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Economic resilience in times of crisis, security challenges and uncertainties: Global business perspectives

Module 3
Economic and business resilience strategies

Ass. Prof. Dr. Mila Mitreva Pandeva

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“Resilient Identity”

Each student introduces themselves using 5 short points:

1. Name

2. Where they are from

3. Field of study/work

4. One “resilience skill” they think they have

5. If I were a company, I would be ___________, because ________.

Examples:

“I’m Mila from Stip, teaching finance, and my resilience skill is <u>problem-solving</u>. If I were a company, I would be <u>Apple</u>, because <u>I like innovation</u>.”

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ADAPTABILITY
SUSTAINABILITY
FLEXIBILITY
STABILITY
ENDURANCE
STRENGHT
PERSISTENCE
RECOVERY
RESPONSIVENESS

RESILIENCE

Resilience=Adaptation + Recovery + Continuity

“Resilience is the capacity to adapt, survive, and recover from challenges and unexpected changes”

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QUESTION: If another global crisis happened tomorrow, which business sector would survive best and why?

WHICH INDUSTRY? (Healthcare, Technology, E-commerce…)	**EXAMPLE OF A COMPANY?**
WHICH COUNTRY?	**WHICH BUSINESS STRATEGY?**

5 minutes

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Introduction to Economic and Business Resilience in Times of Global Crisis

Economic vs business resilience

Economic resilience is the ability of an economy—whether a nation, region, or household—to anticipate, recover from and adapt to external shocks, such as natural disasters, pandemics, or financial crises.

Economic business resilience is an organization's capacity to anticipate, absorb, adapt to, and recover from economic shocks—such as recessions, supply chain disruptions, or market shifts—while maintaining critical operations and strengthening its competitive edge.

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1. Modern economies face numerous threats, including pandemics, geopolitical conflicts, financial crises, climate-related disasters, and supply chain disruptions.

2. Recent global events such as the COVID-19 pandemic, the Russia–Ukraine war, the global energy crisis, and inflationary pressures have demonstrated how interconnected and vulnerable economies and businesses have become.

3. These include diversification of industries and markets, workforce development, business continuity planning, technological adaptation, infrastructure protection, and effective coordination during crises.

4. Nowadays it is very important to build regional economic resilience through effective planning, flexibility, and proactive strategies.

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-Local governments
-Emergency managers
-Businesses
-Community leaders

have very important role in:

-identifying economic risks;

-preparing disaster response and recovery plans;

-developing mechanisms that support rapid adaptation after crises;

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1

There is a need for flexible economic structures, including access to emergency financial resources, workforce retraining programs and the identification of new economic sectors that can strengthen and diversify the regional economy.

2

It is also of great importance to have positive regional leadership and communication that promotes investment, cooperation and long-term resilience.

3

Resilience strategies should be integrated into regional development plans through clearly defined goals, measurable objectives and actions aimed at reducing vulnerabilities.

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DIVERSIFICATION OF MARKETS AND SUPPLY CHAINS

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How does diversification improve economic and business resilience?

1. Diversification as a Stability Strategy

-Diversification—whether in product offerings, customer base, or geographic markets—**reduces reliance on a single revenue source** (Ramakgolo et al., 2020).

-Businesses that operate across multiple industries or regions are better insulated from localized economic downturns.
For instance, multinational corporations often adjust their market focus based on regional economic performance, ensuring overall business stability (Busom et al., 2021).

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-Diversification helps to:

Reduce risk: Diversification reduces risk by spreading exposure across different industries and markets, helping businesses and economies remain resilient during downturns.

Enhance Resilience: A diversified economy is more resilient because when one sector declines, others can continue to support economic growth and stability.

Promote Innovation: Diversification promotes innovation by encouraging investment in new technologies, products, and markets, helping businesses and economies adapt to change, seize new opportunities, and achieve long-term growth and stability.

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Examples:

1. South Korea, moved from an agriculture-based economy in the 1960s to one centered on advanced technology and manufacturing by the 21st century. Samsung, Hyundai, and LG have been pivotal to this transformation, proving that diversification drives growth.

2. Apple's decision to expand from personal computers into consumer electronics with the iPod, iPhone, and wearables has been a prime example of growth through diversification.

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Strategies for Economic Diversification

1. Sectoral Diversification:
-expanding into new industries or enhancing existing ones;
Example: Vietnam has successfully transitioned from a primarily agricultural economy to one that includes manufacturing, services and technology

2. Geographic Diversification:
-countries can reduce their vulnerability by broadening trade relationships and seeking new markets.
Example: The African Continental Free Trade Area aims to facilitate intra-African trade, thereby reducing dependency on external markets and fostering collective economic growth.

3. Technological Diversification
-leveraging advancements in technology can help emerging markets develop new industries and enhance productivity.
Example: Kenya’s fintech sector has revolutionized financial access through mobile money services, showcasing how technology can drive economic diversification.

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Benefits of Diversification

Connection between diversification and **structural transformation:**

- Shifting resources from low-productivity sectors to high-productivity sectors
- Building new comparative advantages and economic capabilities

Importance of diversification for **economic development**

- Supports sustainable economic growth
- Improves living standards, especially in developing countries

(IMF, 2024)

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Main economic benefits of diversification

1. Greater resilience to external shocks

2. Job creation and higher income levels

3. Faster economic growth

4. Better employment opportunities in advanced sectors

5. Poverty and inequality reduction

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Drivers of Diversification and the Role of Government

-Diversification depends on multiple economic, institutional, and policy factors;

-Government actions can either support or hinder diversification;

-Role of government and institutions:

- Importance of macroeconomic stability;
- Need for effective monetary, fiscal, and macroprudential policies;
- Development of quality infrastructure;
- Improving access to financial services;
- Establishing a supportive regulatory environment;

(IMF, 2024)

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Types of diversification policies

1. Horizontal policies

- Broad reforms across the whole economy
- Improving infrastructure, education, governance, and business environment

2 Vertical policies (industrial policies)

- Targeted support for specific industries or technologies
- Use of subsidies, tax incentives, directed lending, and regulatory support

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Analysis of diversification experiences in several countries

Costa Rica

- Transition from import-substitution to export-oriented economy
- Attraction of high-tech foreign direct investment (FDI)
- Investments in education and health
- Shift from primary commodities to high-value exports

Georgia

- Improvement of governance and reduction of corruption
- Infrastructure development and trade integration
- Financial sector reforms and SME support
- Education reforms and workforce development
- Diversification through broad structural reforms rather than sector-specific policies

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India

- Shift to competition-based economy
- Trade liberalization and foreign investment promotion
- Growth of modern services and IT sector
- Development of software technology parks
- Importance of education and digitalization

Vietnam

- Transition from centralized to market-oriented economy
- Promotion of export-oriented industrialization
- Support for specific sectors through tariffs and infrastructure
- Expansion of education and workforce quality
- Growth of manufacturing and industrial sectors

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What is Supply Chain Diversification?

- Using multiple suppliers instead of one supplier
- Operating in multiple production and service locations
- Reducing dependence on one region or country

Building resilience

- Multiple suppliers can replace each other if one fails
- Regional production improves continuity of operations
- Flexible logistics and transportation options reduce disruptions
- Different suppliers bring new technologies and ideas
- Helps companies remain competitive

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Example of companies

Amazon

- Built a huge global logistics and warehouse network
- Uses advanced inventory tracking and automation
- Diversified delivery methods (air, trucks, local delivery partners)
- Keeps products in many warehouses close to customers
- Result: faster deliveries and fewer disruptions

Toyota

- Developed the “Just-in-Time” production system
- Works closely with many suppliers
- Keeps only necessary inventory to reduce costs
- Diversified suppliers after natural disasters in Japan disrupted production
- Improved supply chain resilience and efficiency

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Example of companies

Apple

- Uses suppliers from many countries for components
- Diversified production outside China to countries like India and Vietnam
- Reduced dependence on one production region
- Built strong supplier relationships and quality control systems
- Result: lower geopolitical and production risks

Zara

- Created a fast and flexible supply chain
- Produces clothing in smaller batches
- Quickly responds to changing fashion trends
- Uses nearby production locations in Spain and Portugal for faster delivery
- Result: rapid restocking and reduced excess inventory

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CASE STUDY

Case Study: Supermarket Supply Chain

A supermarket imports fruits and vegetables from abroad. Climate problems and rising transportation costs increase prices and reduce availability.

Discussion Questions

1. Should supermarkets rely more on local suppliers?
2. What are the advantages of local sourcing?
3. Can diversification reduce inflation risks?
4. How does climate change affect supply chains?

5 minutes

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FINANCIAL RESILIENCE AND FISCAL SUSTAINABILITY

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-**Financial resilience** is the ability to withstand and recover from unexpected economic shocks—such as job loss, medical emergencies, or sudden repairs—without falling into damaging debt or compromising your long-term well-being.

-**Fiscal sustainability** is a government's ability to maintain its current spending, taxation, and other policies in the long run without threatening government solvency or defaulting on its financial obligations.

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Case study

-SkyBuild is a construction company operating in a developing economy.

The company specializes in residential buildings, office spaces, and public infrastructure projects.

Between 2018 and 2023, the company expanded rapidly by taking large bank loans and investing in new equipment and employees.

However, in 2025 the economy slowed down significantly due to:

- Rising inflation
- Higher interest rates
- Reduced government spending
- Lower demand for new apartments
- Increased prices of construction materials

As a result, SkyBuild is now facing serious financial difficulties.

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Current Situation
Main Problems:

- Several projects have been delayed
- Banks increased loan interest rates
- Customers are buying fewer apartments
- Suppliers require faster payments
- Government infrastructure projects were postponed

The company management fears that if the situation continues, SkyBuild may face bankruptcy within two years.

Indicator	2023	2025
Annual Revenue	€12 million	€8 million
Operating Expenses	€7 million	€7.8 million
Total Debt	€4 million	€7 million
Interest Payments	€180,000	€620,000
Cash Available	€1.5 million	€300,000
Number of Employees	240	240

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Questions:

1. What caused the decline in SkyBuild's financial stability?
2. Which financial indicators show that the company is vulnerable?
3. What are the biggest risks for the company in the next two years?
4. Should SkyBuild reduce the number of employees?
5. Which costs can be minimized without damaging operations?
6. Should the company refinance its debt?
7. Should it attract foreign investors or partnerships?
8. How can SkyBuild become more resilient to future crises?

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-Financial resilience is important for maintaining economic stability and long-term growth;

-**Emerging Markets:** These economies are vital drivers of global growth, but they face risks such as trade disruptions, commodity volatility, and climate risks. Strengthening resilience in these economies is essential for their own prosperity and global stability;

-Financial Sector Risks: Financial sector risks have increased significantly, driven by tighter global financial conditions and heightened trade and geopolitical uncertainty.

-The global business environment has changed after the pandemic.

-Nowadays companies are facing slower economic growth, higher inflation, higher interest rates and increased cost of capital

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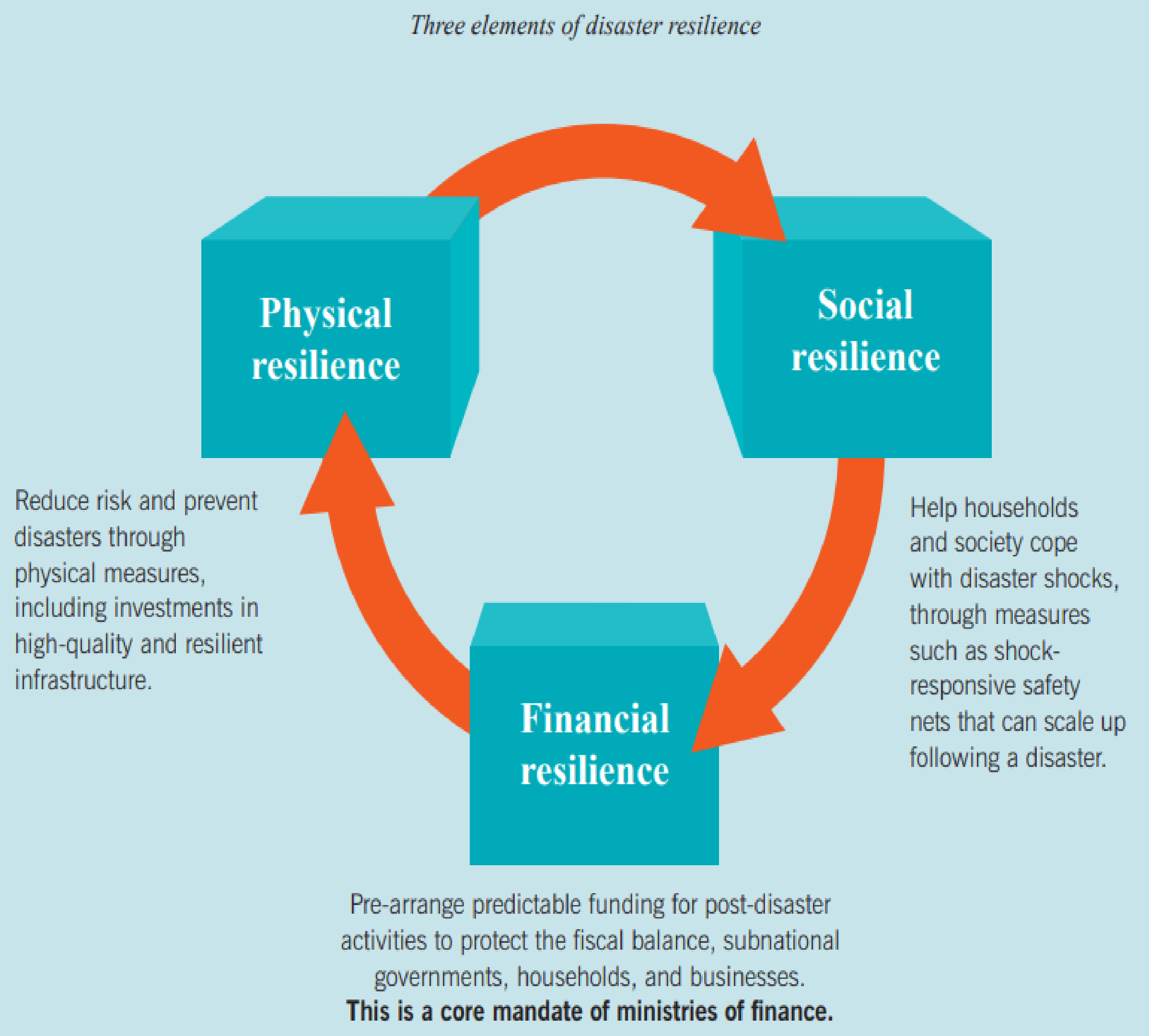

Sustainable financial resilience requires physical and social resilience…

-Investments in physical and social resilience help improve financial resilience and fiscal sustainability by reducing the economic damage and reconstruction costs caused by natural disasters.

World Bank (2019)

The Debt Sustainability Monitor (DSM): a key publication for fiscal surveillance

-Debt Sustainability Monitor (DSM) evaluates fiscal sustainability risks in EU Member States;

-Assesses short-term, medium-term, and long-term fiscal risks;

-Analyzes public debt dynamics under unchanged government policies;

-Includes projections of ageing-related public expenditures;

-Helps assess the impact of fiscal policies on debt sustainability;

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Main findings of the 2025 DSM

-Rising pension, healthcare, and long-term care costs increase fiscal pressure;

-Debt structure influences fiscal sustainability;

-Diversified and mainly domestic investor bases reduce some risks;

-Climate change presents growing fiscal and financial challenges;

Official EU website (2026)

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WHY FINANCIAL PLANNING MATTERS

Plan Today. Secure Tomorrow.

Financial planning is the key to achieving your life goals, building wealth, and securing your future—no matter your age or income.

1. ACHIEVE YOUR LIFE GOALS

A financial plan gives you a clear roadmap to achieve your dreams—whether it's buying a home, funding education, or enjoying a comfortable retirement.

2. ACHIEVE FINANCIAL SECURITY

A well-thought-out plan helps you prepare for the unexpected and provides a safety net during life's uncertainties.

3. BUILD WEALTH

Smart saving and investing strategies help your money grow over time and build long-term wealth.

BALANCE TODAY'S NEEDS WITH TOMORROW'S ASPIRATIONS

4. NAVIGATE LIFE'S UNCERTAINTIES

From education and family to retirement and health care, a plan helps you face life events with confidence.

5. MAKE SMART FINANCIAL DECISIONS

A financial planner helps you optimize taxes, manage debt, and make the most of opportunities.

6. FOR EVERY STAGE OF LIFE

Whether you're a student, starting a family, or nearing retirement—financial planning is for everyone.

THE BENEFITS OF FINANCIAL PLANNING

PEACE OF MIND
Feel confident knowing you're prepared for the future.

FINANCIAL INDEPENDENCE
Take control of your finances and your future.

ACHIEVE YOUR GOALS
Turn your dreams into achievable milestones.

SECURE YOUR FAMILY'S FUTURE
Ensure the people you love are financially protected.

ADAPT TO CHANGE
Regular reviews keep your plan up-to-date and effective.

★ **FINANCIAL PLANNING IS AN ONGOING JOURNEY.** Review, adjust and stay on track—because your future is worth the planning.

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Why is financial planning important?

Task: Reflection and Discussion

Your car breaks down and repairs cost **€2,000**.

Choose one option:

•Use your emergency fund

•Take a bank loan

•Borrow from friends

•Use your credit card

Explain why.

5 minutes

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INNOVATION, ENTERPRENEURSHIP AND ADAPTIVE BUSINESS MODELS

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1. **WHAT INNOVATION MEANS IN BUSINESS?-TRANSFORMATION**
2. **WHY ENTERPRENEURSHIP MATTERS FOR ECONOMIC GROWTH?-DEVELOPMENT**
3. **WHY COMPANIES TODAY MUST CONSTANTLY ADAPT?-SURVIVAL**
4. **IMPACT OF GLOBALIZATION, TECHNOLOGY, AI, CLIMATE CHANGE AND CRISES ON BUSINESS!-DISRUPTION**

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IF THE ANSWER WAS A COMPANY…

1. What is innovation? → Apple

2. What is entrepreneurship? → Amazon

1. What is adaptive business model? → Netflix

2. What is business resilience? → Toyota

WHY?

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•Apple → Innovation

Because Apple continuously creates new and improved products, technologies, and user experiences that transform the market.

•Amazon → Entrepreneurship

Because Amazon started as a small startup and grew through entrepreneurial vision, risk-taking, and expansion into multiple industries.

•Netflix → Adaptive Business Model

Because Netflix successfully adapted from DVD rentals to online streaming and content production based on changing consumer behavior.

•Toyota → Business Resilience

Because Toyota managed to recover and remain competitive during global crises through strong management, efficiency, and supply chain adaptation.

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What is innovation?

-Innovation is the process of translating creative ideas into practical, value-creating solutions.

The 4 Main Types of Innovation

Incremental Innovation: Making small, continuous improvements to existing products, services, or processes to maintain relevance and efficiency.

Disruptive Innovation: Introducing a simpler, more affordable, or more accessible solution that radically alters or entirely replaces an existing market or technology.

Architectural Innovation: Taking the established components of an existing product and applying them to an entirely new market or use case.

Radical Innovation: Creating entirely new, breakthrough technologies, business models, or industries that change how we live or work.

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EXAMPLES

Incremental Innovation – Coca-Cola
Coca-Cola regularly introduces new flavors, packaging designs, and healthier options (Zero Sugar, smaller cans) while keeping the core product the same.

Disruptive Innovation – Uber
Uber changed the traditional taxi industry by offering a cheaper, app-based, and more accessible transportation service.

Architectural Innovation – Nintendo Wii
Nintendo used existing gaming technology but redesigned it with motion-control gaming to attract families and casual players, not only traditional gamers.

Radical Innovation – OpenAI (ChatGPT)
AI tools like ChatGPT introduced a completely new way of interacting with technology, transforming education, business, and communication through generative artificial intelligence.

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WHY INNOVATION MATTERS

Innovation is the key to progress, growth, and long-term success.

1 Drives business growth and competitiveness

Innovation helps companies grow, stand out from competitors, and capture more market opportunities.

2 Improves products and customer satisfaction

Better products and services lead to happier customers and stronger loyalty.

3 Helps companies adapt to market changes

Innovation allows businesses to quickly respond to changes in customer needs, trends, and technology.

4 Increases efficiency and productivity

New ideas and technologies streamline processes and help do more with less resources.

5 Creates new business opportunities

Innovation opens the door to new markets, services, and revenue streams.

6 Supports long-term sustainability

Sustainable innovations help companies reduce their impact and ensure long-term viability.

7 Helps businesses survive crises and uncertainty

Innovative companies are more resilient and better prepared to overcome challenges.

8 Encourages economic development and job creation

Innovation drives economic growth and creates new industries and employment opportunities.

9 Builds competitive advantage

Being innovative helps companies lead their industry and stay ahead of competitors.

10 Responds to changing consumer needs and technology

Innovation ensures that businesses stay relevant in a fast-changing world.

“Innovate or Die” Examples

NOKIA	BLOCKBUSTER	KODAK
IGNORED SMARTPHONES	IGNORED STREAMING	IGNORED DIGITAL CAMERAS

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Crisis often accelerates innovation...

Innovation During COVID-19

- Restaurants using QR menus
- Online education
- Contactless payments
- Zoom growth
- Delivery apps

Fun Activity – "Worst" Product Improved

"How would you innovate this product?"

-UMBRELLA

-BACKPACK

-WATER BOTTLE

-SCHOOL DESK

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What innovation will change the world in the next 10 years?

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What is entrepreneurship?

Entrepreneurship is the process of designing, launching, and managing a new venture. It is the dynamic act of identifying opportunities, taking calculated risks, and assembling the necessary resources to bring innovative ideas to life—with the goal of generating profit, creating economic value, or solving a societal problem.

Key Pillars of Entrepreneurship

Opportunity Recognition: The unique ability to spot gaps in the market, inefficiencies, or unmet needs where others only see challenges.

Innovation: Developing fresh solutions, whether that means creating a brand new product, changing an organizational structure, or designing an entirely new business model.

Risk-Taking: Assuming the financial, professional, and psychological risks associated with building something new with no guaranteed outcome.

Value Creation: Producing results that offer a meaningful impact, which can range from maximizing wealth and creating jobs to driving social or cultural change.

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Successful Entrepreneurship Stories	Why?	Unsuccessful Entrepreneurship Stories	Why?
Canva	-Simple and user-friendly platform -Solved a real problem -Accessible for everyone	**BlackBerry**	-Ignored touchscreen innovation -Focused too much on physical keyboards -Failed to adapt to changing consumer preferences
Starbucks	-Strong branding -Customer experience -Global expansion	**Yahoo!**	-Poor strategic decisions -Missed opportunities to buy Google and Facebook -Lack of innovation and clear direction
Zoom	-Easy to use -Reliable technology -Adapted to remote work trends	**MySpace**	-Poor user experience -Too many ads -Failed to improve the platform

Apple and **Samsung Electronics** offer similar products such as smartphones, smartwatches, tablets, and laptops. However, Apple is often seen as a stronger symbol of customer acceptance and brand loyalty for several reasons:

-Strong Brand Identity

-Customer Experience

-Brand Loyalty

-Marketing Strategy

-Perceived Quality and Prestige

What would you change if you were Samsung's CEO?

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Adaptive business models

-An adaptive business model is a way a company changes its strategies, products, or operations to respond to market changes, customer needs, technology, or crises.

Key Characteristics of Adaptive Frameworks

Agility & Flexibility: Operations are designed with modularity, allowing teams to quickly pivot products, services, or pricing structures without requiring a complete operational overhaul.

Continuous Feedback Loops: Rather than relying on annual performance reviews, these businesses operate on "test-and-learn" loops, using real-time insights to fine-tune strategy.

Data-Driven Insights: Analytics are embedded at every level, ensuring that changes to the business proposition are guided by actual user metrics and market signals.

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Common Types of Adaptive Models

Product-as-a-Service (PaaS): Instead of selling products outright, companies lease or license access to equipment, software, or goods, allowing for dynamic pricing and ongoing revenue optimization.

Subscription Models: Ensures continuous revenue streams while giving companies direct lines of communication to their consumers, making it easier to track usage and test new feature offerings.

Omnichannel / Hybrid Models: Seamlessly integrates digital and physical infrastructure. For example, retailers use unified inventory systems to switch effortlessly between in-store sales, click-and-collect, and localized shipping.

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Examples of Adaptive Business Models

Product-as-a-Service (PaaS)
Companies lease or subscribe products instead of selling them permanently.
Examples:
•Rolls-Royce Holdings → Airlines pay for engine usage (“Power by the Hour”)
•Philips → “Lighting as a Service”
•Zipcar → Car access without ownership

Subscription Models
Customers pay regularly for continuous access to products or services.
Examples:
•Netflix → Monthly streaming subscription
•Spotify → Music subscription
•Adobe → Creative Cloud subscriptions

Omnichannel / Hybrid Models
Combining online and physical customer experiences.
Examples:
•Walmart → Online ordering + in-store pickup
•Nike → Mobile apps + physical stores
•Starbucks → Mobile ordering + café pickup

BUILDING INSTITUTIONAL TRUST AND GOVERNANCE CAPACITY

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Imagine tomorrow all banks in your country disappear...

How would you receive your salary?

How would businesses pay suppliers?

Would people trust each other with large cash transactions?

How would international trade work?

Learning point: Institutions reduce uncertainty and make economic activity possible.

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Why Institutions Matter?

-**Institutions create credibility** by constraining policymakers and reducing uncertainty about future actions.

-Strong institutions play a crucial role in reducing corruption.

-Political and economic institutions influence how effectively corruption is controlled.

-Countries with strong rule of law institutions have lower corruption levels.

-Independent courts and judges increase the likelihood that corruption will be detected and punished.

-Effective governance limits the abuse of power by political elites.

Shrabani and Kunal (2022)

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What is institutional trust?

- is the public's confidence that governing bodies, organizations, and societal systems will act fairly, predictably, and in the best interest of the public.

-It reflects how much citizens believe institutions (such as governments, legal systems, and healthcare) will deliver favorable outcomes, even without constant individual oversight.

How Organizations Can Rebuild Trust?

- Acknowledge contradictions openly rather than hiding them;
- Clearly explain decisions and the trade-offs between competing values;
- Align policies, processes, and behaviors with organizational values;
- Demonstrate consistency over time through actions, not just words;

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What is governance capacity?

-Governance capacity is the ability of governments, organizations, and communities to coordinate actions, deploy resources, and make effective decisions to solve collective problems.

-Governance capacity generally relies on three core pillars:

1. **Analytical Capacity:** The knowledge, skills, and data needed to understand complex issues, forecast trends, and design sound policies.
2. **Operational Capacity:** The structural and logistical ability to implement policies, deliver services, and enforce regulations on the ground.
3. **Political Capacity:** The ability to build consensus, secure public trust, balance stakeholder interests, and navigate legislative hurdles.

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Why businesses depend on effective institutions

-Businesses depend on effective institutions—such as the rule of law, regulatory bodies, and financial systems—to minimize risk, reduce transaction costs, and ensure a level playing field.

-Strong institutions provide the predictable "rules of the game" that give companies the confidence to innovate, invest, and operate efficiently.

-Effective institutions support the private sector in several core ways: Predictability & Stability; Dispute Resolution; Market Trust; Access to Capital;

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Fun Exercise: Which Institution Am I?

Choose one:

-Government
-Bank
-School
-Hospital
-Court
-Police
-Central Bank

1. What would happen if I disappeared tomorrow?

2. How would society change?

3. Who would be affected?

4. Can a modern economy function without institutions?

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Strong Institutions = Better Outcomes

Singapore	Venezuela
Low corruption	Weak governance
Efficient public administration	Corruption and political instability
Strong rule of law	Weak property rights
Stable government	Unstable government
Result: One of the richest countries in the world, Major hub for finance and business, High foreign investment.	Result: Hyperinflation, Economic collapse, Mass migration.

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Companies: Governance Quality Matters

1. Enron (USA)

What Happened?

•Executives manipulated financial statements.

•Corporate governance failed.

•Auditors did not properly monitor the company.

Result

•Bankruptcy.

•Thousands lost jobs and savings.

Lesson

Poor governance destroys trust and value.

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Understanding Institutional Trust

-**Institutional trust** is the public's confidence that major societal organizations—such as the government, legal systems, healthcare, media, and corporations—will act ethically, competently, and in the best interest of the public.

-Sociologists and political scientists typically measure trust across several core pillars of society:

- **Political & Legal:** Trust in the government, parliament, police, and the judicial system.
- **Public Information:** Trust in the mainstream media, journalism, and scientific institutions.
- **Economic:** Trust in the fairness of corporations, banks, and the broader economic system.

Estadieu, et al. (2025)

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Institutional Trust During Crises

-Maintaining **public trust during long-term crises** is difficult because citizens and policymakers face prolonged stress;

-Trust is more likely to be preserved when governments demonstrate: **competence and integrity;**

-Clear, transparent, and frequent communication helps citizens maintain confidence in government actions;

-Major organizations measure trust through large-scale surveys:

- OECD
- European Social Survey
- Eurobarometer
- World Values Survey

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Trust in public institutions varies according to:

AGE

GENDER

EDUCATION LEVEL

INCOME

PLACE OF RESIDENCE

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Average trust levels in OECD countries:

Institution	Trust Level
Police	72%
Civil Service	49%
National Government	37%
National Parliament	About 33%

Brezzi, et al. (2021)

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Key Components of Trust

Competence-Institutions must have the ability and expertise to perform their responsibilities effectively

Vulnerability-Trust requires accepting risk because citizens cannot fully control institutional actions.

Commitment & Expectations-Trust exists when people believe institutions will fulfill promises and act according to expectations

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Concept	Real-Life Examples	Why it Matters
Competence	Toyota – trusted for producing reliable, high-quality vehicles.	People trust institutions that demonstrate expertise and deliver results consistently.
Vulnerability	Using online payment systems (PayPal, Visa) – users trust these systems to process transactions securely.	Users expose themselves to potential fraud or system failures.
Commitment & Expectations	Amazon Prime – promises fast delivery and generally delivers on that commitment.	Customers continue using the service because expectations are met.

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Interactive Exercise

1 = Least Trusted to 10 = Most Trusted

-Government

-Police

-Courts

-Banks

-Universities

-Media

-Central Bank

-WHO

Discussion Questions:

1. Why did you rank them this way?
2. What makes an institution trustworthy?
3. What causes trust to decline?

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THANK YOU!

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