

**KAPITEL 7 / CHAPTER 7⁷****MANAGEMENT IN THE ACTIVITIES OF A SUBJECT OF ECONOMIC PROPERTY DURING THE STATE OF WAR****DOI: 10.30890/2709-2313.2023-19-03-005****Introduction**

The declaration of martial law is determined by the legislation of the country, which contains criteria and procedures for the imposition of martial law. Typically, martial law is declared in cases of: threats to national security; threats to public order; threats to internal stability; and in other cases where urgent measures are necessary to ensure state security. Management of a business entity during martial law is an extremely important task, as it requires responsible and experienced leadership to ensure the effective operation of the enterprise under new conditions.

This is because in all cases of martial law, the management system of activities is transformed taking into account the specific situation and in accordance with the restrictions and requirements of the law. In most cases, there are limitations on the rights and freedoms of citizens, including the right to property and the right to entrepreneurial activity. In addition, the conditions of martial law may include a number of standard restrictions on the activities of business entities, including: a ban on the movement of transport; restrictions on the use of energy resources; a ban on the export of goods outside the country, and so on.

For countries that are in a state of war or military conflict, such management becomes particularly important as it can help ensure economic stability and assist in rebuilding the economy after the war. Evidence of this can be seen in countries that have experienced the effects of martial law at one time or another. There are countries where the war completely destroyed the economy, as local business management proved unable to find solutions for survival and business recovery during the martial law period - such countries include Syria (the consequences of armed and political conflict that began on March 15, 2011 with demonstrations that were part of the Arab Spring) and Bosnia and Herzegovina (the consequences of the conflict in the former Yugoslavia).

Among such countries is Albania, which after the war in Kosovo, which lasted

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from 1998 to 1999, became one of the poorest countries in Europe, where entities of economic ownership had no potential for recovery. Therefore, in 2000, Albania received financial assistance from international organizations and countries, which allowed for the restoration of the economy and the launch of reforms in privatization and market liberalization. By 2022, Albania's economy had stabilized, but still had low indicators compared to most European countries.

However, there are successful examples of effective management during a state of war. Such experience is usually formed in countries where the subject of economic ownership has long been in an environment that is either close to or affected by a state of war. Israel, for example, is constantly in conflict with various neighboring countries, so the management of the subject of economic ownership is prepared for possible restrictions and changes in the activities of enterprises, thereby always maintaining its viability. Another example is Ukraine, which has been living under a state of war for some time now (which was introduced at 05:30 on February 24, 2022), yet the country has maintained a viable economy. Even on the de-occupied territories, 634 subjects of economic ownership, which had previously applied for relocation, refused it and continued to work after the liberation of the populated area.

7.1. Basic reasons that determine the importance of management in the activities of a subject of economic ownership during a state of war.

The author emphasizes that the basis of the research is the subject of economic ownership, which we interpret as an organization or enterprise that owns economic objects and carries out economic activities for profit during a state of war. Such subjects may have different forms of ownership, such as state, municipal, private, but in any case, are subject to restrictions (which may vary depending on the specifics of the threats), and therefore incur significant losses of resources and foregone profits. In fact, only effective and flexible management (which responds to the conditions of a state of war) can ensure the survival of such a subject, which is crucial for the economy and national security.

To define what is meant by the term "effective management," it is necessary to identify the reasons that make it important during times of war. These include [1; 3; 4]:

The probability of significant decreases in production and trade volumes, as well as increased costs.



Increased military control and manual regulation of the economy by the state.

Increased risk of terrorist attacks and other dangers, changes in relations with other countries and international trade.

Increased risk of failures in energy supply and infrastructure, which can affect the operation of enterprises.

Increased risk of pandemics and other global crises.

It is important to note that the conditions of wartime and peacetime differ significantly and have a significant impact on management. In wartime, decision-making is typically done quickly and within a very short timeframe. War requires swift responses and effective coordination of actions in all areas of enterprise management.

7.2. The role of management in the activities of an economic entity in adjusting costs, production volumes, and trade during a state of war.

Yes, the conditions of a state of war can lead to a significant reduction in production, trade and increased costs due to a decrease in demand for certain goods and services, possible restrictions on trade with other countries or regions, and a decrease in the level of investment in production and trade. For example, in Israel, any military tension or conflict with Palestinian and other neighboring territories leads to a significant decrease in tourism flow and demand for tourism services, which is an important part of the country's economy. In 2014, the conflict in eastern Ukraine led to a decrease in production, trade, and investments in the country's economy. Additionally, the country suffered losses in the energy sector due to its dependence on gas imports from Russia, which was the main supplier of gas to the country at the time.

Therefore, effective management in this direction involves reducing costs and increasing productivity through measures such as efficient planning and resource management, quick retooling or optimization of production processes, focusing on key products and markets, transforming communication with partners and customers, and monitoring financial performance. Essentially, management should adopt measures that ensure adjustments in costs, production volumes, and trade (Figure 1).

The effectiveness of management in this case lies in the ability of the entity to quickly adapt its activities and the processes that shape them.

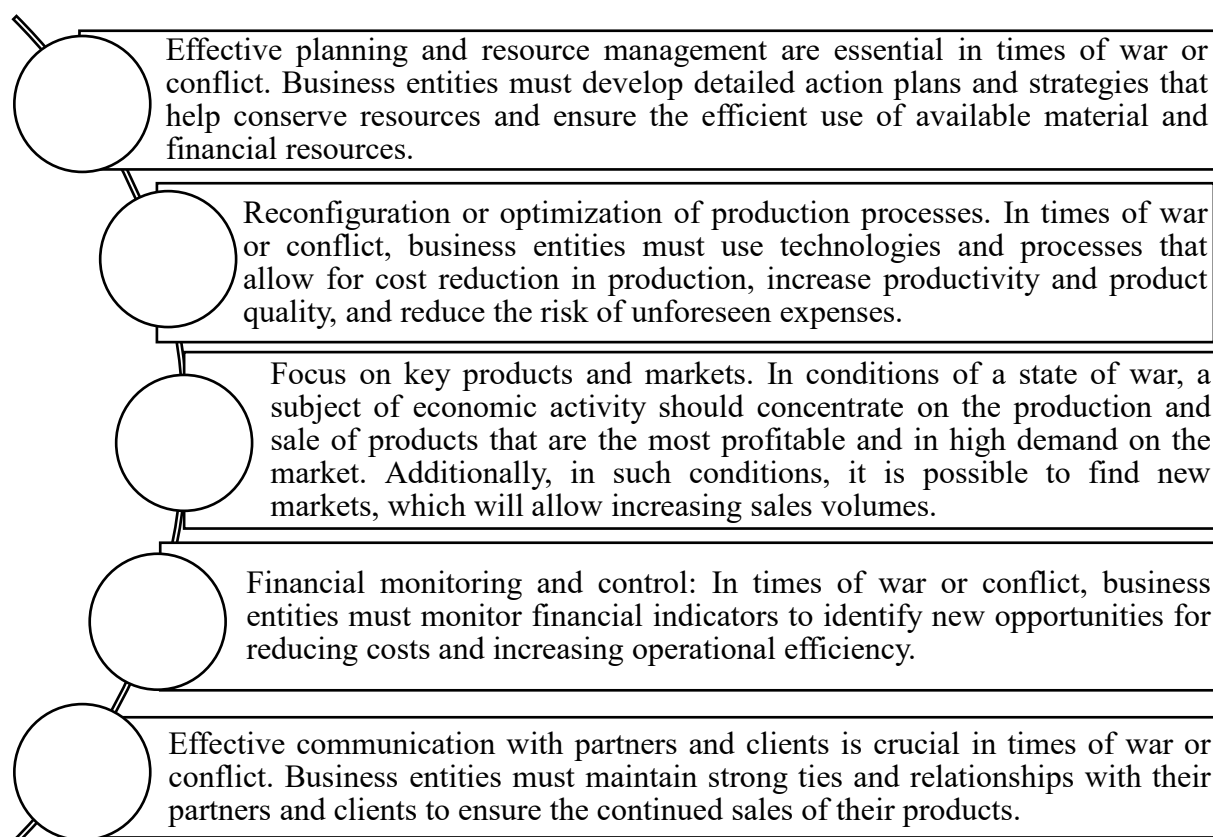


Figure 1 - The role of management in the activities of an economic entity in adjusting costs, production volumes, and trade during a state of war.

Source: formed based on [4]

7.3. The role of management in ensuring effective interaction between a business entity and regulatory bodies responsible for the economy in times of war or conflict.

In a state of war, there is always an increase in military control and government regulation of the economy (including restrictions on production and sale of goods and services, approval of production plans, etc.). In such conditions, effective management should be directed towards ensuring efficient interaction with the authorities responsible for regulating the economy during a state of war, through: constant interaction with government and military bodies; support for production stability in extraordinary circumstances; support for transparent and clear procurement and supply procedures; implementation of a system for monitoring and controlling product quality; and ensuring the safety and health of employees. Thus, the overall role of management in ensuring effective interaction with the authorities responsible for



regulating the economy in a state of war is shown in Figure 2.

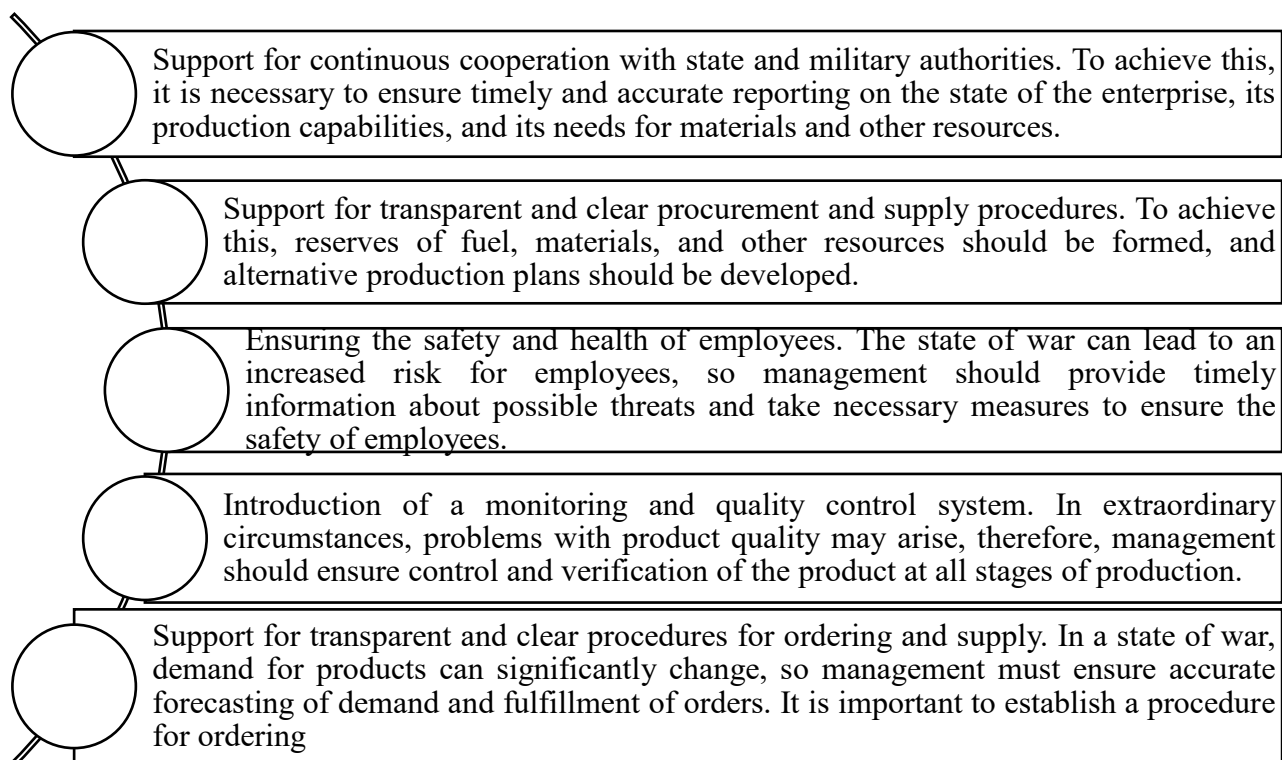


Figure 2 - The role of management in ensuring effective interaction between business entities and regulatory authorities in times of war or conflict

Source: formed based on [1; 3; 4]

In fact, the measures outlined are intended to help preserve jobs and balance production or other activities with the demands of wartime.

7.4. The role of management in reducing the risks of terrorist attacks and other hazards to a subject of economic ownership in a state of war.

Martial law can lead to an increased risk of terrorist attacks and other hazards that are relevant not only to the population but also to the subject of economic ownership (such as attacks on enterprises, destruction of infrastructure, and disruptions in the supply of energy and water).

One example is the conflict in the southwestern region of Israel with Palestinian militants. During such conflict, enterprises in the southwestern region of Israel often suffer significant losses due to shelling, terrorist attacks, and disruptions in transportation networks. In particular, during Operation "Protective Edge" in 2014, militants from the Gaza Strip periodically launched rockets at cities and towns in



southwestern Israel. Several rockets hit metal and electronics manufacturing plants and other enterprises in the city of Ashdod, leading to their shutdown. One of the largest and most important ports in Israel, the Ashdod Port, which services over 60% of the country's cargo leaving the country, suffered damage to several container cranes and equipment, resulting in the temporary shutdown of the port. The Ashdod Railway Junction was also affected, with damaged tracks and equipment resulting in significant disruptions to the railway network.

Given the above, each of Israel's enterprises has its own security system, access control to critical facilities, and storage of material resources. Therefore, the consequences of terrorist attacks and other hazards are quickly eliminated.

There is no such security system in place at Syrian enterprises, hence terrorist attacks on businesses are a widespread phenomenon. One of the most well-known attacks on an enterprise occurred in September 2016 when the terrorist group Islamic State (IS) detonated an oil pipeline in the Homs province. This led to a significant decrease in oil production in the country and caused economic losses. Additionally, in November 2018, the terrorist group IS claimed responsibility for the attack on the Alexandria enterprise in the city of Homs, where they detonated a gas pipeline. This not only led to the shutdown of the plant but also to a reduction in gas supply in the region, which remains unresolved to this day.

In such conditions, effective management should ensure the safety of the enterprise, control access to objects and the storage of material resources, through (Fig. 3): the implementation of a security system; regular audits and audits of security systems; ensuring proper storage of explosive, toxic material resources and reserves or those that pose other hazards; increasing the level of qualification of employees on safety issues; establishing a rapid response system to potential threats and preparing for them; cooperation with security services and law enforcement agencies.

Therefore, effective management should play a role in ensuring the safety of a subject of economic property in conditions of a state of war, which is crucial for preserving the functioning of the enterprise and its overall activities.

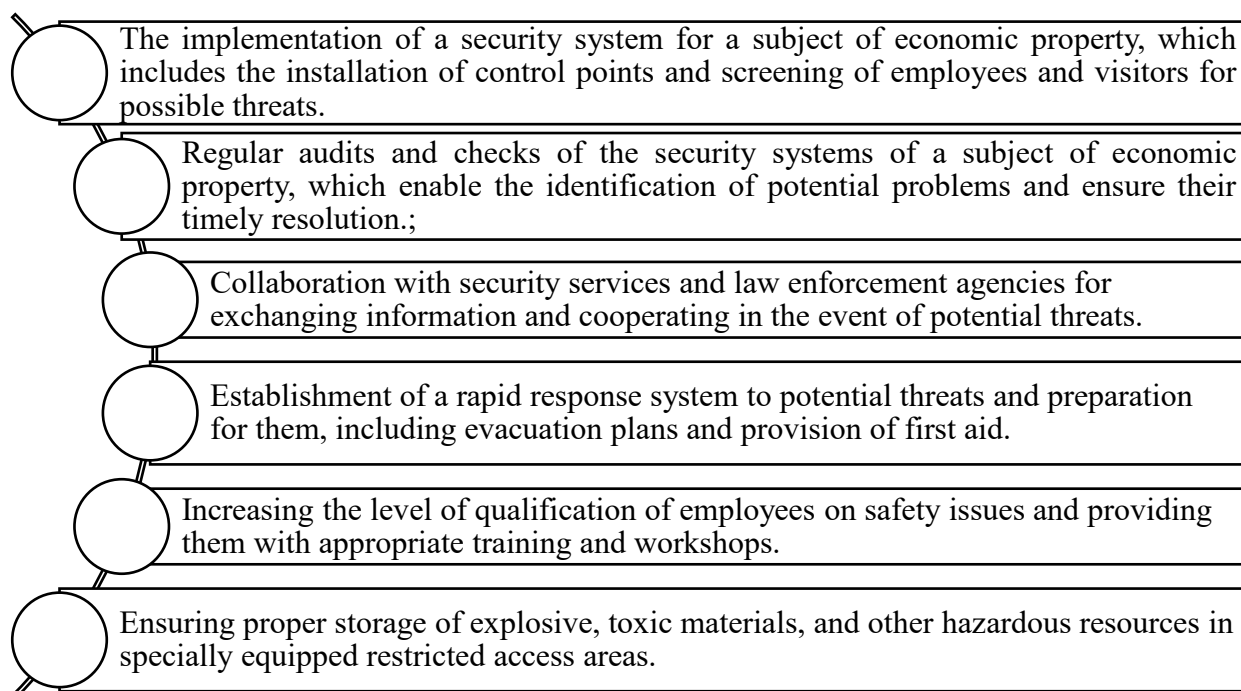


Figure 3 - The role of management in reducing the risks of terrorist attacks and other hazards to a subject of economic ownership in a state of war

Source: formed based on [1; 3; 4]

7.5. The role of management in mitigating the risk of loss in the operations of an economic entity resulting from changes in relations with other countries during a state of war.

The declaration of a state of war can lead to changes in relations with other countries, and consequently affect international trade. This is because the threat of conflict can significantly impede, and in some cases halt, these processes.

One example illustrating the changes in relations with other countries and international trade during a state of war is the situation in Israel. Specifically, in the event of an escalation of tensions on the southern border of Israel with the Gaza Strip, the movement of transport at border crossings with the Egyptian and Jordanian sides may be restricted, leading to complications in international trade and logistics.

Furthermore, during heightened terrorist threats, Israel may change its relations with certain countries, including those with animosity towards Israel, potentially leading to a decrease in foreign trade and investments in the country. However, it is important to note that Israel is a relatively resilient country with a developed economy, and management systems within economic entities are capable of withstanding the



impacts of a state of war on international trade. For example, during the 2014 "Operation Protective Edge" in the southern border of Israel with the Gaza Strip, foreign trade of the country was almost unaffected, and the economy continued to grow. During the war in Ukraine, as well as during Russia's open military attack on Ukraine, there have been significant changes in the country's relations with other nations and its foreign trade. These events led to the introduction of a series of restrictions on foreign trade and investments. Effective management should be ready for rapid changes and seek new opportunities to maintain business relationships with other countries through: increasing reserves of raw materials and goods that may become scarce during a state of war; developing alternative sales markets; improving logistics efficiency and redirecting to new sales markets; increasing cooperation with international partners who can help maintain business relationships and expand external trade opportunities in times of war.

So, the role of management in reducing the risks of loss in the activities of a business entity from changes in relations with other countries during a state of war is visualized in Figure 4. Therefore, management in the activities of a subject of economic ownership during a state of war should help to preserve business relationships and expand opportunities for foreign trade in conditions of a state of war.

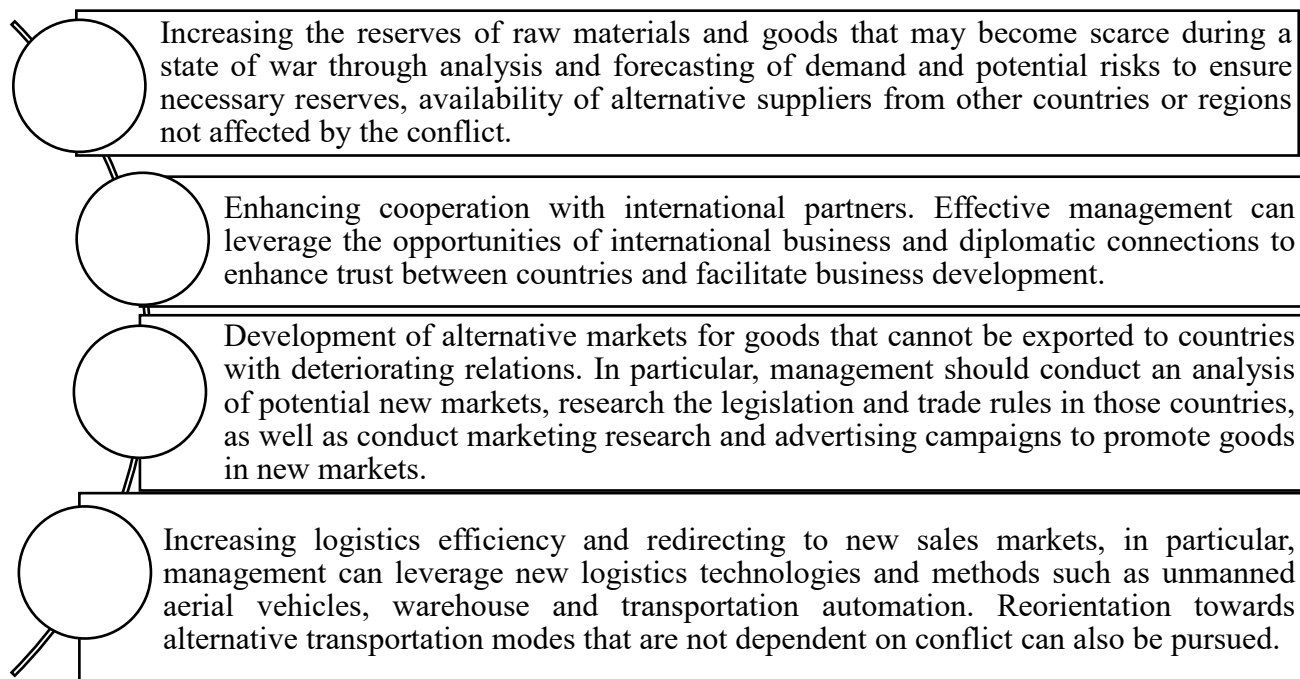


Figure 4 - The role of management in reducing loss risks in the economic activity of a subject of ownership due to changes in relations with other countries during martial law

Source: formed based on [2; 4]



7.6. The role of management in reducing loss risks in the economic activity of a subject of ownership from changes in relations with other countries during a state of war.

During a state of war, the risks of failures in energy, gas, and water supply increase as attacks on power plants, gas pipelines, and other infrastructure objects can occur. This can lead to disruptions in the functioning of a subject of economic property. A typical example is the attempts by the Russian army to destroy Ukraine's energy infrastructure in 2022-2023 (in particular, Russia caused a series of power outages by launching a series of massive missile strikes on energy infrastructure), a series of attacks on Israel's energy facilities by Hamas militants and other terrorist groups (for example, in 2014, Hamas militants attacked a gas pipeline that supplied gas from Egypt to Israel, leading to disruptions in the country's energy and gas supply, and in 2021, Hamas militants launched hundreds of rockets into Israel, damaging electric grids and other infrastructure objects, which resulted in power outages in some parts of the country). We also consider the example of power outages in Herzegovina as illustrative (in particular, in 1992, Serbia, which supported Serbian rebels during the war in Bosnia and Herzegovina, decided to stop supplying electricity to the city of Mostar in Bosnia and Herzegovina, which caused significant disruptions in the operation of local businesses and economic infrastructure. This led to a significant decrease in economic activity and deterioration of the living standards of the local population).

The aforementioned practice demonstrates that effective management during a state of war must have plans of action in case of disruptions in energy supply and infrastructure, and consider the possibility of utilizing alternative sources of energy and communication, which can be achieved through: developing plans and scenarios for energy supply in case of failures, providing additional protection and establishing a monitoring system at critical facilities, developing energy-saving programs, installing alternative energy sources (such as solar panels, wind turbines, etc.), and creating backup energy supply systems. Thus, the role of management in the activities of an entity in minimizing the risks of disruptions in energy supply and from the malfunctioning of social infrastructure during a state of war is shown in Fig. 5.

However, effective management in the activities of a subject of economic ownership during a state of war should help minimize the consequences of failures in energy supply and the operation of other infrastructure.

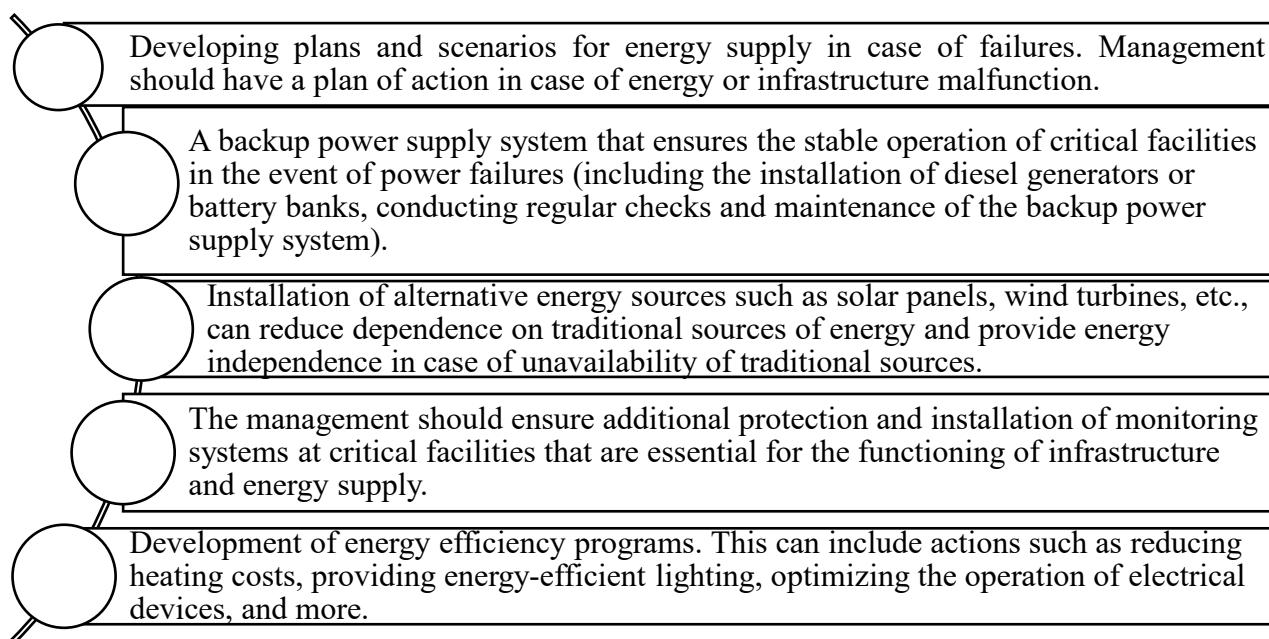


Figure 5 - The role of management in reducing loss risks in the economic activity of a subject of ownership from changes in relations with other countries during a state of war

Source: formed based on [2; 3]

7.7. The role of management in the activities of a subject of economic ownership in minimizing risks of disease and pandemic spread during a state of war.

In addition to the above, it is important to note that during a state of war, the risks of disease and pandemic spread are increased. For example, in 2021 during the conflict with the Palestinian territory, there was a significant increase in the number of new cases of COVID-19 in Israel. This was due to increased movement of people and increased complexity of managing quarantine measures in the territory under a state of war. Enterprises in Israel worked under conditions of increased risk of COVID-19 spread.

Therefore, management in their activities should have introduced and managed preventive work with medical organizations to protect employees (such as limiting work hours for enterprises, prohibiting large gatherings of workers in production premises, as well as implementing wearing masks, additional disinfection of workplaces, etc.). It should be noted that enterprises whose management was unable to introduce and manage preventive work with medical organizations to protect employees were forced to suspend their activities.



So, the management of the business entity during the state of war should operate within established rules concerning the safety and health of employees to ensure a safe and healthy work environment for all, through: planning and coordinating actions to ensure employee safety and maximum productivity of production operations; ensuring uninterrupted enterprise operation by providing effective change management; effective interaction with government structures to ensure compliance with quarantine restrictions and prohibitions on certain types of activities; and ensuring effective personnel management.

Therefore, the role of management in the activities of a subject of economic ownership in minimizing risks of disease and pandemic spread during a state of war is visualized in Figure 6. Additional efforts should be made within management systems to ensure the safety and health of employees. Management must always act promptly and flexibly, ensuring maximum productivity of production processes and compliance with all quarantine restrictions.

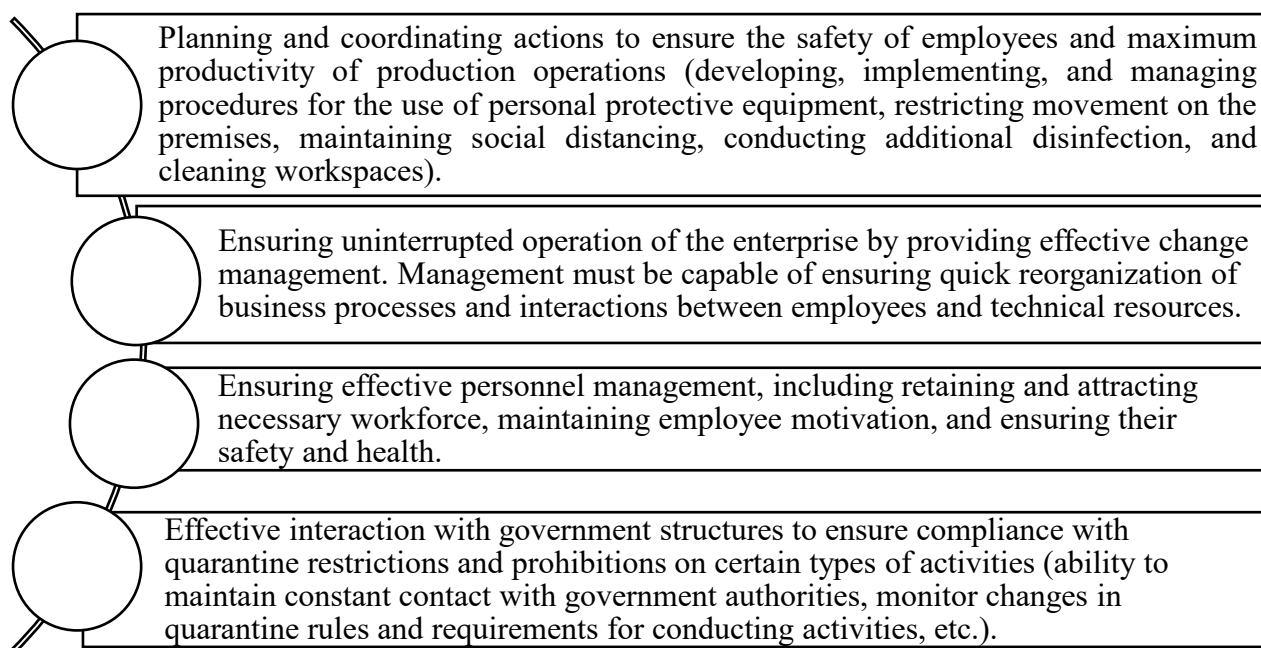


Figure 6 - The role of management in the activities of a subject of economic ownership in minimizing risks of disease and pandemic spread during a state of war

Source: formed based on [2; 3]



Conclusion.

Therefore, the signs of effectiveness for such management in the activities of a subject of economic ownership are the ability to ensure readiness for rapid changes in situations during a state of war, which may affect the work process and the safety of employees; the ability to quickly adapt to changes in regulations and rules to ensure employee safety and changes in the production process; compliance of the company's activities with quarantine restrictions and prohibitions on certain types of activities, which may help avoid penalty sanctions and other negative consequences for the company. Thus, management in the activities of a subject of economic ownership during a state of war has specific characteristics. Some of them may include:

Flexible planning and rigid coordination of actions to ensure employee safety and maximum productivity of production operations.

Ensuring uninterrupted work by providing effective change management.

Effective interaction with government structures to ensure compliance with quarantine restrictions and prohibitions on certain types of activities.

These characteristics are essential for effective management during a state of war, as they help companies to adapt to rapidly changing situations while ensuring employee safety and maintaining production operations [2].