

**ACCOUNTING AND BUSINESS
IN A SUSTAINABLE
POST-COVID WORLD:
NEW PERSPECTIVES AND CHALLENGES**

ACCOUNTING AND BUSINESS IN A SUSTAINABLE POST-COVID WORLD: NEW PERSPECTIVES AND CHALLENGES

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Preface

The onset of the Covid-19 pandemic has significantly impacted the strategic, operational and financial performance of many organisations. It has accelerated long-term trends observable in the last few years in the areas of financial inclusion and sustainability, stakeholder capitalism, digitisation, cybersecurity and global connectivity. The pandemic has also brought specific issues to the forefront, including reprioritising strategic focus areas, employee health and safety assurance, stakeholder engagement, and transitioning into a low-carbon economy. It has involved many adverse implications such as increasing inequalities and mobility constraints, production stoppages, supply chain disruptions, decrease in consumer spending, loss of significant clients, closures of locations, staff lay-offs and work restrictions. But importantly, Covid-19 has also provided an unprecedented learning opportunity for organisations to better prepare for future infectious epidemics and enhance operational decision-making speed under challenging times (Dyczkowska, Krasodomska, & Robertson, 2022).

Bodenheimer and Leidenberger (2020) argue that the pandemic can provide a window of opportunity for promoting sustainability transitions. However, they state that it can only be reached through deliberate planning and intentional, strategic communication. This creates room for narrative accounting and value reporting. Accountable organisations may wish to use these tools to disclose their sustainable actions directed at stakeholder relief. Cho, Senn, & Sobkowiak (2022) remark that *accounting holds the potential to provide the visibility about the state and sustainability of ecosystems in business decision processes*. Therefore, accounting may not be perceived as a tool representing financial performance but rather as an instrument showing how value is created for business, stakeholders and the planetary wellbeing.

This monograph aims to highlight what new challenges and perspectives the global pandemic brought into accounting and business and how they have shaped business sustainability in the post-pandemic era.

The first chapter of this monograph elaborates on understanding the importance of **sustainability accounting in times of the Covid-19 pandemic and post-pandemic period**. The author formulates the following thesis: sustainability accounting is expected to strengthen corporate accountability during a pandemic crisis and thus helps companies prepare to manage different ESG risks. The study compares the progress in sustainability accounting research throughout 2020–2022 and addresses

the fundamental changes and trends resulting from the bibliometric analysis based on searching for 'sustainability accounting' and 'Covid' topics in the Web of Science database.

The second chapter investigates **the Covid-19 impact on business in Lithuania**, relying on official statistical data and information. Globalisation and internationalisation have changed the world and created new relationships and opportunities for interacting, developing innovative business ideas and sharing positive or negative achievements and experiences. The recent Covid-19 pandemic, in the best way, illustrates the interfaces between economies and societies. It has impacted different life spheres in various countries. Most business organisations had to find a way to survive under strict quarantine requirements and new conditions and still try to deal with consequences and mitigate the incurred losses. The authors of this chapter analyse the effect of the pandemic on business by considering companies' financial indicators, analysing instruments and tools of Covid-19 governmental support for business, and their impacts on a business financial position.

The third chapter addresses **the legislative development and its impact on the digitisation of accounting in the Slovak Republic during the Covid-19 pandemic**. It is worth emphasising that the Slovak government has been forced to mitigate the effects of its restrictive measures in preventing Covid-19 pandemic impacts to maintain the economy and trade effectively. These efforts resulted in several amendments to the Slovak accounting legislation. The last amendment to the act on accounting, effective from January 1, 2022, implements the gradual transition of business entities' accounting to electronic form, enabling the electronic form of archiving accounting documentation and bookkeeping processes. The amendment affects all business entities, as they must maintain books as a system of accounting records and archive accounting documentation. It aims to facilitate administrative work in accounting and transfer it to the electronic environment. Thanks to that, a reduction in costs and environmental burden on the entrepreneurs are expected. In order to obtain information on the degree of digitisation and automation of business processes in the accounting of business entities operating in the Slovak Republic and related costs, the authors of this chapter conducted a questionnaire survey in February 2022.

The fourth chapter analyses the **legacy left by the pandemic period for the digitisation of businesses, especially in Brazil**, and its contribution, through said virtualisation process, to the development of data protection in the referred country. The Covid-19 pandemic, which started at the beginning of 2020, shifted society's ways of connecting. Due to the need for social distancing, the primary way to combat the contagion of the virus, the virtual environment has taken a leading role, thus accelerating the process of the digitalisation of societies. The phenomenon was no different in the business sector, having intensified its digitisation, either out of

necessity or in searching for more significant benefits. These dynamics, which were already a global trend, as can be seen in countries such as Estonia, Taiwan, Poland and India, had great impetus in Brazil, and, as a result, several new issues gained prominence, including data protection. With the entry into force of the General Data Protection Law (LGPD in Portuguese) in 2020, and its sanctions in 2021, the subject increased in importance and, combined with the impetus of business virtualisation, the development of the theme was even more pronounced among business organisations.

The fifth chapter **investigates selected failure characteristics** and links those to the firm's theory to show that failure can be normal and not necessarily bad. Next, the manageability of failure is discussed to work out how the understanding of failure is affected by three major contextual elements: the success factors, different structures of expectation and various types of change. Ultimately, the authors define three strategy archetypes of failure management and put them into a situational context to introduce the first approaches to set up a failure strategy-matrix. The topic of business failure is particularly critical in post-pandemic times when organisations need to focus on retaining the business vitality in the context of profitability and the sustainability of the business to meet the expectations of various stakeholder groups. Therefore, quoting Winston Churchill: *Success is not final, failure is not fatal – it is the courage to continue that counts*, the authors suggest that business failure should not be stigmatised since it can also have positive effects, especially in the long run.

The sixth chapter continues and refers to the elaborations made in the previous chapter. It **presents the results of the study on failure perception among employees of business organisations from six countries**, including Brazil, Estonia, Finland, Germany, Poland, and Scotland. In order to provide a broader picture of the examined subject, the authors did not focus on any specific sector or size of business. Moreover, to get an unbiased perspective on failure management practices, they resigned from surveying owners or managers of companies who – even if anonymity was guaranteed – could have been reluctant to share examples of failure in organisations they ran. Instead, the employees of various levels of the organisational hierarchy who, nonetheless, had the necessary knowledge and experience to recognise the importance of failure and make a judgement on practices related to failure management in organisations were asked for their opinions. The authors believe that the study contributes to a better understanding of the nature of failure in different business settings. The study also prepares a basis for developing a theoretical reference model for failure management in increasingly 'fuzzy' surroundings. This may be particularly valid for enterprises where failure is most common, including start-ups and knowledge-intensive industries, and **enterprises that have been affected by the**

outbreak of the Covid-19 pandemic and had to rearrange their business models to act sustainably and survive difficult times.

The situation in 2020–2021 related to the Covid-19 pandemic made it necessary to rethink the threats that may cause business bankruptcies. Until the pandemic, the primary goal of each company was to increase its value, understood as assuring profitability. In 2020, some companies could continue to achieve their goal while others were struggling to survive. In the context of business failures, the next chapter focuses on assessing the effectiveness of selected Polish discriminant models in detecting crises in companies listed on the Warsaw Stock Exchange from five to one year before bankruptcy. The author formulated two theses. The first one suggests that the effectiveness of Polish discriminant models varies and changes in particular years. The second one states that discriminant models' realistic effectiveness is lower than their authors declared.

The eighth chapter **proposes modifications to the Balanced Scorecard with additional perspectives, including risk mitigation goals and CSR goals.** Nowadays, companies that want to survive must cope with dynamic changes, growing customer requirements and fierce competition. On the one hand, the Covid-19 pandemic caused companies must have revised their strategy in response to the health crisis. On the other hand, restrictions have created new threats to enterprises and highlighted new expectations of stakeholders. It turned out that enterprises are to redefine their risk management policy, which is not just about limiting the threats but also about supporting the closest environment. The author claims there is a need to implement the CSR perspective in enterprises that have not been exposed to the Covid-19 crisis, whereas **the enterprises directly affected by the Covid-19 crisis should extend the Balanced Scorecard to the risk perspective.**

The next chapter aims to present **tools supporting the strategic assessment of the district heating systems' (DHS) situation and define various scenarios of their transformation in the direction consistent with the climate policy of the European Union.** At the same time, the chapter presents the fundamental aspects of the business model renewal of enterprises operating in this market, enabling them to adapt to new challenges in the heat market. The DHS must transform to reduce carbon dioxide emissions by increasing energy efficiency and the share of renewable energy sources (RES) and waste heat in heat generation. This transformation will be associated with a significant technological change and the definition of new ways of generating value for customers and shareholders.

The pandemic caused a recession with even more severe consequences for the world economy than after the global financial crisis in 2009. The scope of the pandemic and its effects were limited by the number of solutions introduced, being the

reaction of state authorities and company management to phenomena of a social and economic nature. The author of the tenth chapter highlights that **the decentralised model of the electricity market adopted in Poland optimises the market position of its entities and the security of supply**. The state of this sector remains closely related to the rest of the economy. Therefore, it was essential to establish whether this market's entity in the second year of the pandemic, which influenced 70% of its shape, maintained a stable financial situation. The verification of this statement allows for concluding that the prolonged state of **the pandemic did not affect the ability of energy companies to continue investments in technical infrastructure**, including those related to the production of electricity with the use of renewable energy sources. From the analysis of the country's macroeconomic situation, it can be concluded that enterprises were highly adaptable and resistant to restrictions in 2021. In the case of the surveyed energy sector enterprises, this adaptation was confirmed in organisational and financial terms.

It can also be stated that the **Covid-19 pandemic has impacted the way universities work**. Since March 2020, academic life has changed because of the lockdown. The online courses immediately altered their proceedings, and the courses began entirely in a virtual way. The public universities had significant problems in shifting the way the classes were carried out. Firstly, there was a lack of software infrastructure to enable the change from in-person to online classes. Secondly, some students needed support to get a proper device and Internet access when they attend classes. All those procedures took until October 2020, when hybrid classes started. Professors had to prepare two hours of online classes and asynchronous activities. All those systems worked until October 2021, when some in-person teaching started, which was restricted to small classes. Starting in December 2022, the classes returned to the hybrid way of teaching due to the outbreak of the Omicron virus. The eleventh chapter **analyses the evolution of education during the pandemic** and answers the following questions: What have we learned as teachers from online learning experiments? What have the students learned from this experiment? What could be improved from the teacher's and student's perspectives? Furthermore, is there any solution that could be introduced to develop the effectiveness of virtual learning? These questions are considered in the context of the Federal University of the State of Rio de Janeiro – UniRio, especially the law school.

In this vein, the last chapter also **investigates the effect of Covid-19 and the distance learning effect on accounting students**. The study takes a qualitative approach. The research aims to identify students' best and worst experiences related to distance learning due to the Covid-19 pandemic, the changes in their approach to teamwork, and their expectations towards performance assessment, teaching methods, and content of courses.

The monograph offers a broad overview of the impacts that the Covid-19 pandemic made on accounting and business and presents a long-term focus in which the world health crisis may be perceived as a vital driver of more extensive economic, organisational and social changes. Therefore, this publication may be intriguing and absorbing for such an audience as accounting and management scholars, doctoral and master's students of socio-economic studies, and business practitioners. The book can also be used as supplementary material for accounting courses at the undergraduate and graduate levels.

Joanna Dyczkowska

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Conclusions

The monograph outlines how the world has changed in the wake of the Covid-19 pandemic and, consequently, people's organisational behaviour, attitudes and expectations. At the pandemic's beginning, humans and organisations had to deal with uncertainty and unpredictability in life and business activity. This could result in measures that were not always well thought out and sometimes too restrictive, which negatively impacted interpersonal relations, work dynamics, and efficiency. The governments undertook specific support tools to mitigate the impact of the pandemic, including compensations, subsidies, loans and other financial instruments.

Presently, the issue of recovery comes to the fore and should not be based on short-term survival but focused on long-term sustainability reflected in environmental and social commitment. The post-covid era will require accountability to be recognised as a basis for sustainable accounting and business development. The enterprises will presumably be expected to assess the contemporary external threats related to new pandemics, climate changes, economic and social consequences of wars and migrations. They will be forced to use management control systems to monitor economic, environmental and social performance and report them effectively to stakeholders. Interestingly, enterprises must be open to revising their business models more frequently in today's unstable and quickly changing circumstances. Moreover, business failures cannot be seen unambiguously negative or can be, under some circumstances, tolerated or even treated as an opportunity to improve a business. Nowadays, organisations must be prepared for various future crises, and it is the responsibility of the management board to consider the risk of crisis and be prepared for various scenarios assuming that each crisis creates both heroes and losers.

From an external perspective, it turned out that during the pandemic, close relationships and collaborative actions between business, government, labour, and civil society and the commitment to stakeholders became a remedy for enduring this health crisis and protecting long-term sustainability. In particular, collaboration helped many enterprises tackle markets, social or environmental problems or win advantage through collective responses to uncertainty or turbulences (Dyczkowska, Krasodomska, & Robertson, 2022).

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