

# Strategic Management as a Means of Mitigating the Effect of Pandemics Like Covid-19 on Projects

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**Abstract:** The COVID 19 pandemic affected projects performance across the globe thereby resulting in catastrophic losses. Project managers never saw it coming but before they knew it, the pandemic had done its damage. This paper opines that a strategic management approach is essential in mitigating the catastrophic effects of the COVID-19 pandemic from a Project Manager's, legal and cost management perspective. Recommendations were also made on survival strategies for project managers in the event of high magnitude force majeure in the future.

**Key Words:** — *Strategic Management, Force Majeure, Covid-19.*

## I. INTRODUCTION

'**Strategic Management**' is a term used to describe a subset of management that is involved with creating a strategic vision, defining goals, developing and implementing strategies, and adopting corrective measures for any deviations (if any). It is the process of establishing policies, guidelines, and goals in order to increase a company's or organization's competitiveness. Strategic management typically focuses on efficiently allocating personnel and assets to accomplish these objectives.

It has two major objectives:

- To get a competitive edge in order to outperform rivals and take control of the market.
- To serve as a roadmap for the corporation, assisting it in surviving the changes in the commercial environment.

Force majeure, on the other hand, is a French term that literally means "superior force" in English.

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Frequently used as a contract clause, this term refers to a set of events or conditions that could prevent parties from carrying out their duties. These are literally superior forces of nature or, as viewed by some as, **act of God**. These conditions must be unforeseeable and out of the affected party's control. Hence, Force Majeure clauses are introduced in contracts to protect businesses in the event of natural disasters or catastrophic events. Force majeure could disrupt the supply chain of construction projects which in turn can give rise to contractual claims and disputes.

Strategic Management might therefore be deployed to handle future occurrences of force majeure(s) like COVID-19.

## II. STRATEGIC MANAGEMENT CONCEPT

Strategic management is the management of an organization's resources to meet its goals and objectives. Setting goals, assessing the external environment for competition, assessing the internal structure, reviewing strategies, and ensuring that management implements the strategies across the organization are all part of it.

It can be divided into two schools of thought:

- **Prescriptive approach:** It provides guidelines for creating strategies.
- **Descriptive approach:** It emphasizes the proper application of strategies.

These schools of thought have different approaches to developing strategies, depending on whether they should be more like general guiding principles that should be adopted or analytical processes in which all dangers and opportunities are taken into account. An organization's ability to accomplish its stated goals depends on a variety of significant aspects, including business culture, staff skills and competences, and organizational structure. Companies that are rigid may struggle to thrive in a dynamic commercial climate. Managers may find it challenging to assess whether goals have been effectively attained if a barrier exists between the creation of plans and their implementation.

Although an organization's higher management is ultimately in charge of its strategy, lower-level managers and employees frequently function as the catalyst for new ideas and tactics. Instead, then relying primarily on the chief executive officer (CEO) for direction, a firm may have numerous staff dedicated to strategy. As a result of this fact, organizational leaders concentrate on learning from previous methods and assessing the overall environment. The combined information is then used to design future initiatives and steer employee behavior to ensure that the entire organization progresses. As a result, effective strategic management necessitates both an inside and an outward focus.

Summarily, Strategic Management involves managing an organization's resources, analyzing internal and external forces, and developing strategies to realize goals and objectives.

### 2.1 Phases of Strategic Management

Strategic management does not have a one-size-fits-all approach. However, five crucial periods have been identified as critical. These five essential stages can assist organizations in developing and implementing their strategic plans.

*2.1.1 Set Goals:* A company must first set definite, attainable goals. Its objectives must to explain what the organization hopes to accomplish and why. The business can then specify the objectives, or how the goals will be attained, once they have been set. The business can describe its vision and both its long-term and short-term aims during this stage.

*2.1.2 Define Goals:* Organizations must therefore be able to study, comprehend, and define how internal and external influences impact their business and goals, as well as what they require to remain competitive. During this stage, analytical methods such as SWOT analysis come in use.

*2.1.3 Develop Strategies:* The Company can then construct its strategy based on the outcomes of the study, defining how the company will achieve its goals and how. During this phase, the

company will identify the necessary people, technology, and other resources, as well as how these resources will be distributed to complete tasks and what performance measures will be required to assess success. It is also vital to secure the support of stakeholders and corporate leaders.

*2.1.4 Execute:* It is now time to put the strategies into action. From planning to execution, the approach is used. In this stage, the resources are put to use according to their roles and duties.

*2.1.5 Evaluate:* The evaluation of the success of strategies that have been put into practice using specified metrics is the last stage of strategic management. Additionally, the business will consider whether outdated tactics ought to be swapped out for more productive ones. The corporation should keep an eye on internal processes and the business environment while maintaining techniques that have worked in the past.

### 2.2 Significance of Strategic Management

Strategic management is crucial in business because it enables an organization to identify areas for operational development. They frequently have two options: either they can use an analytical method to find prospective risks and possibilities, or they can just adhere to broad rules. A company's strategic management approach can be prescriptive or descriptive, depending on the structure of the organization. Under a prescriptive model, strategies are outlined for development and execution, while a descriptive approach describes how a company can develop these strategies. To that end, the most crucial component of strategic management planning is putting it into action. In practice, plans entail setting benchmarks, reallocating resources (both financial and human), and putting in place management resources to oversee the creation, sale, and deployment of products and services.

Strategic Management is also essential for companies because;

1. It helps the company become proactive rather than reactive, enabling it to study the rivals' behavior and take the necessary actions to compete in the market rather than just observe.
2. It directs the business to move in a particular direction. It establishes clear organizational objectives that are in line with the company's mission.
3. It guarantees the company's long-term survival while navigating competition and adapting to a changing environment.
4. It serves as the basis for all of the firm's important decisions.
5. It aims to fortify the company against obstacles in the future, play the role of a trailblazer in scouting out

chances, and assist in figuring out how to take advantage of such prospects.

6. It helps with the growth and survival of the firm by fostering the development of core competencies and competitive advantage.

### 2.3 In a nut shell

The gathering and administration of resources for a company's aims and objectives, particularly to maintain financial stability and remain competitive, is known as strategic management. Despite the fact that it is frequently divided into *prescriptive and descriptive* schools of thought, many companies adhere to a united philosophy that specifies how a strategy should be established and how the strategies will be used. Thus, there is not one prescription for all. Companies must create and adapt a strategic management process that works best for their company and those they serve.

What is more, Strategic management does not end when strategies are successfully implemented; it continues throughout the life of the business.

### III. COVID -19 PANDEMIC AS FORCE MAJEURE

COVID-19 pandemic popularly called corona virus is a killer virus, which was first reported from Wuhan, China, on December 31, 2019 and rapidly spread throughout Asia, Europe, America and the rest of the world. The Outbreak was later declared a global health emergency by the World Health Organization (WHO). The corona virus entered Nigeria through an infected Italian citizen who came in contact with a Nigerian citizen who was subsequently infected with the corona virus. The corona virus infected people in Lagos and then spread to other parts of the country from March to May, 2020. During these periods activities in the construction industry was affected as a result of lockdowns and restrictions of movement imposed by different government of the country which Nigeria is also included.

The COVID-19 situations in Nigeria had far-reaching effects on the economy. It took its toll on the travel business, national health care systems, the food industry, events industry, education, global trade and to a great extent the construction Industry due to the resultant lockdown policies of governments across the globe.

Sadly, the virus continued to evolve with great risks to construction projects. Hence, the pandemic is a wake-up call to policymakers as the unusual and unprecedented nature of the crisis has made it impossible for projects to proceed. The

implication is that most projects declared force majeure and activities on/off project sites suspended.

Immediately after the COVID-19 crisis hit, questions about its effect on the performance of contractual obligations arose. One of the potential defenses to the performance of contractual obligations is force majeure, a doctrine found in most municipal laws that excuses or arrests contractual obligations due to an external event—the 'Act of God' that is the force majeure event—or follow-on effects, whether factual or legal, that render performance impossible. Force majeure is also known in public international law; a state can raise force majeure as a circumstance precluding wrongfulness that obviates its obligation for the duration of the event. In both public international law and in the relationship between private entities, the requirements for the successful invocation of force majeure are difficult to satisfy; this is because excusing performance violates the doctrine of **pacta sunt servanda**, the sanctity of contractual or treaty obligations.

Due to delays in the supply chain, numerous firms all over the world have had trouble fulfilling their contractual responsibilities. However, some firms have attempted to use force majeure terms to cut costs or get out of unfavorable contracts while they are still capable of meeting their contractual commitments. That is why in contracts, the wording of this clause is vital, as force majeure can only be invoked against explicitly named events within the contract. Events are most commonly built around catastrophes including wars, earthquakes, fires and floods. In other events, contractual obligations may be prevented by strikes, acts of state or governmental action and even riots. Therefore, the question in the current environment is whether or not force majeure can be applied in the COVID-19 instance. While pandemics and epidemics can increase overall contract risk, unless they're explicitly referenced in the relevant force majeure clause there could be some room for legal challenge. It then follows that since several suppliers won't be able to meet performance criteria because of the lockdown on many countries and the closure of non-essential businesses and they will suffer as a result, covid-19 should be classified under force majeure.

The fact that the affected person has no control over the situation is insufficient, it must additionally show:

1. It has made every effort to lessen the impact of the event or its results.
2. That the occurrence has directly prohibited, delayed, or hampered its capacity to execute its duties.

By triggering the force majeure clause, the affected party can remove liability and temporarily, or even permanently, suspend

its contractual performance. Instead, parties will only be required to fulfill payment obligations. If the affected party is permanently released, you must ask yourself, what is the risk to your business in the short and long term?

If a contract doesn't include a force majeure clause, or fails to explicitly name pandemics as an event and causes ambiguity, parties in some locations may be able to suspend their obligations through the doctrine of frustration. Just as in the case of COVID-19, which made it impossible for parties to perform. As a result, the contract becomes frustrated and can potentially be terminated for convenience – with all parties released from their obligations.

In fact, covid-19 pandemic has highlighted how crucial a well-defined force majeure clause is within any contract. When events are clearly defined, as are the processes for what happens if the events occur, all parties involved will understand the obligations that should and can't be fulfilled.

#### IV. RECOMMENDATIONS/ PROPOSAL

The party who anticipated benefiting from performance is also required to take all practical steps to limit losses, particularly when it is uncertain at the time of non-performance whether a force majeure clause will ultimately be found to apply by a court or arbitrator. This is true even though the affected party is required to seek alternative methods of performance, supplies of input parts, and materials.

With the above in mind, the key recommendations for Project Managers based on the covid-19 experience are:

- The issue of force majeure and business interruption insurance must be carefully considered and negotiated by a strong and competent legal team when negotiating new contracts or renegotiating existing ones. If clauses are invoked, organizations must ensure that the business heads are fully aware of the potential impact.

Companies should evaluate their contracts with trade partners, vendors, and customers on a regular basis to ensure they understand their rights and obligations under existing commercial relationships. Because the wording of force majeure clauses varies,

- Their implementation should be examined contract by contract. There is a need to walk carefully and get legal guidance as needed, because asserting force majeure incorrectly can constitute a breach of contract.

- When a counterparty claims force majeure, the effects on an organization might be profound—for instance, when there is a reliance on a critical supplier. Organizations may want to contest the validity of this claim, focusing in particular on determining if the alleged occurrence actually rendered performance impossible and whether or not it had a temporary or permanent impact.
- The executive team may find a corporate investigator useful. When there is a dispute, the organization may decide to hire investigators to acquire information and proof to assess if the counterparty's claims are true: For example, does the counterparty still provide the goods to any of its clients, or does it merely give some customers priority over others? Or is the counterparty inadvertently (or dishonestly) invoking a clause of force majeure when fulfilling its contract would simply be more expensive?
  - Having long term plan on providing/ reserving funds for payment to vendors, employees and statutory bodies to cover lockdown periods.
  - Ensuring that a risk management plan is in place.
  - Addressing workplace health and safety issues.
  - Assessing alternative production or work locations.
  - Reviewing the depth of inventory of input parts and material
  - Reviewing and assessing insurance coverage including business interruption insurance.
  - Staying in close contact with local and federal health authorities for guidance and directives.
- Deployment of Contract Lifecycle Management software like 'Gatekeeper', with which you can:
  - a. Easily search your contracts and extract key information such as values, obligations, relevant dates and contact names.
  - b. Categorize and record business risks using our Risk Module.
  - c. Efficiently separate business-critical contracts to focus attention.
  - d. Drive down costs through the identification of wasted spend and consolidation opportunities.

- e. Give your business a solid platform from which to grow once the threat from COVID-19 recedes.
- f. Through a combination of powerful search tools and advanced filtering functionality, Gatekeeper can help you to assess the risks of any force majeure, assign tasks and act straight away.

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