

The essence of the enterprise's crisis management in the modern economic conditions

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The research paper is devoted to the deepening of the theoretical foundations of the enterprise's crisis management. The financial results and the number of unprofitable enterprises in Ukraine in recent years were analyzed. The necessity of introduction of crisis management system at enterprises of Ukraine for ensuring of their economic development is grounded. The approaches to the definition of the economic essence of the crisis management concept are systematized.

Keywords: enterprise, financial results, analysis, crisis phenomena, crisis management, risk.

Руденко І.В., Гаркуша Н.М., Колесник А.О. ЩОДО СУТНОСТІ АНТИКРИЗОВОГО УПРАВЛІННЯ ПІДПРИЄМСТВОМ В СУЧАСНИХ УМОВАХ ГОСПОДАРЮВАННЯ

Стаття присвячена поглибленню теоретичних засад антикризового управління підприємством. Проаналізовано фінансові результати та кількість збиткових підприємств України за останні роки. Обґрунтовано необхідність впровадження системи антикризового управління на вітчизняних підприємствах з метою забезпечення їх економічного розвитку. Систематизовано підходи до визначення економічної сутності поняття антикризового управління.

Ключові слова: підприємство, фінансові результати, аналіз, кризові явища, антикризове управління, ризик.

Руденко И.В., Гаркуша Н.Н., Колесник А.А. О СУЩНОСТИ АНТИКРИЗИСНОГО УПРАВЛЕНИЯ ПРЕДПРИЯТИЕМ В СОВРЕМЕННЫХ УСЛОВИЯХ ХОЗЯЙСТВОВАНИЯ

Статья посвящена углублению теоретических основ антикризисного управления предприятием. Проанализированы финансовые результаты и количество убыточных предприятий Украины за последние годы. Обоснована необходимость внедрения системы антикризисного управления на отечественных предприятиях с целью обеспечения их экономического развития. Систематизированы подходы к определению экономической сущности понятия антикризисного управления.

Ключевые слова: предприятие, финансовые результаты, анализ, кризисные явления, антикризисное управление, риск.

The statement of the problem in general.

Political and economic instability in Ukraine negatively affects on the business environment. Many enterprises every year are suffering from the crisis in society and the economy. Uncertainty about the future, the impossibility of predicting for long-term prospects of key operating indices, the volatility of prices and exchange rates, cause the deterioration in the economic situation of enterprises and bring risks of their bankruptcy.

Under crisis, the sensitivity to managerial decisions increases, because rational, timely and well-considered solutions are able to become starting point for the difficulties overcoming by enterprises, and help restore their solvency. But at the same time, groundless and false decisions can lead to the worst situations (stagnation, depression, bankruptcy, etc). Therefore, one of the main tasks of enterprise management is creating of the effective system of crisis management. Profitable existence of enterprises or

closure of their activity in the future depends on the crisis measures effectiveness.

Approaches to the formation of effective system of crisis management should be adequate to the basic principles of market economy, it allows to enterprises to make optimal managerial decisions under formulating of their strategy.

Enterprises' crisis management is of great importance not only in overcoming the crisis situation, but also in order to achieve the coincidence of the strategic goal of the operation of enterprises with the final results of their activities and the fulfillment of basic functions of fair competition in the market. That is why the theoretical and practical interest to developing the scientific and methodological basis of crisis management for entities increases.

Analysis of recent research and publications. The problem of crisis management of the enterprise is widely covered in scientific works of Ukrainian and foreign scientists. Today many scientists investigate the issues of essence, methodology and organization of enterprise's crisis management. Among them such scientists are marked out: Blank I., Buryi S., Dovhan D., Makhovka V., Matsekha D., Partyn H., Seliuchenko N., Kriukova I., Shpachuk V., Kalinesku T., Dmytrenko A., Aliksieiev I., Khoma I., Lebedeva V., Nesterchuk Yu., Kovalenko V., Suhaniaka M., Furdychko L., Hnativ B., Kavalets I., Zhovtanetska Ya. and others. However, at the same time, some aspects are not adequately reflected in the literature and they need further development and research. First of all, it is necessary to determine the essence of the concept of the crisis management. The references analysis showed the lack of the single approach to the interpretation of this concept. It is important to determine the scientific basis for the introduction of crisis management in the enterprise. In addition, recently there is the necessity for an earlier diagnosis of crisis situations for taking timely measures.

Topicality and practical significance of issues of crisis management at the current stage of enterprises development, the presence of number of unresolved problems caused the choice and purpose of the research.

Purpose and tasks of the research paper. The purpose of the research paper is deepening of the theoretical foundations of crisis management and defining the essence of this concept with taking into account modern management conditions. Realization of the purpose grounded the necessity of solving the following tasks:

- analyzing the dynamics of the number of Ukrainian entities, which are in crisis state in general and by types of economic activity;

- substantiating the necessity of timely development and implementation of measures which are aimed at prevention of crisis phenomena in the enterprise and their elimination;

- studying the approaches of different authors to the definition of the concept of crisis management, organizing their systematization and clarification.

Presentation of the main research material. The peculiarity of the environment of functioning of Ukrainian enterprises at the present stage is increasing of the degree of dynamism, complexity and uncertainty. The number of fundamentally new tasks significantly increases, it leads to complication of managerial problems and creates conditions for the emergence and development of crisis phenomena at the enterprise. Signs of crisis phenomena of different types are reflected in the corresponding technical and economic indices.

According to the State Statistics Service of Ukraine, in 2010, the share of unprofitable enterprises is accounted for 41% of the total number of reporting entities (table 1).

In due course, there is tendency for gradual decrease of this index to 26,6%. (in 2016). That is, it is possible to say about positive tendency towards the share of enterprises which have negative financial result. It is impossible to say about the total amount (balance) of financial results from the activities of all enterprises. Thus, during 2010 – 2013, there was positive balance of financial results before taxation, but it was negative in the last three years (table 1). First of all it is due to the beginning of hostilities and the holding of an anti-terrorist operation in the temporarily occupied territories of Ukraine.

Visual presentation of the dynamics of the financial results balance of Ukrainian enterprises (fig. 1) showed that in 2011, compared to 2010, the total amount of profit before taxation swiftly increased (more than in two times), and during 2011 – 2013 the financial results balance began significantly decreasing.

In 2014, it became negative (the total amount of losses reached 523587,0 million UAH). Over the next two years losses started to decrease, but Ukraine has not yet achieved positive balance of financial results before enterprises' taxation.

Under analyzing the distribution of unprofitable enterprises of Ukraine by types of economic activity (table 2), it should be noted that over the years, the largest share of unprofitable enterprises is observed in the construction and industry sectors. In 2010 it was 43,9% and

40,8% respectively. In recent years it has gradually decreased and in 2016 amounted to 29,3% and 27,3% respectively.

As it is evident from fig. 2, there is also a fairly high share of unprofitable enterprises in trade, but it is below average in all industries. In 2010, 37,6 % of all trade enterprises were unprofitable, and in 2016 – 24,3%. The lowest share of unprofitable enterprises is observed in agriculture. In 2016, it was 12,2%, and in 2015 – 11, 5%. As the study shows, quite significant number of Ukrainian entities are in crisis situation, which is reflects both in the crisis of non-payment and in unprofitable activities. Under these circumstances, the issues of developing the crisis management measures of enterprises in the theoretical and practical aspects are actualized.

The study of the theoretical aspects of crisis management at the enterprise shows large number of interpretations and lively scientific discussion around the definition of this concept. The analysis of literary sources shows the existence of several basic approaches. Advocates of the first one believe that crisis management should be carried out when the enterprises is already in crisis condition and indices of its economic activity deteriorate significantly. So, Dovhan D. argues that crisis management is “an effective management which provides the possibility to the enterprises for crisis overcoming, the whole set of measures aimed at achieving or restoring solvency, liquidity, profitability and competitiveness of the enterprise and able to provide the enterprise with financial recovery” [2, p. 155]. H. Partyn, N. Seliuchenko note

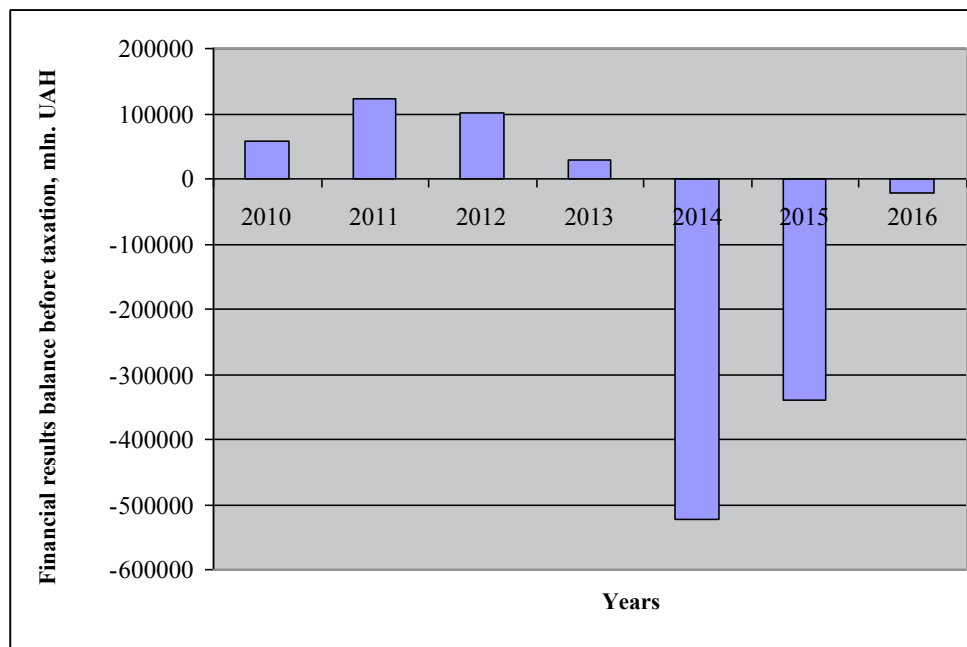


Fig. 1. Dynamics of financial results balance before taxation of Ukrainian enterprises

Table 1

Financial results before taxation of Ukrainian enterprises for 2010–2016 [1]

Years	Financial results balance	Profitable enterprises		Unprofitable enterprises	
		in % from the total number of enterprises	financial result	in % from the total number of enterprises	financial result
2010	58334,0	59,0	212008,6	41,0	153674,6
2011	122210,0	65,1	272726,2	34,9	150516,2
2012	101884,7	64,5	77938,5	35,5	176053,8
2013	29283,2	65,9	34513,7	34,1	205230,5
2014	-523587,0	66,3	34517,3	33,7	858104,3
2015	-340126,6	73,7	475321,2	26,3	815447,8
2016	-22875,0	73,4	524157,0	26,6	547032,0

that the crisis financial management is “financial management system aimed at eliminating the enterprise from the crisis, including through reorganization or restructuring of the entity” [3, p. 236]. I. Kriukova provides crisis management with similar definition, she interprets its content as “the set of external and internal influences which provide at all stages of the life cycle of the system with recovery and stabilization of its work (if it is in crisis situation) or prevention of slowdown (not decreasing) of the rates or volumes where weak signs of crisis situation present” [4, p. 91].

Such approach considers the problem of the enterprises crisis state coming as the fact. Accordingly, the crisis management intends to overcome the negative effects of ineffective management and incorrect assessment of the state of the enterprise business environment, which led to profound problems in its activities. However, from our point of view, the diagnos-

tic and predictive compositions of this problem should also be taken into account.

In opinion of the second approach advocates, it is expedient to support the activity of the enterprise in stable state with disregarding threats and risks. For example, Shpachuk V. believes that crisis management is strategic system which is based on strategic principles and aimed at maintaining stable state of any social and economic system throughout its operation period; it has complex nature, able to quickly adapting and changing depend on external conditions and environment [5].

Buryi S., Matsekha D. note that crisis management is system of constant actions of managers aimed at all organization elements in order to respond promptly and timely reaction to possible external and internal threats under effective functioning or development of the organization [6, p. 21]. This approach is quite consistently and fully described by I. Blank. In his opinion, the

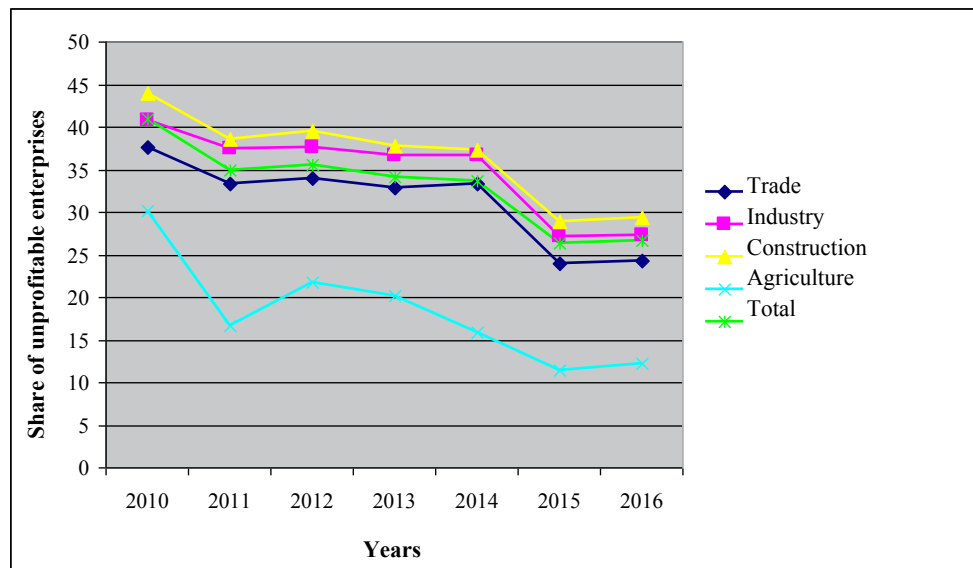


Fig. 2. Dynamics of the share of unprofitable enterprises of Ukraine by types of economic activity

Table 2

The share of unprofitable enterprises of Ukraine by main types of economic activity for 2010–2016 [1]

Years	The share of unprofitable enterprises of Ukraine, %				
	Total	Trade	Industry	Construction	Agriculture
2010	41,0	37,6	40,8	43,9	30,2
2011	34,9	33,3	37,4	38,5	16,6
2012	35,5	34,0	37,6	39,5	21,7
2013	34,1	32,8	36,7	37,7	20,1
2014	33,7	33,3	36,7	37,3	15,8
2015	26,3	23,9	27,1	28,9	11,5
2016	26,6	24,3	27,3	29,3	12,2

crisis management is the system of principles and methods for developing and implementing the complex of special management decisions aimed at preventing and overcoming financial crises of the enterprise, as well as minimizing their negative financial effects [7, p. 427]. Therefore, from this point of view, one of the tasks of crisis management is maintenance of the economic system in equilibrium with properly reaction to the threats of the environment. Under this approach, the essence of crisis management is in the scientific foresight of the crisis events, their complex assessment, as well as the development of the system of measures for preventing or eliminating the crisis with minimal losses for the enterprise.

The third approach to determining the essence of crisis management emphasizes the need to prevent the crisis in the enterprise. For example, T. Kalinesku believes that the crisis financial management is the system of methods of financial management which is aimed at preventing the financial crisis and bankruptcy of the enterprise [8, p. 173]. In this version, we focus only on the crisis preventing, without taking into account the aspect of struggling with the existing financial crisis at the enterprise.

We consider that the definition of crisis management which is provided by team of monograph authors (which is edited by Nesterchuk Yu.) is sufficiently substantiated and comprehensive. They consider that “constant monitoring of financial indices for timely detection of the financial crisis of entity and preventing its transition to the crisis of the entire entity in general” is one of the main tasks of crisis management of the enterprise [9, p. 35].

Strategic aspects of the enterprise activity management in the future are also found in the researches of Aliksieiev I. and others, which treat the content of crisis management from the standpoint of the possibility of forecasting and preventing the emergence of its insolvency in accordance with strategic guidelines for its financial position and gaining competitive advantages in the market [10, p. 24].

Under the summing up the various approaches, it can be noted that the crisis management should combine measures for preventing the crisis emergence, maintaining the enterprise in stable condition and, if necessary, for helping out of the crisis. So, Makhovka V. considers that the crisis management is “its special kind, which is aimed at prevention, the maximum operating and effective elimination of possible complications, threats and negative

consequences of crisis phenomena, as well as at the restoration of the stable functioning of social and economic systems and the creation of prerequisites for sustainable development” [11, p. 31–32].

We agree with the author’s view and believe that crisis management should be carried out not only during the crisis period, but also during its origin or expansion. In our opinion depending on the stage of the crisis development, it is expedient to mark out:

- preventive crisis management, which is carried out in the process of the crisis emergence and aimed at preventing the emergence and development of crisis situations;

- corrective crisis management, which is used in the process of crisis development and oriented to prevent the development of the crisis situation and the development of crisis measures;

- stabilization crisis management, which is implemented during the period of the crisis aggravation and aimed at its negative effects reducing [12, p. 276].

Thus, the study shows that there isn’t sustainable definition of the “crisis management” category in today’s conditions. Every scientist who studies the problem of crisis phenomena preventing, has his own author’s opinion about the content of the “crisis management” category. However, we come to the conclusion that crisis management should ensure the stable functioning of the enterprise by timely identifying the threats of the external and internal environment and reacting to them, and in case of enterprise activity deterioration, it should implement urgent measures for the crisis phenomena overcoming. Within the framework of crisis management, it is necessary to analyze the various scenarios of the events development and to develop an order of action in case of probable aggravations of contradictions within the enterprise or with the external environment.

Conclusions. Strengthening the processes of globalization and financial integration in the modern conditions is constantly accompanied by the probability of crisis phenomena and threats emergence both at the level of national economies, as well as in certain branches and enterprises. The research of the current economic situation at Ukrainian enterprises shows that crisis situations are occurring quite often, and their consequences become large, therefore the problem of the necessity of forming an effective system of crisis management of the enterprise is urgently raised. It is precisely the provision of crisis activities on permanent basis that will allow

the purposeful formation of an effective corporate management system in crisis situations.

The research analysis of scientific approaches to the definition of the economic essence of the crisis management concept allows us to systematize them and conclude that the enterprise crisis management is management which is aimed at anticipating the crisis danger, analyzing its symp-

toms and eliminating the threats of occurrence of crisis situations, and in the case of their occurrence it is analysis and adoption of quick measures of eliminating nature with the least losses and negative consequences for the enterprise. These scientific achievements should become the basis for developing an effective mechanism for crisis management at modern enterprise.

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