highly demanding and almost impossible due to the poor organizational structure of the entire group.

- **Over dimension of sale centers**

In average, every center had over 17,000 m² of space, significantly higher compared to competitors on the market. Large spaces, along with higher fixed costs, resulted in high cost of work capital, insufficiently focused assortment of sales goods and an unnecessarily large number of suppliers. There was no plan that would define which sales area would be occupied by which products and there were no adequate records of materials in the warehouse. Furthermore, there was no strategy to manage the assortment, nor a good supplier management model. Pevec did not have clearly defined logistics, nor did it have a department and people who dealt exclusively with the quality logistics.

- **Negative effects of global business crises and fall in sales in retail**

Due to global financial crisis in 2009, the company had significant fall in the sales. As it was not possible to proportionately reduce costs, retail sector had a drastic drop in the operating margin and it was unable to service debt and working capital.

The focus of a restructuring process was on designing a new organizational structure that would properly define organizational units, tasks and responsibilities. For instance, Pevec now has a logistics department that deals exclusively with high-

quality storage of products and supplies and their transportation. As previously none of the managers in the company had a clearly defined position and function in the organization, through new structure clear line of responsibility and authority had to be defined. Because of a new structure, tasks began to be assigned more systematically and there was no confusion about work roles and tasks, as well as about chain of command and control. One of the employees in Pevec says: "As much as the work in Pevec used to be black, now it is white. That's such a difference." (Jutarnji.hr, 2019). He says that after the restructuring process he has finally been enjoying his work because he has his own working hours, knows his daily and hourly wages, and receives extra pay for Christmas and Easter (Jutarnji.hr, 2019).

After the new organizational structure was established, focus was on sale centers that were reopened, but only in locations that had a growth potential. In order to make the stores more efficient, each store had appointed managers in charge of sale and control of merchandise, managers in charge of price policy that also took care of margins, and managers who took care of the operational processes of the sales centers. A new strategy for products and assortments was offered too. Each products' performance was monitored and tracked based on a basic set of predefined criteria (e.g., average income and margin). After the analyses, company made decisions regarding the most appropriate assortment of products that can be offered in order to ensure long-term sustainability. Today, Pevec offers products in eight different programs - household appliances, electronics, garden equipment, ceramics and sanitary ware, hardware, home and design equipment, building materials and colors and consumer goods. Performance analysis for each sales program are carried out regularly. In line with the reduction of products offered, sale areas were reduced leading to lower fixed costs.

It was also important to create a new relation among Pevec and its suppliers based on trust and fulfillment of Pevec's obligations toward them in a timely manner. With major suppliers Pevec made agreements that ensured the highest possible margins were achieved. In addition, Pevec joined the international alliance A.R.E.N.A. that allowed Pevec to purchase quality goods at the same prices as some of the leading retail chains in Europe, making Pevec more competitive on the Croatian market.

A new IT and business system was implemented, which enabled better process and cost management. Internet shop was also introduced, together with completely new marketing process and rebranding. A new much stronger focus on customers and their loyalty is emphasized.

After the successful restructuring of the company, in 2014, the bankruptcy trustee Davor Šket then stated - "I would say that almost everything is different and improved, standards have been raised and strictly defined procedures have been introduced. It may sound strange to you, but Pevec used to improvise in many ways. Today, the company operates according to all models and standards of the profession, and beyond. We standardized business centers that were oversized,

although this is a continuous process. Currently the implementation of Oracle Hyperion Planning, a superior business system for planning, budgeting and forecasting is in the final phase, which will shorten the time to work on analyses, monitor the realization of budgets and costs, and make decisions of a higher quality. In Zagreb, we opened a centralized IT-equipped warehouse, so we can monitor the state of stock at any time, and quickly deliver the necessary goods to our centers. We conduct employee training at all levels." (Jutarnji.hr, 2014).

Interestingly, bankruptcy and restructuring process also revealed malversation regarding company finance done by its founders. Therefore, The Supreme Court in Croatia blamed Višnja and Zdravko Pevec for abuse of trust in business operations as well as tax evasion and sentenced them to prison in 2015.

Today, Pevec continues to operate successfully, as one of the leaders in their business sector, strongly showing that the days of crisis are far behind them and that the crisis that occurred was an opportunity for further development and growth in its life cycle.

Questions/Tasks/Debate topics for classroom discussion

- Why is the concept of organizational life cycle and its management important for organizations?
- The concept of organizational life cycle was created by comparing social systems with natural systems, more precisely with living organisms that also go through different stages of development. What would be similarities, and what would be differences between the life cycle of organizations and living organism?
- For some organizations, crisis are opportunities for growth, while for others a beginning of their decline. What are the reasons for this and which factors affect successful crisis management?
- Is it possible to build a long living and sustainable organization? What are the main challenges in building and managing long living organizations?
- Does management of family owned business differ from management of other types of organizations? What are the specifics of a family owned business?
- In the organizational life cycle and its management what is the role of owners? Can they effectively lead the organization through every phase of its life cycle and crisis that occur? What is the role of professional management and when should they be included in organizational management?
- What is the role of owners in building a sustainable and globally responsible organization? What should be the main business values driving their business, personal or more global goals and values? Can a family owned organization be a good corporate citizen?
- Does expansion and diversification of business always present a good business growth strategy? What elements need to be considered when implementing this business strategy?

- What are the main benefits of restructuring for organizations? Are there any downsides of restructuring?
- For organizations faced with financial distress and bankruptcy, does restructuring present a good recovery strategy? Why?
- In the case presented, what do you consider as the main reason that led to the restructuring of Pevex? How would you evaluate the overall restructuring process and its outcomes?

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Chapter 8

Transition of Innovation Ecosystem in Lithuania

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Introduction

The assumption of transition theory underlines that society changes in a rather evolutionary and organic way to a certain development. Although transitions are characterized by non-linear behaviour, the process itself is gradual, spanning one or two generations: predevelopment, take-off, breakthrough, and stabilisation (Voss et al., 2006). However, uncertainties during the last ten years in Lithuania and beyond enhanced the development of system thinking in terms of resilience, which has become central to the transition concepts.

The discussion presented in this chapter briefly assesses the transition of the innovation ecosystem in Lithuania during 2012-2022 by focusing on interconnection as the main driver for innovation. The chapter proposes that the transition in the innovation ecosystem was caused by developments in various domains, like public policy, finance, management, and others, which sustain each other. The discussion reflects a goal-oriented modulation of transition, but not an attempt to achieve predefined outcomes through control.

Keywords: transition, transition management, Lithuania, innovation ecosystem, business

Theoretical Aspects of Transition and Transition Management

The need to develop the Lithuanian economy in an innovation-based direction has been acknowledged at different levels, both at the national (Guidelines for Innovation Policy Changes, new Law on Innovation and Technology, etc.) and international (accession to the Organisation for Economic Co-operation and Development (hereafter-OECD), associated membership in The European Organization for Nuclear Research, etc.). The basic assumption of transition theory comprises that something or someone changes in an evolutionary way and a transition is a result of interconnected developments that sustain and enhance each other; however, such assumption continues to be controversial (Bonno et al., 2016).

Transition studies have experienced a scientific interest over the recent years, especially regarding historical changes in governance framework, for example, in the case of education, health, or energy sectors. Every transition requires changes in the entire structure involving institutions, networks, individual behavior, new knowledge, etc., and political strategies and policy instruments are required to understand a transition (Mickwitz et al., 2021, Voss et al., 2006). Thus, a transition

is often characterized by non-linear behavior, the process itself is gradual and every stage differs: predevelopment, take-off phase, breakthrough, and stabilization phase (Rotman et al., 2001; Voss et al., 2006) and in any sector a transition requires innovation, but as well innovation ecosystem goes through transition. The transition from an innovation perspective may disrupt the existing system, for example, smartphones or the internet of things. A transition may also be understood as a multilevel model entailing societal landscape, networks and institutions, and even micro behavior (Rotman et al., 2001, Zolfagharian et al., 2019), or when described as a result of interactions between developments is evaluated through indicators (Bonno et al., 2016)

Many past and ongoing studies on transition-related research to epistemological and disciplinary backgrounds, explore transition majorly from three different approaches (Loorbach, 2017). First, the socio-technical approach emerged around dominant technologies as the subject to transitions, for example, energy or mobility. Second, the socio-institutional approach aims to understand systemic changes in a complex society on how powers, interests, discourses, and regulations create path dependencies and how these are challenged by transformative social innovations. Third, the socio-ecological approach is built on insight from ecology, biology, ecosystem services, and adaptive governance, for example, climate resilience, metabolism, etc. (Loorbach, 2017)

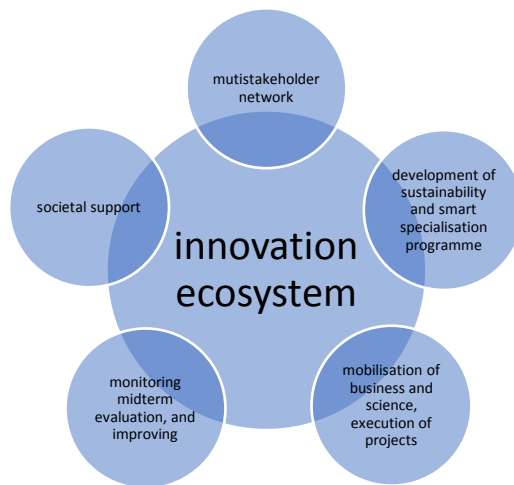
Within the growing policy discourse on sustainability, the term transition has continued to be applied to policy frameworks in practice, for example, recently in green economy or digitalization. In this chapter, the focus explicitly is on how the transition is linked to the innovation ecosystem which "is seen as the evolving set of actors, activities, and artifacts, and the institutions and relations, including complementary and substitute relations, that are important for the innovative performance of an actor or a population of actors" (Granstrand, Holgersson, The total number of confirmed cases worldwide has been growing at a historically high rate, reaching over 6.3 million at the end of 2020). Transition, as well as the development of an innovation ecosystem, are both complex non-linear large-scale systems, multilevel and multi-face (Loorbach et al., 2017), but to capture the complexity of transition the socio-technical approach is required in learning the framework, for understanding transformative changes an analytical framework should rely on interdisciplinary approaches.

Thus, the innovation ecosystem as a collaborative network has been analysed for decades, the transition mechanisms have received little attention in research. The transition in innovation has evolved rapidly since 2011 and become a distinct area of research. It has also produced new approaches and evidence-based instruments, like European Commission's Innovation Scoreboards, World's Intellectual Property Organisation's Global Innovation Index, and the Global Entrepreneurship Monitor. It has shaped the understanding of innovation challenges in different policy areas at the local and international levels, for example, digital education, social innovations, cyber security, etc. The challenge in the transition management field drew attention

to new issues such as economic stagnation, for example, economic shocks, the aging population, lack of productive growth, rising unemployment, also destabilization like wars, terrorism, civil rebellions, and finally collapse, like global recession, economic crisis, etc. (Kallis et al., 2012; Turnheim et al., 2015). However, in the innovation area, there is a need for new perspectives and critical evaluation of the innovation ecosystem. And there remains still undefined evidence of how resilient is the theory of transition in case of disruptions (Mossel et al., 2018), like the COVID-19 pandemic or the Russia-Ukraine war. The transition research and learning should remain open to new perspectives and enlarge its contribution to strengthening the innovation ecosystem.

When aiming to understand transition political strategies and policy instruments are needed (Mickwitz et al, 2021), but insights about transitions can be combined into governance strategy for public authorities and private actors. Transition management aims to improve the existing systems, but it is also based on the process-oriented approach that encounters uncertainty and complexity, involving transition objectives, the transition process, and the enrichment aspect (Rotmans et al., 2001a, 2001b). The cyclical and iterative elements of transition management are portrayed in the innovation ecosystem in Lithuania during the last decade in Figure 8.1.

Figure 8.1 Transition management framework in developing an innovation ecosystem



Source: created by the author and is based on decision-making processes in Lithuania

It is probably impossible to complete the multidimensional and multidisciplinary process of transition in any sector (Klitkou et al., 2015) and especially in the innovation ecosystem regarding its direct and indirect linkage to other sectors,

however, the variety of evaluation perspectives is a huge strength of the sustainability of transition management.

Development of Innovation Ecosystem in Lithuania

The Lithuanian innovation ecosystem is rather young, as the current Ministry of Economics and Innovation has only been fully in charge of the country's innovation policy since 2009 in cooperation with the Ministry of Education, Research and Sport, supporting research and development (hereafter R&D) activities in innovation area since 1992.

According to the last review of the Lithuanian innovation ecosystem by the Lithuanian Government Strategic Office, the share of innovative companies in Lithuania in the period of 2012-2018 increased by almost 3.5 times, and the number of people employed in R&D in the business sector grew by almost 10% from 2015 to 2018 (STRATA, 2019). However, the share of knowledge in innovation activities remains low and most of the expenditure is spent on infrastructure.

In Lithuania R&D expenditure (% of GDP) in Lithuania was reported at 1.1553% in 2020, see Figure 8.2, but has continued growing since 2016, after a drop from 2015, however, still being below the EU average (World Bank, 2022).

Figure 8.2 Research and development expenditure (% of GDP) – Lithuania



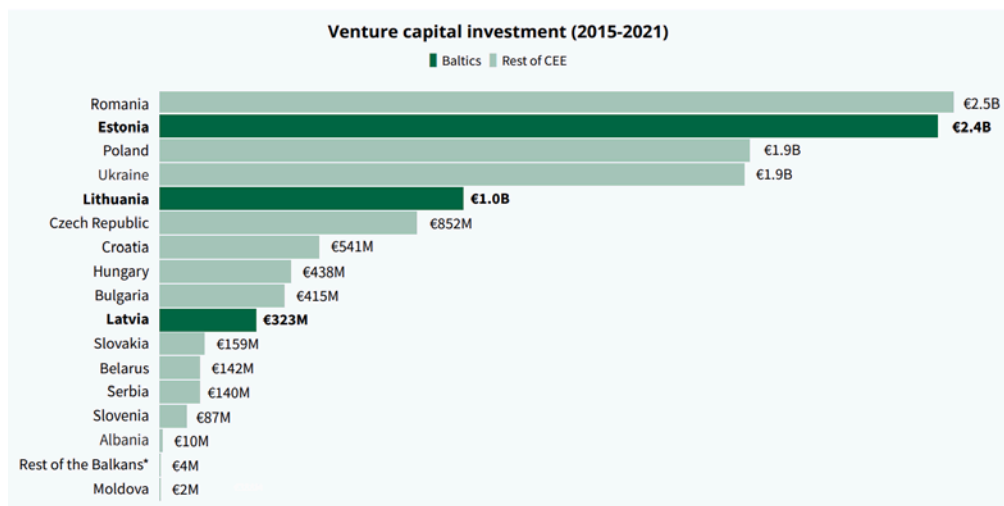
Source: World Bank, 2022

The role of higher education institutions in the innovation ecosystem in Lithuania is crucial. A recent study carried out by the OECD shows that Lithuania is among the states with the highest number of 30-34-year aged persons with higher education, or 57% (OECD, 2022). The higher education sector helps to create added value to the

innovation ecosystem, especially for the business sector, where innovating companies reflect the outcomes of the innovation ecosystem. In 2016-2018 the share of innovative companies among all companies in Lithuania was 45,3% (Review, 2019), however, most of these companies remain process innovators.

It is important to understand the defining features of the evolution of the innovation ecosystem in every country. Firstly, it is the availability of research and commercial resources, secondly, business companies in the system, and finally, the development of robust businesses (Cooper et al., 2012). A recent study by Feng (Feng et al., 2021) shows how start-ups or local companies increase performance results of the innovation ecosystem, and the transition process of the growth of start-ups impacts both individual and organizational level matters, as well the capabilities of the market itself. In 2021 Lithuanian startups attracted more than EUR 420 million in investments, and the total value of Lithuania’s innovative businesses reached EUR 7.1 billion, (Startup Lithuania, 2021), see Figure 8.3.

Figure 8.3 Venture capital investments 2015-2021



Source: Dealroom.co *North Macedonia, Kosovo, Montenegro, Bosnia, and Herzegovina, 2022

The review of the innovation ecosystem shows that Lithuania is in 19th place in the European Commission (hereafter EC) Innovation Scoreboard 2022 (EC, 2022) and has reached its highest level in terms of innovation ecosystem development since 2015. When analyzing the transition of innovation ecosystem indicators between 2015 and 2022, Lithuania has seen rapid improvements in risk capital expenditure, product innovation, process innovation, and business R&D expenditure.

Moreover, the indicator for employment in innovative companies has continued to increase as well, the positive changes are defined for business spending in

innovations and collaboration of companies. The above has led the country to higher performance in the innovation area.

Following are two cases from Lithuanian enterprises shortly illustrating the evolution of companies in the innovation ecosystem.

Example 1. With sales in over 50 markets worldwide and 12 international awards, Deeper is one of Lithuania's most successful and innovative tech companies. The company's flagship product, the Deeper Sonar, was launched in 2013, creating an entirely new product category in the angling sector. It put detailed sonar data into the hands of shore anglers for the first time ever, by pairing the castable sonar device with the angler's smartphone. Since then, Deeper has added two new higher-spec models and three accessories to its product portfolio. Designed, developed, and manufactured in Lithuania, these products are now sold in over 50 markets globally and have picked up 12 international awards. Most notably, in 2016 Deeper Sonar won an Innovation Award at the Consumer Electronics Show, with other winners that year including Samsung, Lenovo and HP. (Invest Lithuania).

Deeper from the beginning has become a part of Open R&D Lithuania network that is a platform of cooperation between open access R&D centers/laboratories of 12 Lithuanian universities, 13 public research institutes and seven science and technology parks. Deeper as well as other Lithuanian innovation companies (around 700 companies registered in Open R&D Lithuania) through this platform united their intellectual potential, infrastructure and resources in order to provide scientifically based solutions to the problems raised by market and society in general.

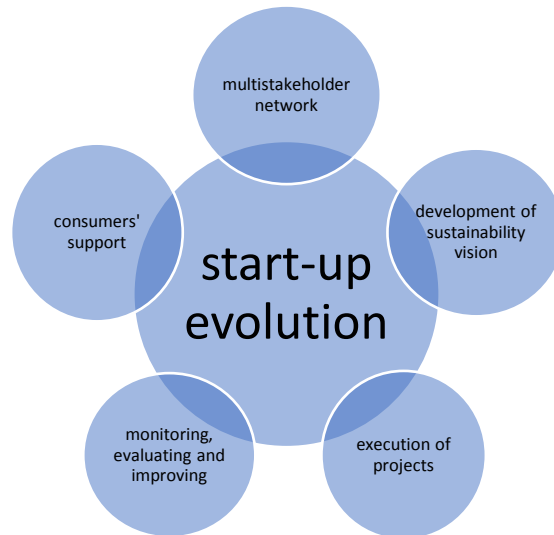
Example 2. Thermo Fisher Scientific is the world's leader in the life science sector, with revenues of more than \$20 billion and approximately 65,000 employees globally. The company accelerates life sciences research improves patient diagnostics and increases laboratory productivity. Thermo Fisher Scientific came to Lithuania in 2010, when the company acquired a leading Lithuanian biotech company Fermentas for 260 million USD.

At present Thermo Fisher Scientific Vilnius has world-class capabilities in manufacturing products for the life science market, specifically in molecular, protein, and cellular biology, and has an outstanding R&D center, focused on the development of new products in all aspects of molecular, protein, and cellular biology.

Thermo Fisher's products are broadly used worldwide to study gene structure, expression, and variety, and to create new diagnostics methods for innate, hereditary, and infectious diseases. Currently, the Vilnius site employs almost 1,900 and is one of the largest private R&D centers in the whole region.

The above literature review and analysis of Lithuania's cases have helped to construct a framework for the transition of an innovation ecosystem with regard to start-up evolution, see Figure 8.4.

Figure 8.4 Transition management framework of a start-up company in innovation ecosystem



Source: created by author

The above analysis shows that in the case of innovation ecosystem transition management deeper analysis of non-technical barriers, like demographics, employment, education, etc. is important for decision-making, but apart from such analysis, there should be political prioritisation of new options like innovation-oriented missions, a new instrument recently introduced by the European Commission. Additionally, there is an important question for transition management about how to keep open the pathways for new research and business cooperation ideas and how to employ governmental support more effectively for higher performance results in the innovation ecosystem. The presented frameworks show that development rounds in transition management allow innovation ecosystem instruments, like smart specialisation strategies, and mission-oriented innovation programmes to be monitored and evaluated. In every transition management framework establishing societal support or customer support is crucial. Thus in a competitive global or small local market, like Lithuania, gaining such support might be challenging, because companies, as well as research institutions, are focused on short-term developments, aiming at a return on investments, especially in relation to renewed and newly built infrastructure, it is recommended to further analyse the impact of such support to new innovation-oriented challenges like a green economy, digitalisation, or other local and global initiatives.

Summing up the discussion from this chapter it could be concluded that the transition in the innovation ecosystem is caused by developments in various domains which supplement each other. It reflects a goal-oriented modulation of transition, but not an attempt to achieve predefined outcomes through control. While no single company can transform the whole innovation ecosystem, it is expected in Lithuania that the Government together with frontier research institutions takes the lead. The government in Lithuania has taken action in the innovation ecosystem for decades but its measures have mostly comprised - funding, performance monitoring, or initiating an innovative procurement. Finally, it should be defined that effective transition management could help to better coordinate policy-making processes and to mobilize efforts for societal support.

Questions/Tasks/Debate topics for classroom discussion

Tasks for students:

Task 1. Evaluate short-term actions in the innovation ecosystem from the point of transition:

- How do the actions taken provide insight into the coherence between a transition's sociocultural, economic, and institutional dimensions?
- How the possibilities of transition paths can be explored through the actions taken?
- What actions taken do contain the learning potential?
- Do the other actors and/or other sectors adopt the transition objective as their action perspective?

Task 2. Choose a company operating in your country or abroad and analyze the transition of a company regarding the innovation ecosystem. Additionally, please include in your final report:

- Analysis of external actions relevant to the company's operations.
- Analysis of innovative actions based on the Frascati Manual (or you can choose another methodology): product innovation (new product, improved product), process innovation (new production methods, new production organization methods), innovative activity (generation and acquisition of new knowledge, other production process development and improvement works, marketing of new or improved products)
- Evaluation of the company's innovation potential (technological development, human resources, change in company income, other indicators)

Topic 1. Skills for Effective Innovation Ecosystem.

The pandemic witnessed in the past years has served as an incredible driver for innovations. A variety of stakeholders can align under a clear common goal, for example, COVID-19 pandemic reveals that governments and private companies are

able to effectively work together. During the discussion students try to share their insights on what makes innovation ecosystems effective, and how are effective innovation ecosystems created.

Topic 2. Cities Create New Pathways for Innovation Ecosystem

During the discussion, students catalyse the debate about how a city can be an actor in the innovation value chain creating a favourable environment for innovation. Students also look for answers about city approaches for the acceleration of start-ups and their transformation towards innovative small and medium enterprises.

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Chapter 9

Organisational Resilience in a Retail Company in the Context of COVID-19

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Introduction

Businesses around the world have recently faced challenges from the external environment. The continuous and especially unpredictable changes in the business environment forcing put pressure on enterprises to find effective measures for survival and development. Unforeseen events and crises will, however, become more frequent and less predictable in the future (World Uncertainty Index, 2021). For instance, climate change, geopolitical challenges and unstable supply chains will lead to shortages of raw materials and rising prices (Nauck et al., 2021). Crises and changes in organisations create risks to investors' capital, jobs and commitments to partners and other stakeholder (Conz, Magnani, 2020). In this context, enterprises must build resilience overcome unexpected outward and inward changes. The question is why do some companies manage to survive in the same situation while others do not?

The chapter thus focuses on the concept of organisational resilience, what factors determine organisational resilience and how Lithuanian retail company coped with the COVID-19 pandemic crisis.

The chapter is structured as follows: first, the theoretical aspect of organizational resilience is covered. Second, the case of retail company MAXIMA Group is presented. Third, questions and debate topics for discussion are presented. Fourth, a list of references for further reading are suggested.

Keywords: business resilience, changes in business environment, COVID-19 crisis, change management.

Theoretical aspects of organisational resilience and COVID-19 crisis

Resilience is generally understood as a simple return to the starting point after shocks (Conz, Magnani, 2020). The concept of resilience originated in ecology but is widely used in various scientific fields such as materials science and psychology. More recently, with the increasing emergence of crises, the concept of resilience has gained attention in organisational and management research.

Hassan et al. (2020) describes organisational resilience as a response to an outbreak in order to mitigate the effects of crises. Organisational resilience is the ability of

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organisations to adapt to shocks or incremental changes in their environment (Neise et al., 2021). Enterprise resilience, defined as the ability of an enterprise to recover from shocks and adapt to disruptions (Xia, 2022). Organisational resilience can be defined as the ability of a company to maintain a certain degree of financial stability during a crisis (Huang et al. 2020; Ding, 2021; Xia, et al., 2022). Brand et al. (2022) states that the resilience of companies is their ability to maintain a certain level of expected financial performance, especially in the face of the negative effects of a crisis. For instance, smaller firms tend to have lower key performance indicators and are therefore more vulnerable to shocks (Ding et al., 2021).

According to Neise et al. (2021) organisational resilience consists of three key elements: absorption, coping and adaptation. Shock absorption refers to the ability of organisations to withstand stress without losing functionality. Coping refers to the ability to react quickly to shocks to avoid the worst, while adaptation is the ability to design and implement strategic long-term responses to shocks (Neise et al., 2021).

Shock absorption is linked to a company's ability to cope with stress. Thus, a key indicator of a company's absorption capacity is its performance before shocks. If company faces profitability problems such as high operating costs, excessive taxes, and/or bureaucracy even before a disturbing event, it is more likely that it will not be able to cope with the shock and must consequently close down operations (Neise et al., 2021). Conz and Magnani (2020) argue that to be resilient a company needs to hold some resources in reserve and have a range of assets and resources – material, social, financial, human, technological – to sustain the organisations' performance during a crisis. This means that the better company's economic and financial performance is before a crisis and the more tangible and intangible assets company has, the more resilient it is. Vice versa, a lack of resources hinders company from coping with disruptions and crises.

According to Duchek (2020), coping refer to an effective management of unexpected events to avoid destruction. The author argue that the ability to cope with the unexpected is closely related to crisis management and can be divided into two subcategories: the ability to accept the problem and the ability to develop and implement solutions. Acceptance of the problem is based on a quick understanding of the situation, a wise assessment of the organisation's potential and being prepared for possible failures. When a crisis occurs, decisions must be made promptly and creatively, thus the company needs formal structures and clear responsibilities to react immediately. On the other hand, company also needs openness and freedom to be flexible and creative. Conz and Magnani (2020) argue, that coping strategies are reactive and incremental actions aimed at reducing the negative impact of events. Company's coping strategies range from cost-cutting and marketing improvements to temporary closure. The use of government support and subsidies can also be a coping strategy (Conz, Magnani, 2020).

The final stage of organisational resilience is adaptation which includes reflection and learning, and organizational change capabilities (Duchek, 2020). The author

advises that during the adaptation phase, company's managers and employees need to reflect on the crisis situation and make changes based on what they have learned.

To sum up, organisational resilience is the ability of an organisation to respond to the challenges associated with an event as it occurs. This capability is critical to the resilience of the company in time of crisis. Organisational resilience can be viewed in two ways: as the ability to cope and continue to operate through crises, and as the ability to adapt to change and emerge stronger from crisis.

The COVID-19 crisis is different from previous crises (Ng et al., 2022). The World Health Organisation (WHO) declared it a public health emergency of international concern on 30 January, named the disease COVID-19 on 11 February and classified it as a pandemic on 11 March (World Health Organisation, 2020). The total number of confirmed cases worldwide has been growing at a historically high rate, reaching more than 6.3 million at the end of November 2022 (World Health Organisation, 2022). The COVID-19 pandemic has caused a serious public health crisis. Moreover, the COVID-19 crisis has caused great uncertainty and disruption to the global economy worldwide. Due to travel restrictions and social exclusion requirements, the pandemic has led to a significant drop in consumer demand, disruptions in production and a deterioration in financial conditions. In this context, the survival of businesses is seriously threatened. However, according to Sheth (2020), the crisis also provides a valuable opportunity for companies to learn from the past and reflect on the value of relationships with employees, suppliers and communities.

After the first wave of the COVID-19 pandemic, an assessment of macroeconomic indicators shows that Lithuania's GDP declined the least (-0.1%) (Lithuanian Statistics Department (2022) of all EU countries, as Lithuania was the earliest of the Baltic and Northern European countries to take strict measures. This was done by declaring a state of emergency, banning foreign citizens from entering the country and Lithuanian citizens from leaving, introducing mandatory and recommended remote working, suspending the activities of educational institutions, culture, leisure, most shops and health centres (Bortkevičiūtė et al, 2021). Studies show that in Lithuania, the second wave did not prevent the country's economy from expanding, and in 2021, with the availability of the vaccine for COVID-19 and the start of universal vaccination of the population, Lithuanian businesses and the labour market recovered. The country's GDP grew by 4.9% in 2021 (Bank of Lithuania, 2021). The rapid economic recovery has been supported by government subsidies to businesses. The government provided subsidies to businesses affected by the pandemic and encouraged companies to maintain jobs and liquidity. According to the data of the Lithuanian Statistics Department (2022), in 2020 more than 50,000 companies received state support in Lithuania, with more than EUR 1 billion in grants.

Although the overall economic situation in Lithuania was satisfactory, due to the COVID-19 pandemic, after the introduction of the first lockdown in Lithuania (16 March 2020), many Lithuanian companies faced unprecedented challenges

(Župerkienė et al. 2021). The Government of Lithuania proposed state interventions aimed at reducing the negative economic impact on national businesses but these measures were delayed due to bureaucratic barriers, and did not reach all the companies that needed the support.

The Case of Retail Company

MAXIMA Group, retail chain, is the largest Lithuanian capital company, one of the largest taxpayers and the largest employer in the country. The retail chain was established after the restoration of Lithuania's independence. The history of the company began in 1992, with the opening of the first stores in Vilnius. The company's legal status is private limited liability company, business activity is retail in food and consumables (Rekvizitai, 2022). The year 2022 will mark the 30th anniversary of the retail chain (Consolidated Annual Report, 2021). For three decades Maxima Group has grown from a single store in Vilnius into the largest Lithuania grocery retailer owning 1412 stores in the Baltic States, the STOKROTKA retail chain in Poland, the T-MARKET retail chain in Bulgaria, and e-grocer BARBORA which operates in the Baltic countries and in Poland and allows customers to order food and other products online. Stores across the countries are classified into formats based on each one's trade area and assortment (Consolidated Annual Report, 2021). The Group also includes FRANMAX, which provides information technology development and support services for the Group's companies, and MAXIMA International Sourcing, which provides the Group's retail companies with centralised procurement services and agency for food and consumables. The Group's bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges (Maxima Group, 2022).

According to Consolidated Annual Report (2021) data, retail market in Lithuania grew by 8.4% in 2021, however the market share of MAXIMA Group in this particular year had dropped by 1.1%. The decrease in market share was caused by competitor expansion and COVID-19 restrictions that were applied onto large format stores until February 2022. Nevertheless, MAXIMA Group remained the country market leader in 2021 with market share of 31.1% and earned revenues of EUR 4484.8 million (Consolidated Annual Report, 2021).

MAXIMA Group was among the first in the Baltics to launch e-retail operations. MAXIMA Group's e-commerce brand BARBORA is the largest e.grocery store in the Baltic countries and continues to expand in Poland market. STOKROTKA and T-MARKET operators also offer the option of ordering online through a separate sales channel. E-commerce revenue in all MAXIMA Group's operators reached 155 million EUR in 2021 which was a 48.8% increase versus prior year. In the Baltics, BARBORA grew revenue by 37.9% primarily due to increased demand. E-commerce revenue made up to 4.5 % of total sales in the Baltics. Customer demand for grocery shopping online has increased particularly during the pandemic and continues to be a general market trend. BARBORA has met this need

successfully, fulfilling an average of 9.5 thousand orders per day (Consolidated Annual Report, 2021).

At the end of 2021, MAXIMA Group had 38.482 employees, which was a 5% reduction versus prior year (40.600) driven mainly by outsourcing and process optimization. MAXIMA is the largest job provider in Lithuania. The company employs 13.650 people (Maxima, 2021), 1.3 million customers are served daily. More than 550.000 customers visit the MAXIMA stores operating in Lithuania every day, where there are 252 stores located over the country (Corporate Social Responsibility Report, 2021).

Given that various customers have different needs, there are stores of different sizes operating in Lithuania from MAXIMA X to MAXIMA XXXX. These stores are easy to find because they operate in big cities, smaller towns and district centres. In the largest stores, part of the retail space is leased to specialized stores, so that the customers can find all the products and services they need in one place. Meanwhile, MAXIMA X is a community store that is located close to populated neighbourhood, to which people go every day to quickly buy the products they need (Maxima Group, 2022).

About 80 percent of the fresh food offered in MAXIMA stores is Lithuanian, while goods made in Lithuania make up more than half of all the products sold. The retail chain is committed to maintaining the quantity of the Lithuanian goods and to increasing the number of items from local producers in its product range (Maxima Group, 2022).

It should be noted that the big retail centers were never closed in Lithuania, as in many countries. Moreover, during COVID-19 pandemic, MAXIMA Group became the first choice for many customers in the Baltic countries where Maxima Group retail chain is the market leader (Maxima Group, 2022). However, the company's report states that results were affected by COVID-19 pandemic. The revenue growth was negatively impacted by the lockdown measures taken by the national governments in the second quarter of 2020. On the other hand, pandemic accelerated transition to e-commerce which increased company's revenue from online sales and compensated negative impact on revenue from lockdown measures (Consolidated Annual Report, 2021).

The company incurred additional costs related to protection of health of employees and customers and compensation to employees for the work in COVID-19 pandemic environment. Negative impacts of COVID-19 on the company's profit before tax is estimated to be in the range of EUR 5 to 10 million (Consolidated Annual Report, 2019). Although measures to prevent the spread of the SARS-CoV-2 virus were relaxed by many governments at the end of the second quarter of 2020 (Consolidated Annual Report, 2021), the company's management monitored the situation and took adaptive decisions to the changing environment. The company's priority was to maintain a safe environment for its employees (Consolidated Annual Report, 2019). As a part of the strict prevention of COVID-19, targeted groups of MAXIMA Group

employees were tested weekly with rapid COVID-19 antigen tests. All MAXIMA Group employees were covered by special insurance against COVID-19. This insurance provides additional benefits for each employee who suffers from COVID-19 infection. MAXIMA Group's employees were also covered by supplementary health insurance. During the quarantine period, free anonymous psychological counselling was provided to all employees and their family members experiencing stress, anxiety or fear (Maxima Group, 2022).

The COVID-19 pandemic continued to affect the MAXIMA Group's results were published in 2021. The MAXIMA Group's revenue growth in brick-and-mortar stores continued to be negatively impacted by the lockdown measures taken by the national governments in the countries where the MAXIMA Group operates. Instead, consumers shifted their purchasing to e-commerce resulted in the growth of the MAXIMA Group's online sales. However, accelerated online sales only partially compensated negative impact on revenue from lockdown measures. During 2021 year the MAXIMA Group continued to incur additional costs amounting to 6.5 million EUR, and 9 million EUR in 2020, relating to protection of health of the MAXIMA Group's employees and customers. MAXIMA Group received government grant in Poland amounting to EUR 1.814 thousand, while the amount was EUR 10.832 thousand in 2020. The purpose of the grant was to protect jobs otherwise threatened by the COVID-19 pandemic. The grant was received for co-financing of payroll costs of certain employees to certain extent. The grant was accounted for by reducing cost of sales (Consolidated Annual Report, 2021).

While COVID-19 continues to create significant uncertainty, the MAXIMA Group's management still monitor the situation and take adaptive measures to handle the effects of the pandemic. The risks of COVID-19 spread has been successfully managed in the Group by ensuring supply of goods, maintaining appropriate liquidity position, expanding e-commerce capacity, etc. The prompt implementation of COVID-19 prevention actions has made it possible to ensure safe shopping for customers and to maintain a safe working environment for employees, which still remains a priority (Consolidated Annual Report, 2021).

As Mantas Kuncaitis, CEO and Chairman of the Management board of MAXIMA Group, states *"It was a year of continuous fight against the pandemic. One of the main challenges was to continue maintaining day to day business while navigating through the constantly changing COVID-19 situation. Regulations imposed in countries by local governments affected everyday operations in our stores. Our priority was to adhere and comply with changing requirements to ensure we could support our customers, employees, and communities throughout this extremely demanding period"* (Consolidated Annual Report, 2021).

Questions/Tasks/Debate topics for classroom discussion

The following questions are presented for discussion on business resilience during the COVID-19 pandemic:

- Why is organisational resilience important for companies in the global market?
- What factors contribute to the resilience of companies in the event of external crises?
- What are the factors that prevent organisations from coping with crises and remaining resilient?
- How does the COVID-19 crisis differ from previous economic crises?
- What should be the role of governments when businesses face crises?
- How and if so, does a company's financial performance correlate with its resilience?
- What caused Lithuania's economy to shrink the least in the EU during the COVID-19 pandemic?

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Chapter 10

Good Governance and Resilience in Providing Public Services in Times of Pandemic: The Case of Water and Sanitation Services in Bucharest

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Introduction

Like most companies in Romania, Apa Nova București (ANB) was not specifically prepared for a pandemic in terms of day-to-day operations, but its reaction was quick and the challenges were managed properly so that water provision, a vital public service for people, was not affected at all. However, the strategic and operational reengineering process that the company started in 2016, with a strong focus on developing a digitalization culture was, for sure, one of the greatest assets during the COVID-19 situation. Moreover, the company worked closely with local authorities and followed the official guidelines rigorously in order to make sure that health and public safety are met at the highest standards.

This chapter takes a closer look at the operations of Apa Nova București (ANB), the provider of water and sewerage services in Bucharest, the capital of Romania, and also the largest city in Central and Eastern Europe. Special focus is placed on three distinct moments during the pandemic crisis. First, we looked into how the company reacted during the COVID-19 pandemic, highlighting best practices, especially in the field of human resource management and digitalization. Second, we tried to determine how much the company was affected by the crisis, and last, we were interested in how the company was prepared for the crisis, showcasing the importance in this respect of the Business Process Reengineering (BPR) the company started in 2016.

In terms of methodology, the data collected for this case study was based on desktop research, by analysing secondary data such as: company presentations, reports, press releases, budgets, statistics, etc. A qualitative semi-structured online interview with a human resources (HR) representative of ANB was carried out in March 2021 in

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order to gather data about internal procedures, work loads, work plans, etc. Therefore, the time frame that this case study covers is March 2020- March 2021.

The chapter is structured into four sections. First, theoretical aspects related to organizational resilience, PPPs, and BPR are introduced. Second, the particular case of the water and sanitation services in Bucharest during pandemic is presented. Then questions and debate topics for classroom discussions are formulated, and finally the chapter includes suggestions for further readings related to the topic of the case study, along with the references list.

Keywords: good governance, resilience, public services, public-private partnership (PPP), crisis, COVID-19, business process reengineering (BPR)

Theoretical aspects

The COVID-19 crisis acted as a challenge for the national and subnational quality of governance, showcasing the public and private institutions' capabilities and vulnerabilities. The unprecedented events induced by the pandemic required organizations to be very flexible, adapt rapidly, and change their operations dramatically (Goldin et al., 2022). In this particular context, public utilities companies were very much challenged and had to figure out solutions in order to continue providing the much-needed services. When referring to solutions to extraordinary events induced by the pandemic, most scholars and practitioners make use of the concept of resilience in their discourse.

One of the most common understandings of resilience is the capacity of a system to face an unforeseen events and maintain its basic functions and characteristics (Cai et al., 2012). Increased environmental turbulence generates organizational change, which has an impact on organizational modus operandi and capabilities, transforming contemporary organizations (McNulty & Ferlie, 2004). Sometimes, this transformation is very profound and even irreversible. Therefore, in the academic literature there is a debate whether business resilience is about the capacity to recover after a shock or the capacity to adapt and redefine the business model (Gherghina, Volintiru & Sigurjonsson, 2022), or it includes both the reaction and the recovery from a crisis.

Studies reveal that the factors that help organizations cope with the challenges of a crisis are closely linked to their performance before the crisis (Gittel et al., 2006). As Wang, Qi and Ran (2022) argue, traditional public-private collaborations that are usually led by public actors often encounter significant difficulties in a crisis situation, as public bodies tend to be less flexible (Profiroiu & Nastacã). Several studies show that digital transformation of enterprises is an effective way to improve organizational resilience (Zhang, Long & von Schaewen, 2021). With the impact of global COVID-19, efficiency improvement, social coordination, and resource allocation brought about by digitization have been particularly significant to the recovery and rebound of organizations.

In the academic literature, institutional resilience is analyzed in a holistic manner that incorporates three timeline dimensions, which correspond to three important phases of a crisis in general (Gherghina, Volintiru & Sigurjonsson, 2022):

- The Preparedness dimension corresponds to the actions that can be performed before the crisis. Preparedness looks into how the institution is prepared for a crisis, by putting in place measure and action plans for risks management. It also checks whether the operations of the organization are sensitive in case of unexpected circumstances.

- The Agility dimension deals with the actions that are to be considered during the crisis. Agility looks at how fast organizations react to critical situations, what their responsive capacity is to challenges, and how the organizations are structured in order to quickly adapt to potential crisis.

- The Robustness dimension captures the actions that are necessary after the crisis. Robustness looks into how organizations recover after a crisis, assessing both the strengths and vulnerabilities that resulted from the confrontation with the crisis. Robustness also implies a comparative approach, by trying to evaluate whether the organization/sector was hit deeper than other similar entities.

In this chapter, we focus on the reaction of ANB in front of the pandemic, but most of all, we are very interested in what determined this particular reaction, mainly how did the company consciously or not prepared for a crisis situation, by undergoing a complex internal restructuring process, based on Business Process Reengineering (BPR). Restructuring public services is mainly driven by three goals: improving performance, sourcing finance, and meeting new legislative requirements (Bakker, 2003).

BPR origins are to be found in the 1990s, in the manufacturing industry in the USA, but it quickly became popular also in Europe, in other industries, including public services. BPR is a tool to help organizations achieve their goals, which may target improved customer services, cutting down operational costs, or becoming leaders in their domain (Srinivasan, 2011). BPR can be defined as a fundamental rethinking and radical redesign of business processes aimed at achieving dramatic improvements in performance measurements, expressed as costs, quality, service levels, and speed (Hammer & Champy, 1993).

BPR should, however, not be confused with process improvement, which is a specific aspect related to TQM (Total Quality Management) that refers to programs and actions that are aimed at improving the working processes within an organization. While process improvement accepts to a certain level the existing processes, BPR is concerned with a total revision of the processes, leading to profound changes in the organizational structure, systems, culture, and competences. BPR does not aim for improvements, but innovation in the existing processes and starts from a simple question: *If this process would not exist, how would we sketch it starting from a blank page?* (Dobrin, 2005).

The case of Apa Nova București

Apa Nova București (ANB) is the company that provides water and sewerage services in Bucharest, since 2000, when Bucharest Municipality signed a 25 years concession contract with the French company, Veolia Eau (Veolia Water). Later on, in August 2020, the municipality extended the concession contract until 2037. The Concession agreement is being monitored by the municipality using a set of 23 key performance indicators that must be fulfilled and maintained by the private operator.

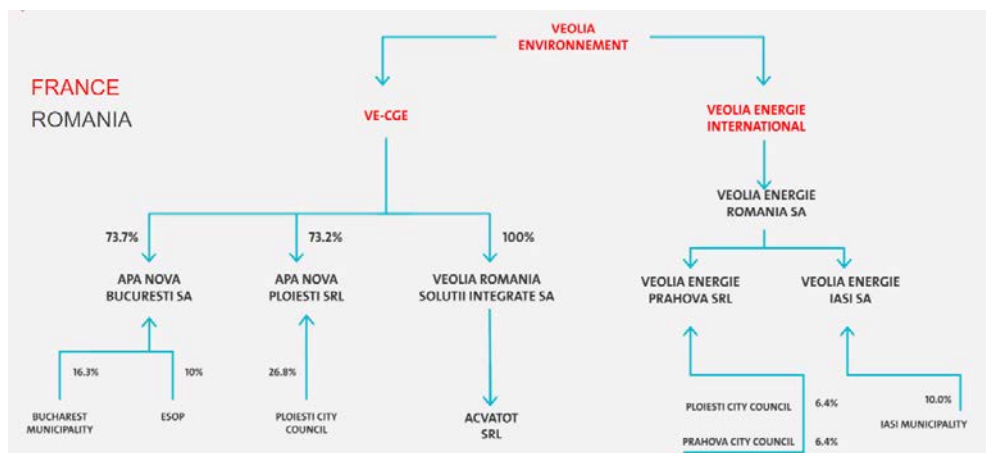
ANB is an institutional public-private partnership (PPP) with 16.31% of its shares owned by the Bucharest Municipality, 10% belong to the employees, and the rest of 73.69% belong to Veolia Eau. In Romania, Veolia Eau is present both on the water market (Apa Nova București, Apa Nova Ploiești), as well as on the energy sector (Veolia Energie Prahova, Veolia Energie Iași) - see Figure 1 for a more detailed view on Veolia's presence on the Romanian market.

Extending the water and sewerage infrastructure in Bucharest

At the moment, ANB has a portfolio of over 2.2 million customers, and the figures are increasing as Bucharest and its surroundings are developing very fast.

In 2020 the total number of people employed by Veolia in Romania was 3391 employees, out of which around 1800 worked for Apa Nova București.

Figure 10.1 Veolia's presence in Romania



Source: ANB, 2021

In over 20 years of concession ANB invested more than 500 million euros in modernising and extending the water and sewerage infrastructure in Bucharest.

Apa Nova values include responsibility, safety, innovation, solidarity, customer-oriented, respect, ethics, and compliance (see Figure 10.2 for a more detailed perspective on ANB values and aims).

Figure 10.2 Veolia’s Romania ambitions and values



Source: ANB, 2021

Apa Nova București response to the COVID-19 pandemic

The imminent changes brought about by the pandemic, characterized by high levels of uncertainty, required from organizations flexibility both in the way they operate (especially in the HR area) and in adopting the appropriate technology, through digitalization (McNulty & Ferlie, 2004).

Being a public utility provider, which is considered of high necessity, when the COVID-19 restrictions started (March 2020), one of the major and immediate changes that hit the ANB was related to work planning and workloads. Thus, during pandemic ANB employees, especially the "essential" ones (working in water production plants, wastewater plants, etc.) were subjected to an invasive work regime in order to minimize as much as possible the risk of infection and to assure the continuity of water provision.

Therefore, an operational team would go to work for 1 week, with shifts of 12 hours of work, followed by 12 hours of rest at the job. The company created for this category of workers various facilities to help them recreate and spend their free time, including catering services. Meanwhile, "hot reserves" were kept at home, ready to back up in case one field employee would be found positive, putting the whole team in quarantine. In April 2021 ANB was getting ready for a third wave of protection measures in order to keep the pace with the restrictions imposed by the pandemic situation. All of these decisions had participatory grounds, as ANB worked closely

with public institutions and authorities and rigorously followed the official guidelines.

Moreover, during the pandemic, as a protection measure, for each key position in the company, a succession plan was created, meaning two employees were trained and prepared to replace the ones that eventually got the virus.

By March 2021, when we performed our research, out of 1900 employees, 400 have been teleworking exclusively for more than one year, while for approximately 450 employees who had operational jobs, telework was not an option at all. The rest of the employees worked from the office or adopted a hybrid model, so ANB's offices remained open and available for employees all the time during the two years of pandemic.

As provider of an essential public service, ANB staff were included in the second vaccination wave in Romania. By March 2021, more than 70% of ANB employees had already been vaccinated.

The pandemic contributed to the acceleration of the digitalization of all processes in ANB. In terms of internal procedures and human resources, ANB continued the recruitment process in the online environment, except for the final technical interview with the manager, which was held face-to-face. Training and development processes were carried out on the E-learning platform, which was greatly improved due to the pandemics. All employees, including new ones, could have remote access on the platform to more than 550 courses on soft-skills, financial aspects, human resources, leadership, communication, etc. Another major change was the replacement of Microsoft Office with Google Suite, which enables more people to work on the same document at the same time.

In 2020, when the sanitary crisis emerged, ANB inaugurated a face mask factory in Ploiești, with over 1000 m² for the production unit, facilities, and testing laboratory. The face masks are the result of a highly digitalized process, due to fully automated production lines, equipped with IOT sensors. With a capacity of over 8 million face masks per year, the masks are produced in a sterilized environment, following all safety and sanitary requirements: multilayer quality control systems, 3 quality control points, ISO certified, EN 149 certified. The production capacity of the plant covered entirely Veolia's global needs for such a protection equipment.

The measures undertaken by ANB during pandemics had positive impact on the local community, by assuring the provision of water services at the same quality and security standards as usual. ANB also took care of both its employees and customers by adopting security, sanitary, and digitalization measures.

The impact of ANB on the local economy is significant through the taxes and dividends the company pays to the local budget. Unlike many private companies that were severely hit by the crisis in terms of profits, especially in the first year of the pandemic, ANB as a provider of a basic public utility was not very much affected by the pandemic, reaching a turnover of 338,3 mil EUR in 2020. Moreover, during

lockdown, the company registered a 2% increase in the water consumption volumes. In 2020, the company acted in a solidary manner, by paying a few months earlier over 5 mil EUR dividends to Bucharest Municipality.

Good governance in restructuring water supply using Business Process Reengineering

The impact of the pandemic on ANB operations revealed a flexible, agile, and innovative company. This particular reaction was mainly due to the fact that in 2016 ANB started a complex business reengineering process (BPR). The rationale for reinventing its business model was based on the increasing demands coming from the market and from the clients, which were impossible to handle by a company that was perceived by its stakeholders as bureaucratic, slow, static, "old-fashioned" and fragmented (Guitand et al., 2020). Since ANB undertook the concession of the water services in Bucharest, for 15 years (2000-2015), it only focused on how to meet the requirements of the concession contract, without any strategic vision on what would happen after the contract is over. The big change started in October 2015, when the top management team was replaced with a new team, which was determined to transform the company from the roots.

Together with ANB in this ambitious project was the consulting company Advanced Thinking, specialized in business transformation, human capital development, and continuous improvement, but also Bucharest Municipality, which proved to be a very supportive public partner. A five-year master plan was designed, following a set of important principles: involvement of all employees, deep understanding of stakeholders needs, simplification of existing process (Guitand et al., 2020).

The major phases of the BPR were:

- 1) Day-to-day managerial excellence – the first stage of the business transformation process focused on creating a new organizational architecture, as solid foundation for the company. This phase included the following elements: process architecture, organizational structure based on processes, KPI architecture, risk management, job description, integrated management system;
- 2) Operational excellence – the second phase was aimed at promoting continuous improvement as one of the most important values of the organizational culture;
- 3) Strategic excellence – the third phase targets a complete redesign of the processes for strategy development and implementation, in order to make sure that the organization is rallied to its strategic objectives. This final stage helps the organization switch from a control-based management to a collaborative management.

After the business transformation process, the company developed a new flexible organisational architecture that includes 9 hierarchical level (out of 11 levels before the reengineering process) and simplified inter-department communication, aspects that allowed the increase of efficiency and the foundation of a strong digital culture.

Other relevant results of the reforms undertaken by ANB are: increase by 14% in labour productivity, decrease by 24% of customer complaints, 10% productivity increase in water production, leading to water economies of more than 1.000.000 mc/month, labour costs decreased by 6%, average wage increased by 10%, average response time for clients requests decreased by 88%, etc. Although the number of employees decreased from 2112 to 1854 and the number of managers decreased from 312 to 211, turnover and profitability increased significantly (Guitand, 2020). Many of the outstanding outcomes that emerged from the BPR are qualitative and, therefore, difficult to assess using figures, such as: new dedicated spaces for the interaction with clients, new offices for employees, projects for professional training, new fleet of operational vehicles meant to increase action capacity and employees safety, etc.

Considering these exceptional results, ANB moved to the next level, the Continuous Improvement phase, because the crucial challenge is not to reach the desired level of performance, but to maintain it over the long term. The Continuous Improvement stage aims to digitize almost all activities, from operations to clients and employees. Thus, in 2019 ANB relaunched the platform www.apanovabucuresti.ro and developed the mobile application Apa Nova, based on a customer-centric approach. These tools help clients access the latest and personalized information, make payments, register their water consumption volumes, therefore, facilitating all sorts of operations that do not imply anymore physical interactions between clients and employees (Cicovschi, 2020).

During its organizational transformation process, ANB implemented several good practices and principles. Here are just a few such examples (Guitard, 2020):

- While the leadership initiative and constant support for change is crucial, not just the management, but the whole organization must understand, learn, feel, and contribute to the transformation process. Employees were included from the beginning in the change process; their creativity and individual contributions were much appreciated, while differences were accepted and seen as opportunities.

- Stakeholders identification and reaching stakeholders needs is the secret ingredient for successful businesses. Therefore, ANB organized in 2016 several consultation meetings with the stakeholders (clients, public administration authorities, shareholders, employees, and unions) in order to find out their needs and expectations. Later on, such a method became a periodic common practice for ANB in order to build strong and transparent relationships with stakeholders.

- Changing the functions mentality with a processes mentality. Processes are a set of activities that show how an organization actually works. ANB was a fragmented company; therefore, the real processes going on in the company were tangled and spread across the organizational chart and also in employees' heads. For example, when a new customer wanted to sign a water provision contract with ANB he had to interact with 9 different internal structures, with no other logic than the ad-hoc organization of the company.

➤ Taking top-down decisions based on a bottom-up understanding of the processes. When the organizational transformation began, many processes were unclear, lacking proper roles and responsibilities, or had uncertain boundaries. The effort of detailed processes mapping revealed 10 times less processes than the fragments of processes. The correct identification and grouping of the processes helped all the members of the company see far behind the activities that are specific to a certain organizational structure, in order to properly understand what each employee does for each shareholder.

➤ Changing employees' mentalities – ANB employees were not used to being proactive, but instead were accustomed to receiving and implementing passively their managers' orders. The BPR process challenged them to rethink the way they worked, discuss, come up with ideas, debate their managers' solutions, and provide arguments.

➤ In order to simplify existing processes, the numbers of approvals and responsibility overlaps were diminished, with positive effects on the levels of service operation time. On the other hand, some processes were not even mapped, although in reality they were carried on. The analysis of historical dates revealed that in 65% of cases the reported damages of water network could be solved ad-hoc, without the help of technical intervention teams. The so-called rapid intervention teams proved to be auto-sufficient in 75% of cases, helping reduce the fixing time and the operational costs and consequently increasing the quality level.

➤ The redesign of the organizational structure started from the processes, which were stakeholders driven. This way, ANB became a flatter organization, with 9 hierarchical layers, instead of 11.

➤ Decisional processes become bidirectional, meaning that decisions were *top-down*, but based on *bottom-up knowledge*. Moreover, over 130 employees holding key positions in the organization (Legal, Human Resources, Procurement, Production, Customer Relationship Management) were trained to learn to use statistical analysis of data, meant to help them take better business decisions

➤ The implementation of FMEA (Failure Mode and Effects Analysis), one of the best methodologies for managing risks, helped ANB standardize risk management within the company, create a risk culture, a common risk vocabulary, and a common set of risk management knowledge for all the structures of the organization.

The ANB reengineering process transformed it into an elite business, a good practice example for worldwide companies, especially after winning in 2019 the first prize of the Business Transformation World Summit, organised in Orlando, Florida, the USA, for the category „Best Business Transformation Project” (with a maximum score, for the first time in the history of 20 years of competition). In order to get this award, ANB had to reveal the exact methodology that was followed during the BPR and also to statistically demonstrate that BPR had a significant impact on all KPIs (Guitard, 2020, p. 126).

Questions/Tasks/Debate topics for classroom discussion

- How would you appreciate the preparedness of Apa Nova București for the pandemic context? Provide arguments.
- Did ANB act with agility during the crisis situation? Give arguments.
- What is your opinion about the opportunities and challenges that the COVID-19 pandemic has brought for public services in general and water services in particular?
- How would you rate the impact of ANB on society in general and during the pandemic, in particular?
- How would you describe the relationship between ANB and Bucharest local government?
- Which are the particular obstacles that organizations should be concerned about while undertaking BPR initiatives?
- What next steps would you recommend to ANB in the aftermath of the COVID-19 pandemic?
- Using this case study as a reference, find out more about the water company in your city. What were the measures it undertook to overcome the pandemic challenges and how well was it prepared for such a challenging situation?

Further reading

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Chapter 11

Institutional Resilience in the Business Environment: An Insight into the Romanian Retail and Communications Markets

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Introduction

The COVID-19 pandemic had a direct impact on the well-functioning of the public and private sectors and, consequently, on the institutions, the delivery of public services to citizens, and the business environment. The national authorities were forced to implement rapid measures to respond to the problems faced by the health and education systems, the business environment, and public services. In face of this major shock and its negative outcomes, the private and public institutions tried to develop and strengthen their resilience at a rapid pace. The situations caused by the pandemic showed the need for both types of organizations to implement changes, be more flexible, and develop their adaptative and transforming capacities, respectively, their resilience. In this context, the present chapter analyses the activity and the measures taken by two main companies on the Romanian market- Kaufland and Vodafone Romania, in the 2020-2021 period. The purpose is to observe how the business environment reacted to the pandemic's outcomes, how they managed to overcome them, and the adaptative capacity of these companies.

The research methodology consists of an exploratory study conducted using the case study method. The case study presents the main decisions and measures taken and implemented from the beginning of the pandemic (March 2020) until 2021 (in the first year of the COVID-19 pandemic) by two important companies from the Romanian market, in order to draw pertinent conclusions about how two important branches in the business environment- retail and communications- were affected and how fast and adequately these companies managed to respond to the COVID-19 challenges. The main purpose is to establish whether these companies were prepared for the shock and proved to be resilient. The reason for choosing to study Kaufland and Vodafone is due to their important position on the Romanian market and their active role played in Romanian society before and during the pandemic.

The present chapter is structured in the following manner: the first section covers a brief presentation of the COVID-19 pandemic evolution in Romania in the 2020 - 2021 period; the second section comprises the main aspects regarding resilience in general and institutional resilience in particular; the last section presents the two approached case studies, ending with a set of relevant questions.

Keywords: COVID-19 pandemic, resilience, business environment, retail market, communications market, CSR

***The evolution of the COVID-19 pandemic in Romania in the 2020-2021 period.
A brief insight***

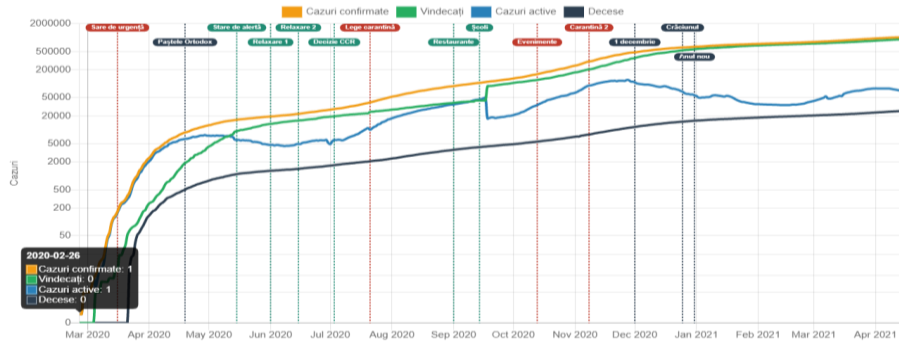
The coronavirus pandemic was a shock for all countries and their economies. The public administration and also the private sector played a dual role in managing the pandemic's effects: (1) they tried to surpass the negative outcomes and also prevent other unforeseeable effects that could be generated by this shock, while (2) attempting to develop their resilience. Since 2004, Romania has adopted a legislative framework regarding risk situations, such as the coronavirus pandemic, through Regulation framework no. 1491 from 9th September 2004, regarding the organizational structures, responsibilities, and functioning of the operational committees and centres for emergency situations and the Government Decision no. 557/2016 for the management of risks.

In this context, the counties' Inspectorates for Emergency Situations designed the plans for risk management in collaboration with other institutions with responsibilities in this domain. Even if a general legislative framework was adopted, the coronavirus pandemic, similar to other types of shocks, generated different unexpected situations which needed well-prepared authorities able to implement rapid measures in response to the shock and also generate support for the business environment that the economy relies on.

In Romania, the first case of coronavirus was recorded on 26 February 2020, in Gorj County, situated in the South-West region. The first patient was in direct contact with an Italian national who visited Romania. Firstly, most of the people who tested positive for coronavirus came from countries such as Spain, Italy, or other countries with a high number of infections, or had contact with persons who travelled abroad. Official data (Statista, 2021) show that up to July 2021, 1,081,120 cases of coronavirus were registered. Of the total number of cases, 1,045,351 persons were cured and 34,168 people were deceased.

At the beginning of the pandemic, the virus spread relatively slowly. The highest daily increase was in during the autumn, on November 18 when 10,269 new cases were registered. When the COVID-19 pandemic started, in the first wave of infections, Romania had a testing capacity of 2000 people per day, which increased to 20,000 tests per day, in the second wave. The cities that registered the highest number of coronavirus cases were Bucharest, Cluj, Iași, Brașov, and Timișoara (Statista, 2021; Geospatial, 2021).

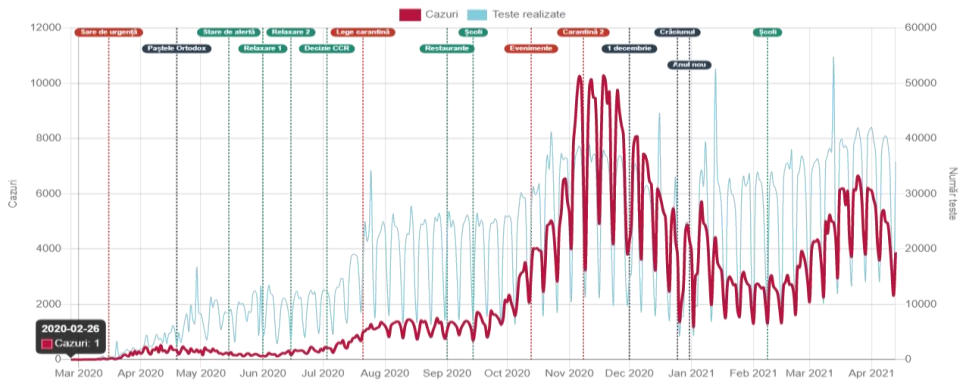
Figure 11.1 The evolution of the COVID-19 pandemic from March 2020 to April 2021



Source: COVID-19 geo-spatial, 2021

As can be observed, the number of cases at the national level (highlighted in orange) followed an upward trend from March 2020 until the middle of 2021 while the number of active cases (highlighted in blue) varied. From the beginning of 2021, the number of active cases was lower than in the previous months, with an increasing tendency in March and April, while in January and February registered a downward trend.

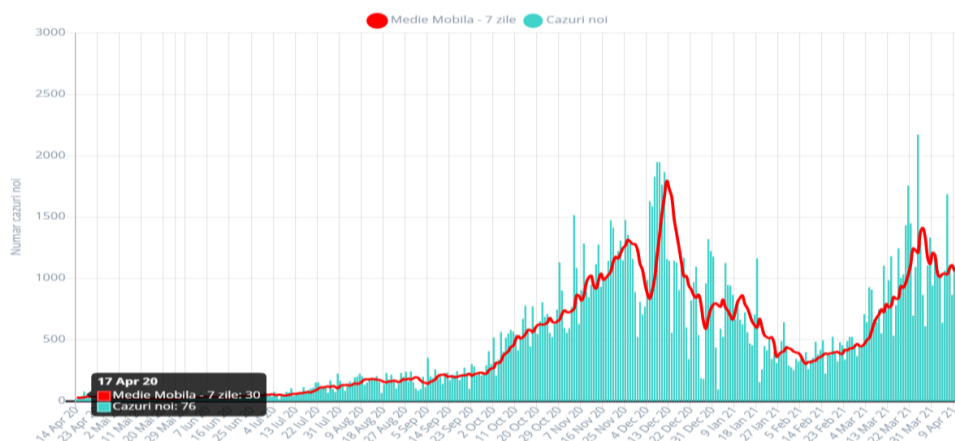
Figure 11.2. COVID-19 distribution of cases per day from March 2020 to April 2021



Source: COVID-19 geo-spatial, 2021

Regarding the daily cases registered at national level (highlighted in red), the number varied pretty much from month to month, the most significant increase being registered in November and December, followed by a downturn trend in February and the beginning of March 2021.

Figure 11.3 COVID-19 distribution of cases per day in Bucharest from March 2020 to April 2021



Source: COVID-19 geo-spatial, 2021

From the beginning of the pandemic, 9.38% of the population of Bucharest got infected with the coronavirus. The number of new cases maintained an upward trend throughout the whole year. The number of cases started to increase considerably from October 2020, reaching its peak point in December 2020. Then, in the first month of 2021, the number of new cases seemed to be on a decreasing trend. At the beginning of March 2021, the situation got worse and by the end of March, the number of new cases increased considerably. From the beginning of the pandemic, 171.838 people suffered from coronavirus, and Bucharest was situated on the 1-st place in the country due to its high disease rate.

Literature review regarding the concept of resilience

From a general point of view, resilience can be understood as the capacity of any type of system to cope with shocks and stressors arising from the external environment, by trying to preserve its main characteristics and functions (Cai et al., 2012; Wojtowicz, 2020). At the same time, the system will try to use all the existing resources in order to continue to develop. Resilience can also be considered as the capacity of a system to adapt and return to the initial state of equilibrium in which it was before the occurrence of the shock (Klein et al., 2003). From other authors' points of view, resilience is about absorbing the shock, adapting to new circumstances, transforming, implementing necessary changes, and evolving to another state of equilibrium (Holling, 1973).

As was mentioned before, the main definitions of this concept presume that in face of disruptions, a system can behave in two manners- either to bounce back or to bounce forward. This definition is suited also when approaching institutional

resilience, which can be understood as an institution's capacity to bounce back to its initial state of equilibrium where it was before the crisis (Horne, 1997; Horne & Orr, 1998; Mallak, 1998; Robb, 2000; Rudolph & Repenning, 2002; Balu, 2001; Dutton et al., 2002; Sutcliffe & Vogus, 2003; Gittel et al., 2006) or to bounce forward and try to become even more successful than it was before (Weick, 1988; Layne, 2001; Guidimann, 2002; Coutu, 2002; Lengnick-Hall & Beck, 2003; Freeman et al., 2004; Jamrog et al., 2006; Zhang et al., 2018).

Institutions play a key role in achieving an equilibrium between the stability and the flexibility that characterize the governance systems, by providing stability and predictability to social interactions (Garrick & De Stefano, 2016; Milman et al., 2013; Koontz et al., 2015; Nyborg et al., 2016; Beunen et al., 2017). Institutions are important for society's well-development; consequently, they need to adapt to the changing environment in which they exist. They should prove to be resilient, and, as a consequence, the concept of institutional resilience appeared. Studying institutional resilience is important because concepts such as policy-making or governance are closely related to the changing environmental, social, and political contexts.

The studies in the field revealed that institutional resilience was addressed from two perspectives. On the one hand, some authors (Horne, 1997; Horne & Orr, 1998; Mallak, 1998; Robb, 2000; Balu, 2001; Dutton et al., 2002; Rudolph & Repenning, 2002; Sutcliffe & Vogus, 2003; Gittel et al., 2006) considered that institutional resilience is the ability of an organization to return to its initial situation before experiencing an unexpected shock or situation. On the other hand, other authors (Weick, 1988; Layne, 2001; Coutu, 2002; Guidimann, 2002; Jamrog et al., 2006; Lengnick-Hall & Beck, 2003, 2005; Zhang et al., 2018) conceptualized institutional resilience as the capacity of an organization to recover from a shock or a problematic situation- stressor and to evolve by acquiring new characteristics and developing new opportunities. From this point of view, building resilience requires a process of developing appropriate strategies and responses to several types of risks and stressors that may arise throughout the existence of an institution.

Institutional resilience can also be understood as the ability to manage crises, maintain the position the organization had before the shock, and exploit adverse situations in a positive way (Kantur & Iseri-Say, 2015). The authors also stated that in order to develop resilience, an organization must have well-established competencies, procedures, practices, processes, and standards to progress and integrate the concepts of adaptation and flexibility into its culture (Lengnick-Hall et al., 2011). Some authors have also proposed several factors with impact on developing and strengthening organizations' resilience. These factors would be the development of leadership, the ability to understand the characteristics of the environment in which the organization exists, and the ability to manage risks and adapt to rapid changes caused by shocks or human capital (Lee et al., 2013; Chaabouni et al., 2015).

The impact of the COVID-19 pandemic on the retail market. A case study on Kaufland Romania

Institutional description of Kaufland Romania

Kaufland is the largest retail company on the Romanian market having as main competitors other important retailers such as Lidl, Carrefour, and Auchan. The company entered the Romanian market in 2005 and in 2020 had around 15,000 employees working in 135 discount hypermarkets, 17 of them being located in Bucharest. According to an internal study, Kaufland's activity in Romania since its entry into the market, has generated a total of over 460 mil. Euros in direct value added, offering 12,500 full-time jobs and supporting almost 48,000 jobs in the Romanian economy through its activity and investments (Romania Insider, 2020b).

In 2018, Kaufland had an annual turnover of 2.4 mil. Euros (Romania Insider, 2020a). In 2019, the retailer obtained a turnover of 2.56 mil. Euros, 9% higher than in the previous year. In the first six months of 2020 Kaufland's sales from its own production achieved over 80 mil. Euros, with 16% more than in the same period in 2019 (Ziarul Financiar, 2021), showing that the beginning of the pandemic did not have a negative impact on the retailers' sales.

The positive trend in sales is explained by the fact that the large retail stores were never closed in Romania, limiting the negative impact of the COVID-19 restrictions on their operations. Even more, given that many shops and malls were closed at certain times during the pandemic, the large retail stores benefited from more concentration of the demand. Consequently, it seemed that the pandemic had a positive impact on the activity of the large retail stores compared to other economic activities.

Main aspects of Kaufland's activity during the COVID-19 pandemic

Analysing the retailers' activity during the pandemic, it can be observed that in the early stages of the COVID-19 crisis, Kaufland took measures to ensure the continuity of its activity under safer conditions. As early as March 2020, Kaufland Romania announced that it *installed plexiglass panels at the cashiers to protect employees and customers, marked safety distances on the floors, and provided all shopping units with disinfection stations*. The company has launched an *informative campaign on coronavirus preventive measures*. In addition, *supplier payment periods have been reduced from 30 days to 7 days to support the suppliers of the company* (Romanian Economic Monitor, 2021).

As measures meant to increase consumption, in April 2020, Kaufland confirmed *a large coverage of free home delivery services* in secondary cities that previously did not have access to such services (e.g., Buzău, Slatina, Târgu Mureş, Alba Iulia, Deva, Bacău, Baia Mare, Focşani, Râmnicu Vâlcea, and Piatra-Neamţ) (Romanian Economic Monitor, 2021). Also, it started to sell cooked meals in its shop rotisseries or fresh bakery. Other important measures aiming to increase consumption in the

COVID-19 context included an increase in shopping vouchers and promotions for selected products (IDevice, 2021).

Another aspect to be mentioned is that Kaufland announced that it would offer gift vouchers worth a total of 1 mil. Euros to its employees in Romania to reward the team's involvement during this COVID-19 period and motivate them (Romania Insider, 2020b).

Before the pandemic, Kaufland Romania has been involved in several CSR projects that aimed to support local NGOs. Since 2018, Kaufland has implemented a program titled “Stare de bine!” (i.e., wellness state) together with the Foundation for the Development of the Civil Society (FDSC). The program consisted in offering over 1 million Euros grants to local NGOs for projects related to cultural activities, sports, or healthy lifestyles (Foundation for the Development of the Civil Society, 2021). Kaufland Romania has been ranked as the leading company in Romania in terms of sustainability (The Azores Sustainability and CSR Services & Allies for Sustainability), being rewarded for its efforts to ensure social responsibility through 7.7 mil. Euros in total invested in CSR projects, with 2.41 mil. beneficiaries of these programs (Kaufland, 2021).

Given Kaufland’s preoccupation with corporate social responsibility and its impact on local communities, its engagement during the COVID-19 pandemic was a continuation of activities that have already been implemented. For example, in April 2020, Kaufland announced a total of 500,000 Euros in donations to NGOs fighting against the coronavirus pandemic- a program in which 14 organizations have been selected for funding (World Bank, 2021). In November 2020, a fire destroyed the intensive care unit of the Piatra-Neamț County Hospital, leading to the death of ten COVID-19 patients. Kaufland announced it would provide 250,000 Euros for the construction of a modular intensive care department for Piatra-Neamț County Hospital. This modular hospital will be an external intensive care unit. Kaufland thus joined the project of Dăruiește Viață NGO, which is involved in building the new modular hospital in Piatra-Neamț (Romania Insider, 2021).

In conclusion, Kaufland was not more prepared for the pandemic in terms of internal procedures and day-to-day activities than all other retail companies in Romania. Kaufland had a limited home delivery system. But it was very well prepared for its outreach in society and community support given its good track record of CSR activities (Kaufland, 2021).

The retailer reacted relatively promptly to the context of the pandemic and the new COVID-19 imposed restrictions. Since March 2020 it announced additional protective measures in its stores and adapted other aspects of its operations to the context (e.g., donations, support for local suppliers, shopping vouchers) (Romania Insider, 2021).

Data on Kauflands’ 2020 turnover suggests that the company managed to wither the storm financially and to continue its growth trend, albeit more modest than expected.

Its business model was adapted to the new COVID-19 restrictions (e.g. cooked meals, fresh bakery, free home delivery) and revenues continued to increase (Kaufland, 2021).

In addition, Kaufland tried to exert a positive impact on society during the crisis by supporting NGOs that were fighting the pandemic and shortening the payment periods for its local suppliers. Its free home delivery, employee bonuses, and shopping voucher programs helped its internal operations and sales but were at the same time elements of support for the local communities surrounding Kaufland's stores (Kaufland, 2021).

The impact of the COVID-19 pandemic on the communications market. A case study on Vodafone Romania

Institutional description of Vodafone Romania

Vodafone is the largest operator of mobile and fixed services in Europe and the largest provider of IoT services in the world. Vodafone operates mobile and fixed networks in 21 countries and 49 partner mobile networks. As of 31 March 2021, Vodafone Group had over 300 million mobile users, over 28 million fixed broadband users, over 22 million TV customers, and over 123 million connected IoT devices (Vodafone, 2021a).

Vodafone launched in Romania in 1997 and now it has around 4,000 employees in Romania and over 50,000 in Europe. Vodafone Romania has a total of 667 stores, with 105 only in Bucharest (Vodafone, 2021), with an annual turnover of 905 mil. Euros (2019/2020) and a customer base of 11 million at the end of December 2020 (Vodafone, 2021a).

At the end of the financial year in 2019, Vodafone Romania announced a total revenue of 734 mil Euros, an increase of 16.9% compared to 2018. In the last trimester (January- March 2020), it registered a downfall of 3.6%, which reflected already the impact of the coronavirus on society (Dumitrache, 2020). In 2020, the company's revenues from services were 801 million Euros, revealing a decrease of 1,5% compared to the previous year (Vodafone, 2021b).

A report published by Vodafone showed that COVID-19 decreased sequential organic service revenue growth due to reduced revenue from roaming and visitation, project delays, and decreased automotive activity in business, as well as lower prepaid revenue in several smaller markets. The COVID-19 crisis has lowered the service revenue growth in the first quarter by 1.3%, which is represented by: 1.6 percentage points from lower roaming and visitor revenue; 0.5 percentage points from lower business revenue, predominately reflecting COVID-19 impacts including corporate project delays; 0.8 percentage points from other impacts. Overall trends in resilient trading performance showed an increase of 0.4% (3 February 2021), and they continued the commercial momentum, despite the lockdown. Also, the report showed an increase in the customer demand for high-speed internet

connection, which can be understood, since most of the working activity was done online (Vodafone, 2021a).

Main aspects of Vodafone's activity during the COVID-19 pandemic

At the beginning of the pandemic, Vodafone introduced a five-point plan all over Europe to counter the impact of the coronavirus. They targeted *to improve the services' quality, enlarge the network capacity, and help the governments with insights into people's movement*. That is why Vodafone Romania, in collaboration with the Ministry of Health, the Babeş-Bolyai University, and the Romanian Association of Cognitive and Behavioral Psychotherapies (APCCR) has developed a phone line where people affected on an emotional level, medical staff, or anyone who dealt with any kind of discomfort provoked by the pandemic could call, get in touch with psychologists, and get therapy sessions free of charge (Vodafone, 2021c).

At the beginning of the pandemic (March 2020), due to the rapid spread of COVID-19, the Vodafone stores had to quickly adapt. They managed to reduce the working program to six hours in a few days and took shifts of working remotely, keeping at the same time the same quality of services. When the quarantine emerged, Vodafone stores had to shut down their physical activity, but the personnel successfully managed to continue their work from home (Vodafone, 2021a). Because all the Vodafone shops were closed during the quarantine period (March-May 2020), it is quite clear that the COVID-19 has negatively influenced the business. In light of these events, in the March-April 2020 period, the company *offered support to the customers by facilitating their communications with their families*, by giving free bonuses available for the quarantine period (Vodafone, 2021a).

The COVID-19 pandemic displayed Vodafone's capacity to respond quickly to society's crucial requirements. Because more people were working and socializing from home, data traffic increased by 50%. They had to act quickly to ensure that they could handle the demand without disrupting service. They increased network investments and transitioned 95% of Vodafone staff from office to remote work in under two weeks. These significant changes provided them with new opportunities in terms of how they serve their clients.

In addition, Vodafone can be considered a reliable partner for the digitization of various sectors in Romania during the accelerating trend laid out by the pandemic – from education, and health, to public administration. It has connected hundreds of schools at a very accelerated pace in Romania in support of the online shift in education during the pandemics and has been able to deliver hundreds of thousands of tablets in a very short time to ensure access to digital education for as many children as possible (Vodafone, 2021c).

Vodafone Romania was also involved in CSR Projects aimed to help society. When COVID-19 started to spread aggressively, Vodafone Romania announced the collaboration with an NGO called “Asociația Voluntarilor Arad” where they donated

150,000 Euros to the Emergency Fund for the acquisition of a testing machine and of 5,000 PCR tests which were used to test people who came in Romania via the Nădlac border (Vodafone, 2021a). More than that, in November 2020, when a fire destroyed the intensive care unit of the Piatra-Neamț County Hospital (Neamț County, North-East of Romania) (Romania Insider, 2021), Vodafone has become a partner in the fight for hospital renovation and construction by joining the “Dăruiește Viață” project, where they announced a 50,000 Euros donation for there construction of the intensive care unit (Romania Insider, 2021).

Due to COVID-19, the schools operated based on the number of infections either online or on-site. At the beginning of the pandemic, for a quite long period, the process of education took place exclusively online. In Romania, there are still many areas without Internet reception. Consequently, many children did not have access to online school. Based on this scenario, Vodafone Romania has financed a program, named “Școala în valiză” (“School in a suitcase”). The program is developed by World Vision Romania with the purpose of connecting the schools from the rural environment to digital infrastructure. Through the program, teachers are provided with laptops and students with tablets. They are also taught to use them (School in a suitcase, 2022).

Another important activity was the launch of the DreamLab application by the Vodafone Foundation to support international oncology studies, later adapted for research on the SARS-COV-2 virus. The Vodafone Group Foundation has donated 200,000 Euros to enable the DreamLab app to support research on antiviral properties and a further 200,000 Euro to support UNICEF’s work in machine learning and data science research, helping to use technological and scientific insights to protect the most vulnerable populations (Vodafone, 2021c).

In conclusion, COVID-19 involved a marked shift to digital services in education, but also healthcare, and various other public services. In a context in which restrictions prevented physical presence for various activities, digital service providers had to step up to ensure the necessary digital tools and infrastructure. Vodafone Romania adapted to the COVID-19 context from both the perspective of its business and also from the perspective of its commitment to CSR having a positive impact on society.

Questions/Tasks/Debate topics for classroom discussion

- In your opinion, did the two companies prove to be resilient in facing the COVID-19 pandemic?
- Do you believe that the companies were prepared for a shock of such magnitude?
- What other measures could be implemented to strengthen the business environment’s resilience?
- Which company proved to be more resilient and why?
- Which company proved to have a better adaptative capacity and why?
- Which company seemed to be more prepared for this shock?

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Conclusions

Good governance is a key factor for national, regional and local development, which many countries aim to achieve and maintain. In a context of changing international equilibrium, transnational crisis and further integration, European democracies require innovative solutions for developing their institutional capacities and resilience. The 11 case studies incorporated in this volume showcase a broad range of national experiences with good governance and resilience in challenging times. Given the wide spread and coverage of various European experiences, the lessons to be learned and good practices to be shared cannot rely on a single, unique framework, as it cannot capture the overall diversity of contextual elements and relevant parameters of good governance and resilience. Therefore, the volume aims at showcasing positive examples that drive the capacity of organizations to manage unexpected circumstances and drawing a series of lessons to be learnt, in a comparative and transnational approach.

The conclusions of the volume are structured in two parts. First, we present four comparison tables that are an overview of the keywords indicated in the chapters, the sector of activity, the industry covered in relevant chapters and the theoretical approaches and/or key concepts relevant for discussion in specific chapters of the book volume. Second, we derive general learnings from the national case studies, focusing on positive examples and best practices of good governance and resilience in challenging circumstances.

Comparative analysis of selected case studies using various criteria

Table 12.1 shows the breadth of discussion about the concepts of governance and/or resilience, but related to the perspective from which these concepts are discussed. Some concepts are relevant in many chapters, while other are relevant for one or few chapters. For instance, business-related concepts, namely business, business crisis, business environment, business process reengineering and business resilience are discussed in chapters 4 and 5, and 7-11. COVID-19 has a relevance for some chapters, such as in relation to the concepts of crisis and pandemic, therefore, synthesized in the same line of table. These concepts have relevance for chapter 3-5, chapter 7, and chapter 9-11. Crisis per se is brought up in relation to business crisis in chapter 7, but also in relation to crisis leadership and crisis management, see chapters 3, 4, 6 and 10. Governance is brought up in the context of corporate governance 2 and 7, good governance 4 and 10, and public governance, see chapters 4 and 6, and multi-level governance in chapter 3. A change in the way of work during the COVID-19 pandemic can be seen in concepts such as remote work, telework, and work from home, discussed in chapters 3 and 5, but other chapters also bring up change management and/or changes in the business environment in other contexts, see chapter 1, 7 and 9. The key concepts of the book, i.e., governance and/or

resilience has also relevance for the discussion in chapters 2 and 11, and human resource management for chapters 1, 2 and 5. Among concepts only brought up once, but still with relevance to the key concepts, are acceptance (of change), chapter 1, business process reengineering, chapter 10, communication market chapter 11, core business, chapter 1, digitalization, chapter 10, innovation ecosystem, chapter 8, longevity, chapter 7, public process, chapter 4, public transport service, chapter 3, reporting standards, chapter 2, and risk management in chapter 6.

Synthesized keywords from all chapters

Table 12.1

Keywords	Ch 1	Ch 2	Ch 3	Ch 4	Ch 5	Ch 6	Ch 7	Ch 8	Ch 9	Ch 10	Ch 11
Acceptance	x										
Business				x	x		x	x			
Business crises							x				
Business environment					x				x		x
Business process reengineering										x	
Business resilience							x		x		
Change management, changes in bus. env.	x						x		x		
Communication market											x
Controversial industry		x									
Core business	x										
Corporate governance		x					x				
Corporate social responsibility		x									x
COVID-19, crisis, pandemic			x	x	x		x		x	x	x
Crisis, crisis leadership, crisis management			x	x		x				x	
Digitalization										x	
Good governance				x						x	
Human resource management	x	x			x						
Innovation ecosystem								x			
Integration	x		x								
Inward resilience						x					
Longevity							x				
Multi-level governance			x								
Multi-stakeholder governance			x								
Organizational decline							x				

Keywords	Ch 1	Ch 2	Ch 3	Ch 4	Ch 5	Ch 6	Ch 7	Ch 8	Ch 9	Ch 10	Ch 11
Organizational life cycle							x				
Outward resilience						x					
Performance	x										
Policy process				x							
Public governance				x		x					
Public services										x	
Public transport service			x								
Public-private partnership			x	x						x	
Readiness	x										
Remote work, telework, work from home			x		x						
Reporting standards		x									
Resilience				x		x			x	x	x
Resistance	x										
Restructuring							x				
Retail market											x
Risk management						x					
Stakeholder	x		x	x							
Transition, transition management					x			x			

Even if it is not clearly visible in table 12.1 upon further examination of the topics covered in the chapters, a closer correspondence between them can be found in case of relevant keywords.

Table 12.2 show that the discussion about governance and/or resilience has relevance both for the public and the private sector, as well as in the case of public-private partnership. Most of the chapters in this volume focus on the private sector, namely chapters 4 and 5, chapters 7-9, and chapter 11, followed by the focus on public-private partnership, discussed in chapters 1, 3, 4, and 10. Only three chapters offer examples from purely the public sectors that is chapters 2, 6 and 8.

This particular finding may suggest that public governance per se is not sufficient anymore in order to explain the complex process of governing, through which decisions are made, that are intended to impact a wide span of societal outcomes, such as economic, social, environmental and other important outcomes (Wolman, Levy and Hincapie, 2011). Such a complex process is based on a complex network of relationships, which require the interactions between all the stakeholders involved in the decision-making process, from public institutional actors to private and social actors (Ruano, 2015b).

Overview of sectors covered in relevant chapters of the book volume

Table 12.2

Sectors	Ch 1	Ch 2	Ch 3	Ch 4	Ch 5	Ch 6	Ch 7	Ch 8	Ch 9	Ch 10	Ch 11
Public sector		x				x		x			
Private sector				x	x		x	x	x		x
Public-Private Partnership	x		x	x						x	

Table 12.3 demonstrates breadth of discussion about industry in the book volume, ranging from alcohol and tobacco production, covered in chapter 2, to aviation, transportation and tourism covered in chapters 1, 3 and 4, respectively. Some of the chapters deal with general services, such as chapter 11, which cover communication, or public services/utilities, chapters chapter 6 and 10, or retail in chapter 7 and 11 while others deal with activities that are much more specialized, namely scientific instruments and technology covered in chapter 8, and information and communications technology addressed in chapter 5.

Overview of industry covered in specific chapters of the book volume

Table 12.3

Industry	Ch 1	Ch 2	Ch 3	Ch 4	Ch 5	Ch 6	Ch 7	Ch 8	Ch 9	Ch 10	Ch 11
Alcohol and tobacco production		x									
Aviation	x										
Communication											x
Info. and Communications Technology					x						
Public services / utilities						x				x	
Retail							x		x		x
Scientific instruments								x			
Tech company								x			
Tourism	x			x							
Transportation	x		x								

It is not surprising that tourism and aviation are present in the choice of cases authors have made, since during COVID-19 these sectors were by far the most severely affected. Also, the public services case is a very relevant one, as they address the common good and satisfy citizens essential needs, thus their provision has always been regulated by special legislation, following several principles such as equity, transparency, efficiency, continuity etc. The continuity principle refers to the fact that basic public services, such as water provision, public transport, health services etc. should be provided on a continuous base, no matter the circumstances. Consequently, employees working in public services are sometimes not even

allowed to organize strikes, or they can be on strike, but for a very short time or under the condition that they still provide a certain service capacity. During COVID-19 pandemic public services were very much challenged in terms of good governance and resilience. The pressure was not caused by a decrease in the demand, which was the case of many private companies, but implied a lot of changes in field of working planning and work loads.

The table shows the relevance of good governance for all types of operations and businesses, in various types of industries, as the diversity of the book chapters demonstrates.

Table 12.4 provides an overview of the main theories and/or key concepts discussed in the book. The table demonstrates how broad the theoretical coverage is in context of governance and/or resilience.

Overview of theoretical approaches and/or key concepts relevant for discussion in specific chapters of the book volume

Table 12.4

Theories or concepts	Ch 1	Ch 2	Ch 3	Ch 4	Ch 5	Ch 6	Ch 7	Ch 8	Ch 9	Ch 10	Ch 11
Business restructuring							x			x	
Change management	x						x				
Corporate Social Responsibility		x									
COVID-19			x	x						x	x
Crisis management						x	x				
Good governance				x						x	
Human Resource Management					x						
Multilevel governance			x								
Multi-stakeholders			x	x							
Public-private partnership			x	x						x	
Public governance						x					
Resilience				x		x	x		x	x	x
Transition theory								x			

It is not surprising that the concept of resilience per se is touched on in many chapters, namely chapters 4, 6, 7, and 9-11. Governance is then discussed in the context of good governance in chapters 2, 4 and 10, as well as in the context of public governance in chapter 6. Issues related to COVID-19 are also evident, see for instance chapters 3, 4, 10, and 11, but also crisis management in chapters 6 and 7. While most of the chapters focus mainly on a particular theory, or key concept, other are discussed from a broader perspective, such as chapter 3, covering COVID-19, multilevel governance, multi-stakeholders and public-private partnership, and

chapter 4, addressing COVID-19, good governance, multi-stakeholder and public-private partnership approaches as well as the concept resilience. Other chapters addressing several of the key theories and/or concepts are chapter 7 and chapter 10. Those that have more specific focus are chapters 1, focusing on change management and human resource management, chapters 2, addressing corporate social responsibility, and good governance, chapter 5 building on human resource management, and chapter 8 employing transition theory.

What can be concluded is that even though authors of different book chapters have chosen specific theoretical approaches and/or key concepts relevant for their cases, other approaches or keywords may also have been relevant. For instance, while chapter 1 centers on change initiative it also has to do with how changes are introduced and communicated with the employees, and thus human resource management. Same applies to chapter 2 which focuses on corporate social responsibility, and if CSR is relevant for controversial businesses, but public governance is also relevant for the case discussion.

Lessons to be learned regarding good governance and resilience in challenging times

The cases presented in this volume portray very diverse and unique national experiences in terms of good governance and resilience in crisis times. However, there are some common patterns which can be identified and highlighted as positive example or good practices to learn from. Despite the fact that all the organizations presented in the case studies were not specifically prepared for a pandemic in terms of their daily operations, most of them reacted with agility, following closely the official guidelines, working in cooperation with other public, private or nongovernmental actors and performing a participatory decision-making process.

One of the major effects of the COVID-19 restrictions was related to work planning and work conditions. Depending on the nature of their work, many employees started to work remotely, or experienced hybrid working models, or if these were not possible (operational jobs), people were forced to perform their jobs in very restrictive ways (social distancing, mask wearing, modified work shifts and work loads etc.). Therefore, for organizations that were already very digital before the pandemic the adaptation to the new circumstances was faster and encountered less resistance. On the other hand, no matter the level of digitalization all organizations were pushed to accelerate the digitalization rate. Several existing digital tools that were not very attractive for clients (e-services) or employees (e-learning platforms) became very popular during pandemic.

Moreover, evidence provided within several case studies (chapter 10, chapter 11) seems to support the hypothesis that digitalization enforces resilience, as organizations that had a high level of digitalization tended to be more flexible and more agile during COVID-19 pandemic. Moreover, some of them were so agile that they managed to turn the pandemic into a business opportunity (see Apa Nova București that opened a face masks factory to cover the needs of the Veolia worldwide).

In the particular context of COVID-19 when so many weaknesses and vulnerabilities in both public and private sectors emerged and required mutual support, PPPs proved to be an effective instrument for stakeholders' cooperation, aimed at supporting agility and robustness in addressing the crisis, as shown in chapters 3,4, 10 and 11.

Two chapters in this volume are dedicated to organizations coming from industries that were not severely affected by the pandemics, on the contrary (water services, communications and retail sector). Because these organizations had a systematic pre-existent societal engagement strategy, they managed to develop partnerships and a good perspective on the social environment, and as such they could act with agility during the crisis and target relevant issues with the help of validated social partners. Therefore, another lesson to be learned is that long-term, sustained CSR activities provide a good foundation for agile and swift reaction during the crisis.

When shocks and stressors from the external environment occur, organizations look for ways to return to the initial state of equilibrium and preserve its main functions (Cai et al., 2012, Wojtowicz, 2020), or in other words to be resilient. Due to such disruptions, organizations mostly behave in two manners – they either bounce back with defensive approach or bounce forward by taking a progressive approach and trying to become even more successful than before the shock (Zhang et al., 2018). COVID-19 caused an unanticipated and unprecedented crisis for most organizations and was a true test of organizational resilience.

Cases presented in this book confirm that there is no universal strategy that could lead to resilience as each crisis is unique and requires tailored response. For example, cases presented in chapter 4 (Benidorm Tourism Foundation) and 6 (the city of Sisak) indicate that a multistakeholder approach based on joint efforts of private and public sector organizations is necessary in cases of major crises as was the recent COVID-19 crisis. Furthermore, case 6 proves that in cases of massive shocks and another unique crisis – earthquake, immediate actions of local and state authorities were a necessity for the recovery of other private and public organizations.

This volume shows that COVID-19 forced organizations to be agile more than ever before, as some of them entered into completely new businesses (e.g. see case 10, Apa Nova Bucuresti). Presented cases show that in attempts to overcome the crisis organizations also strengthened and digitalized its internal procedures, improved organization design, and innovated human resources practices (see cases 10 and 11). Private sector reacted to the crisis relatively promptly, as can be seen from case 11 (Romanian retail and communications companies). Privately owned companies managed to adapt its operations to the new situation within days, although many of them were supported by public policies. Nevertheless, managing risks and protecting the well-being of employees was a common concern among most cases (e.g. see case 10 or case 11), just as resilience and agility were a prerequisite to thrive in a crisis.

Several cases in this book deal with multi-level governance. Multi-level governance implies a pragmatic concern with finding solutions to shared problems through

specific forms of regulation, decision-making processes and common resources within public governance. Representatives of all the levels of government must be included for decision-making in multilevel governance and as chapter 3 shows, no level of government acting alone can solve most policy problems, when a State is organised according to a certain level of decentralization. In other words, decentralized organisational structures oblige to multilevel governance.

Multi-stakeholders do not refer only to multi-level governance, but also to different stakeholders according to their nature, i.e. private/public. Public actors interact with private ones in Public-Private Partnerships for both decision-making and public policy implementation, in a big and complex multi-stakeholders game. Public entities (including State Owned Enterprises – SOEs) and private operators act together with other stakeholders such as trade unions, consumer and user associations among others (as shown in chapters 3 and 10) following a model of transversal management, always under public guardianship.

This last condition is perhaps the most outstanding lesson to be learnt from multi-stakeholder interaction: the necessary and compulsory direction of the public sector (State), in the understanding that public sector (State) responds to the demands of citizenry as a whole, as opposed to private stakeholders that represent private interests. Furthermore, this public leadership needs to be strong since government relationships with the private sector are not self-administering (Baxter and Casady, 2020), specifically in challenging times such as the SARs-Cov-2 pandemic.

Benefits from Public-private partnerships are the introduction of new management and human resources like taking top-down decisions based on a bottom-up understanding of the processes; constant support for change; and changing employees' mentalities (Guitard, 2020), among many others that were shown in chapter 10. And furthermore Public-Private Partnerships contracts constitute a tool for policy-makers bringing efficiency and attenuation of the pressure on the public accounts, since part of the financing comes from private investments (as shown in chapters 3, 4 and 10). Finally, what public governance means today, as shown in the chapters, is a multi-level and multi-stakeholder governance directed by the State to guarantee common goods (such as water, transport, tourism) that includes Public-Private Partnerships.

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