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How monetary policy shapes company and business strategies: comparing two crises

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Abstract

Objective and interest of the work: This research analyses the monetary policy developed during the last two major economic crises. It seeks to compare both lines of action and to analyse the effect that the direction of these policies has had on the business context. It considers the impact on managerial choices, market positioning and marketing tactics from a macroeconomic perspective.

Design of the methodology: The methodology used was a structured Boolean search across selected databases, focusing on how shifts in monetary policy influence managerial decisions, marketing and overall business strategies. Various sources, including monographs, official reports and articles, were consulted to provide a comprehensive analysis.

Results: The results highlight how the ECB's monetary policy during the COVID-19 pandemic differed from its approach during the 2008 financial crisis, with a more rapid and extensive response. The implications for businesses are significant because these policies influence macroeconomic indicators and require adjustments in strategic decisions and operations. High levels of public debt, coupled with rising inflation and economic stagnation, present additional complexities.

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Practical implications: In terms of practical implications, this study underscores the importance of businesses understanding and adapting to monetary policies. The monetary policy decisions of central banks have a cascading effect on firms, affecting management, marketing, financial planning, investment decisions and global trade dynamics. Managers should be agile and foster a culture of continuous learning to respond effectively to monetary policy shifts.

Keywords: monetary policy; business management; investment decisions; financial risk; business adaptability

JEL Codes: E22; E52; M40

1. Introduction

By the end of 2019, European nations appeared to have overcome the shadows of the 2008 financial crisis (Ar, 2018), looking ahead with positive economic projections (Troitiño, 2013). However, 2020 brought an unexpected twist with the onset of the COVID-19 pandemic, triggering a global health emergency with deep-seated economic and societal impact (Andreu-Sánchez & Martín-Pascual, 2021). In its bid to manage the crisis, the EU witnessed many of its Member States enforce rigorous lockdowns to mitigate the proliferation of the virus (Pinilla et al., 2021). Faced with unprecedented challenges, the European Central Bank (ECB) took centre stage in the economic realm by implementing an assertive expansionary monetary policy (Tabak et al., 2016). The primary goal of the policies was to stabilise the economy, but their effects on the corporate sector soon became apparent. Here, the relationship between monetary policy and business strategy is revealed, with changes in monetary policy affecting managerial decisions, market positioning and consumer engagement (Ling-Ling, 2019). Shifts in monetary policy have directly shaped strategic planning, market alignment and consumer dynamics. This study explores the intricate relationship between monetary policies and their impact on business strategies, managerial choices and marketing tactics from a macroeconomic perspective.

European economies appeared to have recovered from the 2008 financial recession by the end of 2019; however, according to Troitiño (2013), the COVID-19 pandemic had a devastating impact on the global economy and social structures. In response to the pandemic, EU countries implemented significant activity restrictions (Pinilla et al., 2021) and population confinement measures to slow the spread of the virus. The European Central Bank (ECB) also took an unprecedented expansionary path to ensure economic liquidity and counteract the effects of the pandemic (Cohen & Burinskas, 2020). With this work we seek to offer a clear picture of the different monetary policy strategies that were applied during the last two major crises, thus identifying the impact that each strategy may have had on business activity. We begin by providing an overview of the ECB's mandate, its position within the European Union, its organisational structure and its primary actions to achieve its goals. We then delineate the economic context leading up to the economic crisis and the ECB's

reaction to the 2008 crisis (Gertler & Gilchrist, 2018). This exploration distinguishes between conventional measures and those uniquely introduced because of the magnitude of the crisis. The monetary policy crafted in reaction to the pandemic is examined from three facets: the strategies adopted during the pandemic peak (Feyen et al., 2021; Jinjarak et al., 2021), the economic outcomes of these strategies, and the post-COVID measures, defined as those initiated after vaccination. We also evaluate the global monetary policy reaction, particularly in major western and eastern countries such as the United States, United Kingdom, Japan and China (Srithilat et al., 2022).

To address the unparalleled challenges, the European Central Bank (ECB) intervened in the economic arena and introduced a comprehensive expansionary monetary policy (Hatmanu & Căutișanu, 2021). The ultimate aim was to stabilise the economy, but the consequences of these policies went beyond mere macroeconomic parameters. Businesses, especially in the fields of management and marketing, are forced to operate in a transformed environment in which monetary policy changes have a direct impact on strategic choices, market positioning and consumer behaviour (Aldriweesh et al., 2022). These shifts have varying impacts on firms' revenues, expenses and net sales across different industries (Binz et al., 2022; Jansen et al., 2013). This further highlights the impact of monetary policy in different sectors and regions, indicating subtle effects on business operations (Guangming & Si, 2013).

The work is structured as follows. First, a review of the theoretical framework underpinning the research is provided. Once this is done, the methodological development applied in this research, including the research questions, is presented. This is followed by a comparative analysis of the monetary policies developed to face the last two major crises. The last sections reflect on the business implications of these policies.

2. Theoretical framework

Monetary policy, as a crucial component of macroeconomic management, plays a pivotal role in shaping the economic landscape of a nation. The theories surrounding monetary policy have evolved over time, reflecting the dynamic nature of global economies (Friedman, 1968). To comprehend the evolution of monetary policy theories, it is essential to delve into their historical roots. The gold standard, which prevailed during the 19th and early 20th centuries, had a prominent influence on early monetary policy (Mankiw, 2000). Under this system, currencies were pegged to a specific amount of gold, providing stability but limiting the flexibility of monetary authorities. The Great Depression of the 1930s prompted a shift in thought, leading to the adoption of Keynesian economics and the recognition of the role that monetary policy could play in stabilising the economy.

One of the most influential theories that emerged in the mid-20th century is monetarism, championed by economists such as Milton Friedman (Friedman, 1968). Monetarists argue that the primary determinant of economic activity is the money supply. They contend that central banks should focus on controlling the money supply to maintain price stability and promote long-term economic growth. Friedman famously declared that "inflation is always and everywhere a monetary phenomenon", emphasising the importance of monetary factors in economic fluctuations. Critics of monetarism argue that it oversimplifies the complex dynamics of the economy, neglecting the role of other variables such as fiscal policy and financial market imperfections. Despite the criticisms, monetarism has left an indelible mark on monetary policy discussions and has influenced the policy decisions of central banks worldwide. Building on the Keynesian tradition, New Keynesianism emerged as a response to the challenges faced by traditional Keynesian economics (Blanchard & Galí, 2007). New Keynesians, including economists like Greg Mankiw, emphasised the importance of imperfect competition and nominal rigidities in the economy. They argue that price and wage rigidities can lead to short-term fluctuations in output and employment and that monetary policy can be used to address these issues. New Keynesian models often incorporate microeconomic foundations, providing a more rigorous framework for understanding the transmission mechanisms of monetary policy (Woodford, 2003).

Inflation targeting gained prominence in the late 20th century, as central banks sought a clear and transparent framework for conducting monetary policy (Taylor, 1993). Under inflation targeting, central banks set an explicit target for the inflation rate and adjust interest rates to achieve that target. This approach is grounded in the belief that maintaining price stability contributes to overall economic stability. Countries such as Canada and New Zealand were early adopters of inflation targeting, and many others followed suit (Rogoff, 1985).

In recent years, Modern Monetary Theory (MMT) has gained attention as an alternative perspective on monetary policy (Wray, 1998). MMT challenges traditional views on government deficits and debt, arguing that as long as a country has its own sovereign currency, it can fund its spending needs without facing solvency constraints. Advocates of MMT contend that governments should focus on achieving full employment and controlling inflation rather than obsessing over deficit reduction. Critics argue that MMT's dismissal of conventional concerns about government debt may lead to inflationary pressures and undermine fiscal discipline. It is crucial to recognise that monetary policy theories are not one-size-fits-all; their applicability can vary across countries and regions (King, 1994). The independence of central banks is a key aspect of many modern monetary policy frameworks, aiming to shield them from short-term political pressures and to ensure a focus on long-term economic objectives (Blinder et al., 2008). The effectiveness of monetary policy tools can be constrained by the zero lower bound on interest rates, limiting the central bank's ability to use conventional policy measures during economic downturns (Woodford, 2003).

3. Methodology

The primary objective of this study is to delve into the intricate relationship between monetary policy shifts and their implications for business management and marketing strategies. To achieve this, we posed two central research questions. **RQ1:** What was the monetary authority's response to this shock? **RQ2:** How do shifts in monetary policy influence managerial and marketing decisions in businesses and what strategies can firms adopt to navigate these changes effectively? Given the theoretical nature of the proposed research, we opted for a literature review and documentation approach, a methodology that has proven effective in previous similar studies (Ferreira de Mendonça & Simão Filho, 2007).

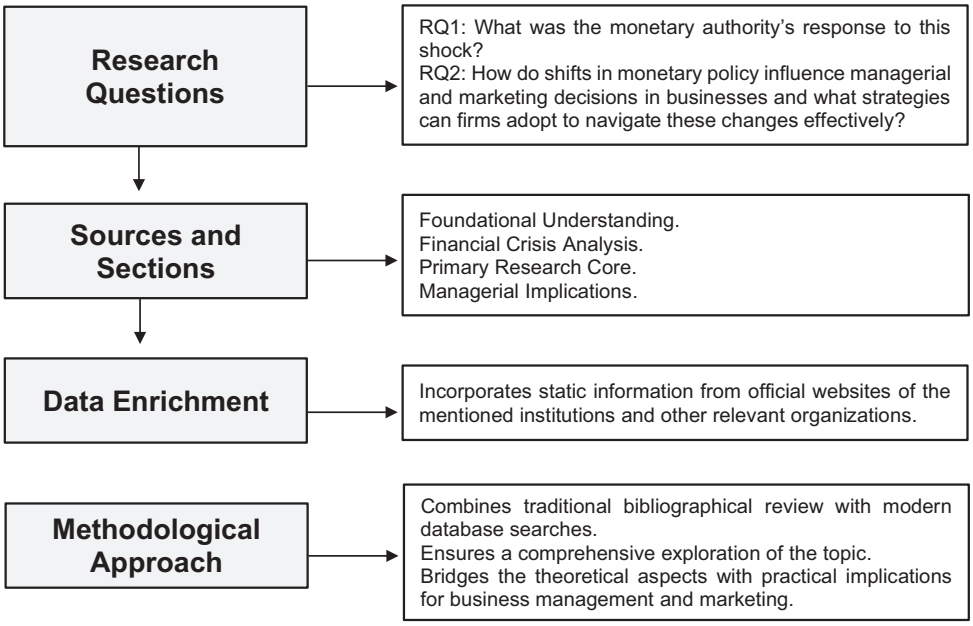
This research encompasses different aspects, each of which is intended to provide context and depth to the proposed central theme. To develop this knowledge associated with the research area, which is related to a foundational criterion of the European Central Bank (ECB), documents such as monographs are considered to a large extent. Specifically, both monographs and official ECB reports, as well as articles from the Banco de España, are consulted to analyse the financial crisis. Therefore, this research is mainly based on documents from the Banco de España and the ECB's monthly reports, which are enriched in their annual publications. In addition to official reports, in this work we have used studies published in journals indexed in the Journal Citations Reports and Scopus. To understand the implications of monetary policy decisions from a corporate governance perspective, an extension of the literature was carried out using a structured Boolean search in databases such as Scopus and the JSTOR digital library. This search yielded a multitude of documents, including research articles from various institutions, that have added depth to the analysis. Additionally, we sourced static information from the official websites of the aforementioned institutions and other organisations, including the Economic Commission for Latin America and the Caribbean (ECLAC). This methodological approach (see Figure 1), which combines a traditional bibliographical review with a structured Boolean search, ensures a robust and holistic exploration of the topic, bridging the gap between monetary policy decisions and their real-world implications for business management and marketing.

4. Results

4.1. The European Central Bank (ECB) ensured macroeconomic stability

The monetary policy in the euro area has been managed by the ECB since 1999. The ECB's primary goal is to maintain price stability in the European Union (Abbassi & Linzert, 2012), contributing to higher potential growth and protecting the economy's savings and wealth. The euro became legal in 2002, when other national currencies were no longer in circulation. As a monetary policymaker, the ECB's goal is

Figure 1. Methodological summary



Source: own elaboration from Ishtiaq (2019).

to maintain price stability, promote investment and support economic growth (Prats Albentosa, 1993).

The monetary policy in the Eurosystem is unique, with 19 national central banks (NCBs) and the ECB pursuing price stability only. Maintaining multiple policies could lead policymakers to deviate from certain objectives, resulting in suboptimal outcomes (Kydland & Prescott, 1977). Given the independent fiscal policies of the 19 countries, it is crucial for NCBs to strengthen their anti-inflationary commitment. The decision to focus on a single target was based on theoretical reasons, as monetary policy has a greater impact on prices than other factors. Although some studies indicate that the velocity of money does not adjust to a constant, this does not invalidate the proposition that the policies implemented by the European Central Bank (ECB) can have a considerable impact on the price level (Cuadrado-Roura et al., 2019).

The ECB monitors interest rates, its primary policy instrument, and the monetary aggregate M3. While changes in M3 can affect the rate of change in prices, the effect may be dampened or amplified by fluctuations in the velocity of money circulation. Interest rate changes, which affect market liquidity, lead to price performance variations. To maintain price stability, the European Central Bank (ECB) implements a strategy that incorporates two key requirements. First, definitive and unambiguous definitions based on the harmonised index of consumer prices (HICP) must be established to fix a medium-term inflation target of 2% (Hernández, 2022). Second,

potential factors that could threaten price stability must be assessed using economic analysis indicators to identify inflationary factors and to analyse the international environment to determine how global commercial activity, labour productivity and unemployment are expected to fluctuate.

4.2. The European Central Bank

Since the European Central Bank (ECB) was established and commenced its monetary policy operations, the euro area has undergone a period of noteworthy expansion and economic convergence, ranking among the most substantial in the region. In this regard, we delve into the economic conditions preceding the financial crisis to better understand the monetary policy interventions that were implemented, followed by an analysis of the crisis response and the unique features of the subsequent period.

4.2.1. The situation before the 2008 crisis

During the pre-financial crisis period (Abbassi & Linzert, 2012), interest rates fluctuated and the inflation rate slightly exceeded the 2% ceiling. Monetary aggregates experienced sustained growth due to increased credit during this period (Banco Central Europeo, 2007). In 2007, the six-month rate of change was higher than the year-on-year growth rate driven by monetary expansion. In particular, the rise in interest rates dampened the growth of magnitude M1 (Salas-Muñoz, 2022), whereas the increase in M3 intensified because of the attractiveness of liquid deposits. This led to a build-up of liquidity, which was partly absorbed by the prices. It is not surprising that differential inflation situations have appeared in the euro area (Banco Central Europeo, 2007).

From 1999 to 2001, during the early years of the institution's operation, monetary policy was contractionary and reflected in an increase in interest rates from 3% to 4.75% (Prats Albentosa, 1993; Salas-Muñoz, 2022). However, from 2001 to 2005, an expansionary policy was implemented to address external issues arising from the technological bubble, known as the dot-com bubble, as well as internal issues related to German reunification and high credit growth in member countries. As a result, interest rates were approximately 2% and economic growth was solid in the winter of 2005. However, the tone of the monetary policy changed due to rising inflation, and in July 2008, just before the financial crisis, the euro area reference rate was 4.25%. Although inflationary pressure existed during the first part of 2008, economic activity indicators did not reflect a weak market (Banco de España, 2008). Therefore, a liquidity injection policy was implemented to fulfil the requirements of credit institutions in the euro area. In September 2008 (Azadinamin, 2016), the failure of Lehman Brothers, a major investment bank in the United States, led to a global economic downturn in several major countries that lasted for several years.

4.2.2. The euro area sizes

In 2007, the European Central Bank (ECB) initiated the practice of holding long-term liquidity auctions (Salas-Muñoz, 2022) with no restrictions on the quantity of funds that could be auctioned off, and the option to provide liquidity in US dollars was subsequently introduced. However, following the collapse of Lehman Brothers, panic spread rapidly in global financial systems, leading to an increase in the perception of credit risk in the banking sector (Banco de España, 2008). Consequently, unsecured lending activities were significantly reduced and the interbank market, a crucial monetary policy transmitter, ceased to function effectively. In light of these developments, the ECB was compelled to adopt exceptional measures through changes to its operational framework. The ECB's strategy comprises two primary actions: gradually reducing the benchmark interest rate to 0% and exponentially expanding the balance sheet through unconventional policy measures (Prats Albentosa, 1993).

The most noteworthy monetary market reform was the transition from a conventional variable-rate auction system to one featuring fixed rates and full allotments. This system was implemented across a range of auctions, including longer-term refinancing operations (LTROs) (Banco de España, 2008). These actions were taken to ensure the liquidity of financial institutions. The minimum reserve requirement was reduced from 2% to 1%. In addition, the implementation of negative interest rates on deposit facilities encourages banks to maintain ECB liquidity. The utilisation of foreign currency liquidity through swap operations necessitates cooperation with other central banks. Conversely, the ECB implemented measures in the credit sphere through long-term financing operations aimed at stimulating private-sector lending. However, the most significant impact on the ECB's balance sheet was due to the measures taken in fixed-income markets.

The securities markets programme (SMP) was devised between 2010 and 2012 to address financial imbalances in the private and public sectors, particularly in southern European countries experiencing sovereign risk issues. The asset purchase programme (APP) was launched by the ECB in 2015, with the objective of making substantial investments in financial assets, primarily in the public sector. This was achieved by purchasing debt from all euro area Member States and related government agencies (Prats Albentosa, 1993). The implementation of crisis management policies aimed at preserving the euro had a highly positive impact on the Member States. One notable characteristic of the programme was the significant expansion of the European Central Bank's (ECB) balance sheet, which grew to over four and a half trillion euros by mid-2018, positioning it among the largest central banks in terms of GDP.

4.3. The European Central Bank's replies

The ongoing COVID-19 pandemic has created a critical health situation that requires careful consideration and action by policymakers. While the European Central Bank (ECB) has taken steps to address the pandemic's impact on the

economy, it is essential to evaluate the economic conditions leading up to the pandemic to provide a comprehensive evaluation of the ECB's actions and their implications.

4.3.1. The situation before the COVID crisis

During the period preceding the health crisis, the euro area was characterised by a protracted spell of low inflation, which prompted the European Central Bank (ECB) to maintain interest rates at near-zero levels and, in certain instances, below zero. This scenario presented significant challenges for implementing a monetary policy based on interest rates, as minimal room for further reduction had been reached. Additionally, ECB experts predicted that market expectations for short-term interest rates would remain low, necessitating reassessment of the strategy and adaptation to evolving circumstances.

The inflationary trend was relatively moderate before the onset of the pandemic. In particular, the core inflation remained at 1%. As a consequence, it is evident that the monetary policy implemented by the European Central Bank (ECB) was expansionary in nature, as evidenced by its measures. In specific terms, the deposit facility rate was lowered to -0.50% to increase market liquidity (Aguilar et al., 2020). On a formal note, the European Central Bank (ECB) introduced a fresh set of targeted longer-term refinancing operations (TLTRO-III) to maintain congenial credit conditions. The programme was designed to provide support to banks and encourage lending. Furthermore, the acquisition of both public and private assets was renewed to improve the financing conditions in financial markets (Salas-Muñoz, 2022). As a result of these actions, the euro area experienced historically low interest rates and activated its asset purchase programme (APP) when COVID-19 spread throughout the continent.

4.3.2. Facing different types of crises

In 2008 and 2020, both economic crises were rooted in the excessive private sector and household debt caused by the uncontrolled expansion of the speculative mortgage sector. The spark that started the crisis was a complex financial package called CDOs (García Delgado, 2021). Despite these differences, all economic recessions share common traits such as the financial crisis resulting from the private sector and excessive household indebtedness. The decrease in real estate prices and rise in default rates led to a decline in the value of these assets and had a negative impact on the entities involved. As the economy slowed, companies were forced to reduce their workforce, leading to increased unemployment and a subsequent drop in consumption. As a result, the economy fell into a recession.

4.3.3. Pandemic response

In response to the ongoing pandemic, the European Central Bank (ECB) took swift and decisive action through the implementation of two rounds of measures.

These measures include asset purchasing programmes, such as asset purchase programmes (APPs) and pandemic emergency purchase programmes (PEPPs), as well as long-term financing operations with LTROs, TLTRO-III and pandemic emergency longer-term refinancing operations (PELTROs). The primary objective of these measures is to ensure that monetary policy is appropriately adjusted to the current economic context, to maintain stability in financial markets, to guard the monetary policy transmission mechanism and to offer ample liquidity, with a particular focus on the provision of credit. In simpler terms, the ECB's measures involve purchasing assets and conducting liquidity operations (Aguilar et al., 2020). On 18 March 2020, the Central Bank implemented an asset purchase programme (APP) which enabled the acquisition of both public and private bonds as well as other debt instruments. The initial funding for the programme amounted to EUR 750 billion, and the duration of the programme has since been extended until the end of the year (Hernández, 2021).

The foremost objective of this policy is to enhance financing conditions in financial markets by decreasing interest rates on public and private debt securities (Aguilar et al., 2020). The mechanism behind this measure relies on the assumption that the European Central Bank (ECB) will assume the risk, thereby reducing its price. The resulting reduction in interest rates on sovereign debt has contributed significantly to the effectiveness of the monetary policy transmission mechanism. The PEPP (Wolff & Ladi, 2020) was highly effective in mitigating the damage to the euro area financial markets and resulted in unprecedented easing of financing conditions. Consequently, the initial endowment of EUR 750 billion was expanded to EUR 1.35 trillion on 4 June 2020, with an expected end date of June of the following year. In light of exigent circumstances exceeding the prescribed timeframe, an additional extension of EUR 500 billion was sanctioned in December 2021. As a result of the ongoing asset purchase programme initiated in 2019 and the reinforced emergency programme implemented during the same period, the ECB's balance sheet expanded to EUR 4.4 trillion in June 2021. In June 2020, the European Central Bank (ECB) implemented liquidity operations with more favourable conditions for TLTRO-III, aimed at encouraging credit granting to agents severely affected by the pandemic, namely self-employed and small businesses, which are typically unable to access capital markets (Hernández, 2021). This mechanism provides an incentive for credit through credit facilities, ensuring that credit facilities are not a cause of the economic downturn by expanding credit despite the pandemic. The interest rate for this credit facility was set at -1% during the pandemic, the lowest ever recorded.

An essential aspect of this programme is that banks must provide collateral, including TLTROs, to secure refinancing. During a health crisis, the ECB relaxed these requirements to avoid potential losses in asset valuation or eligibility (Salas-Muñoz, 2022) resulting from a rating downgrade from hindering banks' access to liquidity within the Eurosystem (Escolar & Yribarren, 2021). To achieve this, a series of measures were implemented. First, the reduction in marketable and

non-marketable assets was minimised. Second, acceptable collateral assets were upgraded from a minimum of 2.5% to a minimum of 10%. Third, all assets that were deemed eligible as of 7 April 2020 were designated as qualified assets to prevent a substantial number of assets from being disqualified due to a decline in their rating, as long as the rating was not lower than the BB value (CQS5), which is considered to have average creditworthiness.

The ECB introduced longer-term refinancing operations (LTROs) in response to the possibility that access to banks in money markets might be compromised. These operations provided "bridge financing" to financial institutions until June 2020, when a significant liquidity auction was scheduled to take place. The PELTRO programme was introduced in April 2020 as an extension of the LTRO programme to provide emergency pandemic funding. The TLTROs were amended in December 2020, with the aim of providing subsidised interest rates to eligible institutions for a longer period. Furthermore, the maximum amount that each bank was permitted to obtain from TLTRO funds was increased from 50% to 55% (Hernández, 2021). The extension of the slack in collateral conditions until June 2022 and the performance of four new PELTRO operations in 2021 have made bank credit more accessible, particularly for small and medium-sized enterprises (SMEs) and the self-employed. This resulted in the lowest interest rates in the euro area.

4.3.4. Implications of the measures

The implementation of monetary policy measures has led to improvements in the financial standing of families, businesses and states. However, it is imperative to evaluate whether these measures have effectively managed inflation at designated levels and facilitated appropriate economic growth in the euro area (Hernández, 2021; Salas-Muñoz, 2022). To assess the effectiveness of monetary policies, especially the PEPP, we analyse the market reactions and their impact on the macroeconomic environment. The results indicate that both announcements, especially the first one, had a positive impact on the financial markets and the banking sector. In both cases, stock market volatility decreased. The 4 June announcement had less impact due to its unexpected timing, whereas the second announcement received positive feedback due to its more extensive package, which exceeded market expectations.

The implementation of the programme has the potential to generate a range of benefits, particularly with regard to collateral, which may allow economic agents to increase their borrowing and finance higher levels of consumption and investment. The results of the SVAR model indicated that the programme had a significant impact on GDP of up to 1.3%. The same impact was observed for inflation. This suggests that the programme had a relevant economic impact (Aguilar et al., 2020). The situation has changed owing to the economic recovery and the rise in inflation caused by the Russian invasion of Ukraine and the supply problems of certain products. The

measures applied during the pandemic will be maintained but in a reduced amount (Banco Central Europeo, 2022). Liquidity programmes will decrease and interest rates will increase cautiously (Banco Central Europeo, 2022). The ECB faces complexity as uncertainty remains in the markets due to the pandemic and exceptional circumstances arising from the war, but high inflation limits its scope of action and may change the direction of monetary policy.

4.4. Global response to COVID-19

Monetary authorities worldwide have faced crises with both conventional and unconventional measures, similar to the ECB. This section examines the policy responses of leading monetary authorities, such as national banks, who typically follow a strategy of maintaining low interest rates and providing liquidity to support the economy.

4.4.1. The Federal Reserve

The Fed responded to the COVID-19 pandemic through a range of measures, including interest rate cuts, quantitative easing and new monetary policy instruments. On 3 and 15 March 2020, the Fed reduced interest rates by 0.5% and 1%, respectively, and resumed its quantitative easing programme (Comisión Económica para América Latina, 2020). It also abolished the programme's ceilings and introduced new measures to facilitate credit flow. These initiatives aim to stabilise the economy and maintain interest rates near zero throughout 2021 and 2022. During the 2008 financial crisis, the Fed employed similar measures, which were reintroduced along with new measures to address the pandemic.

4.4.2. The Bank of England

The Bank of England responded to the pandemic by setting the interest rate at 0.1% and launching a bond-purchasing programme worth GBP 745 billion. It has also increased the COVID-19 Corporate Financing Facility programme to support businesses. The institution reduced costs for banks to ease their financial burden and introduced a term funding scheme with incentives for small and medium-sized enterprises. As a preventative measure, the Bank of England abolished the annual stress test and required banks to maintain zero per cent of their funds. The institution predicted that loan disbursals would increase to GBP 190 billion. During the 2008 financial crisis, the Bank of England acquired debt from financial institutions using an unconventional method that was later imitated by the Fed and other central banks (Bank of England, 2020).

4.4.3. The Chinese response

The People's Bank of China (PBoC) injected RMB 1.2 trillion and RMB 2 trillion into the economy through reverse repo operations between 3 and 17 February 2020 (Funke & Tsang, 2020). It also eased financial sector conditions with support schemes for bond issuance and loans, primarily at low cost. The PBoC implemented measures to ensure liquidity in the medium term by injecting RMB 200 billion into a medium-term lending facility (MLF) at a low interest rate. Additionally, the PBoC reduced the one- and five-year prime lending rates by 10 and 5 basis points, respectively. The PBoC also provided endowments of RMB 500 billion to small and medium-sized enterprises (SMEs) and reduced the lending rate to 2.5%. These actions were undertaken to support the stability of the economy (Chen & Tillmann, 2021). To further help SMEs, the PBoC eliminated reserve fees for SME loans. In late March 2020, the PBoC conducted liquidity injections of RMB 70 billion through reverse repo transactions. In total, the PBoC injected RMB 3.6 trillion into the financial system between February and March 2020 through a series of deliberate actions (Funke & Tsang, 2020).

4.4.4. Japan's response

The Bank of Japan (BoJ) provided financial assistance and engaged in advantageous lending and bond purchases to combat COVID-19. It injected a large amount of liquidity into the market (Kuroda, 2020) through initiatives such as the special support programme for enterprise financing, the purchase of corporate bonds and a special fund supply operations programme. The BoJ also purchased unlimited amounts of Japanese government bonds and enhanced its dollar operation. It acquires ETF assets to stabilise market volatility and reduce risk premiums. The BoJ aimed to reduce both short- and long-term interest rates, but it was difficult to reduce them further because of the levels they were set at (Bank of Japan, 2021). To ensure favourable conditions, the Bank has established objectives for asset acquisitions and implemented quantitative and qualitative monetary easing (QQE) to maintain the 2% price stability target (Yoshino & Hendriyetty, 2020). Additionally, the Bank has assisted businesses through the special financing support programme, which aims to address the effects of the COVID-19 pandemic.

5. Discussion

The comparison of the European Central Bank's (ECB) actions during the COVID-19 pandemic and the 2008 financial crisis (Kassegn, 2021) provides an insightful perspective on the wider implications of monetary policy for business management and marketing strategies (Fritsch et al., 2021). The two crises necessitated

that the Central Bank supplied liquidity and lowered interest rates to maintain stability in financial markets. However, the far-reaching implications of these measures in the corporate realm vary and are complex (Farias et al., 2020; Yılmaz, 2018). While measures such as lowering interest rates may stimulate consumption and investment, their direct impact on managerial decisions, marketing campaigns (Dvorský et al., 2020; García-Sánchez & García-Sánchez, 2020) and overall business strategies vary. Reduced interest rates could prompt businesses to re-evaluate their investment strategies, but the impact of this change on marketing initiatives, consumer behaviour or product introductions may be more complex (Jinjarak et al., 2021). Central banks must be mindful of the broader consequences, particularly those affecting the business sector, when devising policies (Iyke & Juhro, 2019).

It is imperative to examine how organisations can manage the eventual cessation of monetary stimulation skilfully (Msomi et al., 2021). It is imperative that the tapering of such stimuli is executed gradually to provide adequate time for businesses to adjust their strategies and operations, thus minimising any potential adverse effects (Widyarti et al., 2021). The significance of understanding the impact of elevated public debt levels on businesses, especially concerning their risk tolerance and strategic choices, cannot be overstated. It is imperative to recognise the limitations of this study despite its valuable insights into the European Central Bank's (ECB) response to the COVID-19 pandemic and its impact on business management and marketing (Brkić, 2022). The primary emphasis of this research is on the ECB's actions to exclude other factors that may have influenced business decisions during this period. It is recommended that future research endeavours present a more comprehensive perspective, encompassing a range of economic, social and policy-related factors that impact business strategies in times of crisis (Sombolayuk & Yusuf, 2019).

6. Conclusions

This section summarises the principal findings of our study and highlights the practical implications of monetary policy decisions. In particular, the ECB's response to the pandemic was more rapid and extensive than its actions during the 2008 financial crisis. This expedited reaction can be attributed to the lessons learned from the previous crisis, allowing the ECB to act decisively and inject liquidity on an unparalleled scale. Although the overall approach across global economies involves the injection of liquidity and the maintenance of low interest rates, the implications of these decisions are multifaceted for businesses, which had to navigate a new landscape in which monetary policy shifts influenced not only macroeconomic indicators but also strategic decisions, market positioning and consumer behaviour.

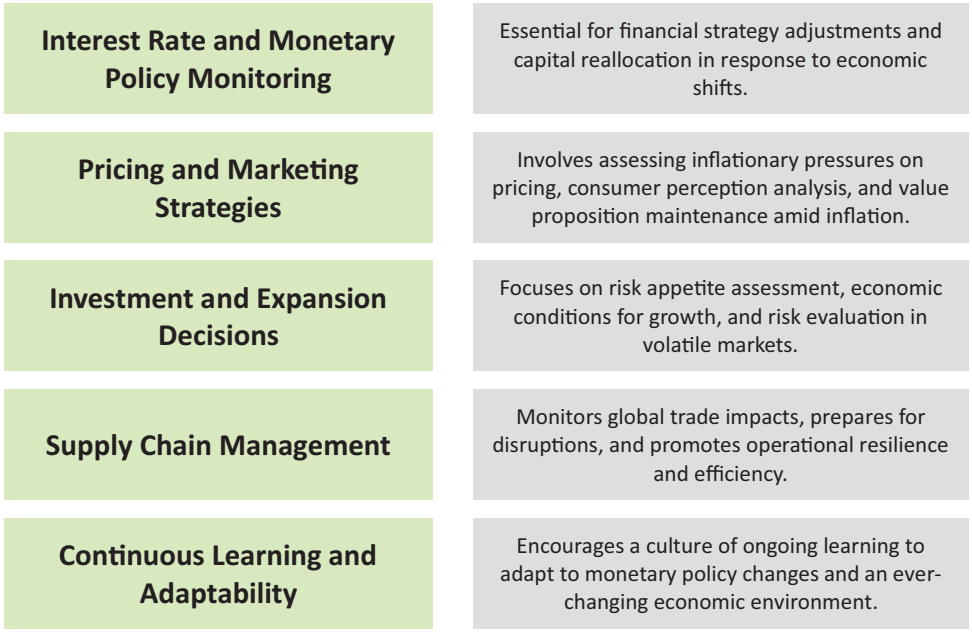
A significant concern arising from these measures is the ballooning balance sheets of the major central banks, because of the vast amounts of bonds purchased. As stimuli are withdrawn in various economies, businesses must adapt their strategies to the changing monetary environment. High levels of public debt, coupled with rising

inflation and economic stagnation, further complicate this scenario, requiring agile and informed managerial decisions. Research on the analysis of monetary policy in times of crisis is pivotal for understanding the effectiveness of policy measures and enhancing economic resilience. First, exploring the efficacy of unconventional monetary tools, such as quantitative easing and forward guidance, during crises can provide insights into their impact on financial markets, credit conditions and overall economic stabilisation. Investigating the transmission mechanisms and the extent to which these tools influence real economic variables is essential for policymakers. Second, examining the coordination between monetary and fiscal policies during crises is crucial. Research could delve into how collaborative efforts between central banks and governments contribute to a more effective response, particularly in addressing issues of unemployment, income inequality and business support. Third, analysing the role of communication strategies employed by central banks during crises can shed light on how clear and transparent communication influences market expectations and public confidence. Understanding the nuances of effective communication during crises can help refine central banks' messaging strategies to navigate economic uncertainties more adeptly. These three research proposals collectively contribute to a comprehensive understanding of the multifaceted dynamics surrounding monetary policy in times of crisis.

7. Managerial implications

Throughout the text, the importance of the interaction between monetary policy and its consequent impact on the business environment is highlighted (see Figure 2 as summary). The findings of this study show that decisions taken by central banks have a cascading effect on firms, affecting a multitude of management and marketing decisions. Therefore, from a business management point of view, the following implications arise. In particular, financial planning requires managers to be agile and recalibrate their financial strategies in response to interest rate fluctuations, which are directly influenced by monetary policy, to ensure optimal capital allocation and the financial health of the firm. In terms of marketing strategies, inflationary pressures, often generated by expansionary monetary policies, require a reassessment of marketing strategies, particularly pricing policies, considering that consumers perceive these changes. Investment and expansion decisions also need to be carefully evaluated by managers, considering the measurement of risk exposure to expansionary policy signals that could indicate favourable conditions for growth. Therefore, past responses do not necessarily serve as a benchmark for future decision-making, and a culture of continuous learning must be fostered so that teams are prepared to understand and respond to the implications of monetary policy. Monetary policy, while seemingly a macroeconomic phenomenon far removed from most firms, has far-reaching effects on firms' daily operations and strategies. By equipping managers and leaders with knowledge of the impacts of these policies, they will be better

Figure 2. Adapting to monetary policy from the boardroom to the marketplace



Source: own elaboration.

prepared to make decisions, considering monetary variables as one more variable when reassessing their strategies.

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