

BUSINESS MANAGEMENT STRATEGIES IN CRISIS

Abstract. *In different concepts, the crisis management is treated as a situation of preventing the insolvency or of managing the company in risk situations. The anti-crisis management is a component part of the management, oriented towards the management of the vulnerability of the company, which consists of several stages, among them are: management during the absence of crisis, identification of the crisis and management of the company during the pre-crisis period, management of the company during the crisis period the management itself during the restoration period. Considering that the company needs a post-crisis strategy. The management as a management system under the market conditions ensures the orientation of the company towards meeting the needs of the market, towards the demands of potential consumers, the organization of those types of activities, which are able to bring the enterprise an efficient result, to prevent or liquidate crisis situations in business. Anti-crisis within the company represents an operating system of measures to reform the entire management system with the identification of probable risks, being a vital method under the current conditions. We mention that the crises in the activity of the enterprise are an objective reality, we suppose that they reflect the inconsistency of the development rhythms of the enterprises with the need to change the development trajectory under the influence of the macro cycles. The cause of the financial crisis in companies is characterized by the non-compliance of the financial-economic characteristics with the parameters of the external environment, which in turn leads to the choice of an incorrect strategy, the inadequate organization of the business and as a result, the poor adaptation to the market requirements. It is assumed that the crisis situations are positive and contribute to the formation of the tools to announce the occurrence of the "weak point" and to develop a "new development stage". Therefore, the emergence of crises in the activity of the company is one of the conditions for its progressive growth and its renewal.*

Key words: *enterprise, financial crisis, financial management, insolvency, risk, stability, strategy, uncertainty.*

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1. Introduction

The basic role in the management system of the company, under insolvency conditions, lies with the implementation of internal financial stabilization mechanisms. Their efficient application allows not only to remove the financial stress of the danger of insolvency, but also to a large extent will save the enterprise from applying for loans and will increase the pace of economic development.

All the methods and proposals allow the accumulation of the previous, analytical and forecast information, which envisages the possible changes of the

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financial situation of the company and elaborates measures to maintain the stability, by this, actively solving the cause of the insolvency.

The external environment itself includes objective economic, social and political conditions, within the limits of which the company activates and to the dynamics to which it is forced to adapt. Regarding the problem of uncertainty, we can say that it persists at all stages of the life cycle of the company and is due to the multitude of participants in the business process, whose behavior, in various situations, cannot be accurately predicted.

At the same time, the activity of the company is also influenced by strategies, goals and criteria, which cannot be invariable at the appropriate level of performance. In the meantime, we emphasize that, the activity of the economic agent is permanently affected by the uncertainty of the economic situation, which is based on the instability of the demand and the supply of goods and services, the factors of production, the existence of more possibilities of combining capital for making investments.

Thus, the management mechanism for most companies should not be aimed at avoiding the crisis, but at preventing insolvency and ensuring the possibility of identifying the critical state.

2. Risk – the variable of maintaining the solvency level of the enterprise

The activity environment imposes on the company a new variable that must be taken into account in order to maintain the liquidity level, namely – the risk, which is the uncertainty of the company with respect to the obtained results.

The current concerns of research and action in financial management concern the issue of risk and inflation. The risk is addressed in correlation with the inflation, the increase of the interests in the conditions of a high inflation, leading both to the increase of the cost of capital, and to the diminution of the potential of an investment to produce profit.

Risk is a measure of the concordance between different possible outcomes, more or less favorable or unfavorable in a future action. The risk can also be defined as the probability that the expected result will differ from the real profitability. The deciding person alone sees if the result obtained will be rewarded.

The risk assessment brings to it how comfortable the decision maker feels, being aware of the likely negative results. The risk should be seen as a possibility of losing or earning money.

The risk (the possibility of getting into danger, of facing a problem or of suffering a loss, possible danger) calculated and assumed by the initiator of the business has as a reward the expected profit of the business. It reflects the degree of probability associated with failure, and the key character of business development is the entrepreneur himself. [Julien P. A., et al.]

The entrepreneur can assume in his activity the following categories of risk: the strategic risk, assumed by the entrepreneur in the case of his own business,

depending on the choice of activities according to the competences of the entrepreneur, the resources available to him and the positioning on the market of the business, the risk financially, supported in relation to the capital committed by the company, is characteristic by the risk of non-repayment of the loans and the operational risk, derived from the possible malfunctions in the management of the resources.

The operational risk is assumed almost exclusively by the entrepreneur and can be avoided or limited only because of his possession of true qualities of manager, professional of the business. On the other hand, the entrepreneur faces uncertainty, often himself contributing to its emergence. Uncertainty (lack of certainty, uncertainty, doubt, hesitation) is of several types and it, manifesting itself at various levels, represents the set of potential events likely to occur and which can be predicted, thus influencing the activities of the company [The explanatory dictionary of the Romanian language; 2000].

Therefore, we consider that the financial risk indicators are able to explain some phenomena of negative influence of the risk factors on the activity of the company and based on them forecasts can be elaborated in order to avoid or minimize the future risks. As a result, the problems of insolvency risk are centralized on two financial statements, namely:

- the condition regarding the working fund;
- the state of solvency highlighted by several rates.

In order to assess the financial stability, it is necessary to calculate indicators that characterize the structure of the sources of heritage formation. One of the indicators is the correlation coefficient between the borrowed and own sources.

The larger the size of this coefficient, the greater the risk of entrepreneurship, which requires the implementation of methods to reduce and avoid this risk.

Among these methods we mention the diversification, which allows a greater stability of the financial performance, thus reducing the vulnerability of the company; this consists in the distribution of capital over different fields of activity, the results of which are not in direct interdependence. Due to the multiplication of production, the impact of adverse economic fluctuations in the sector can be mitigated, the risks related to imperfect forecasting, market shrinking or the emergence of new competitors are diminished.

When loss is obtained in one field of activity, profit is obtained from another sector. It follows that diversification allows to maintain the stability of the enterprise regardless of the internal and external factors that influence negatively.

Another method is the insurance of the risks of an insurance company, often the hedging is used, that is to say the price of the goods against the risk or the unexpected decrease for the producers and the unsatisfactory increase for the consumers.

The method of limitation involves setting a ceiling for the amount of expenses, the sale in credit and the investment amounts of the capital.

The formation of the reserves of resources to cover some unforeseen expenses is done by the correlation between the potential risk and the increase of the expenses to bear these risks. This method, as a rule, is used when implementing different projects. The risks are divided between the project participants, the longer the investment period and the more modern technologies are innovated, the higher the project risk. As a method of risk sharing, factoring operations appear which ensure high risks.

The decrease of the efficiency of a company, the loss of speed in the market, creates a negative state, the managers coming with numerous “saving solutions” to prove their managerial potential still unfulfilled.

And the financial requirement includes the fulfillment of at least two conditions: how much it costs to assimilate the proposal and what profit the respective proposal brings.

Taking into account that the driving force of the development of the entrepreneurial activity is the uncertainty and the risk, which have an objective character, we mention that they are the result of the influence of the external environment factors and, from these considerations, the emphasis is placed on ensuring the reciprocal connection between the forecasting process and the result of the current reality.

3. Strategies for managing instability and avoiding the financial crisis within the enterprise

According to some opinions, the insolvency, as an economic category, represents a reflection of the insufficient gross income destined to cover the expenses incurred. However, in case that as a criterion of the insolvency of the company, it serves the inability to use the factors of production, which have a certain level of efficiency, that is, the activity of the economic agent is lost, the following statements can be made:

- the unsatisfactory state of the enterprise produced by the loss effect does not characterize the phenomenon of insolvency, since it may be the result of the market strategy of the economic agent, because, in this case, the losses aimed at achieving long-term stability are of short duration;
- the non-profit activity of the enterprise cannot serve as a guarantee of maintaining the efficiency and solvency of the management object, as incorrect investment policy, the inefficiency of the organizational and management structure, as well as other factors, may lead to diminishing profitability. As a result, the company maintaining the state of technical and production potential will become insolvent as an object of entrepreneurship. Thus, the non-profitability reflects only the final side of the insolvency criterion, when the unfavorable situation of the company becomes visible to all business partners.

Therefore, from the foregoing, several reasons for insolvency can be stated. The first is the long-term decrease in demand, which is about ending the production life cycle or changing the demand function of the enterprise production, which can transfer the price level into the segment, which is below the average cost level.

The second assumes that as a result of the spontaneous increase of permanent or variable expenses, the overall costs may increase to the level that exceeds the price of the commodity.

As can be seen, the first reason for the insolvency arises from the field of marketing and provides that the marketing strategy is the starting point of the general plan of financial recovery of the economic agent. The second reason is attributed to the financial sphere, and the financial restructuring strategy is the final point.

Thus, the notion of insolvency risk management involves such a procedure, in which the crisis danger is stipulated in a certain way, the analysis of its particularities is carried out and the measures are elaborated, related to diminishing the consequences of the crisis and the use of factors, which will influence the development of the perspective of the company.

In the case of the emergence of the insolvency risk, for the management of the activity a great importance is due to the use of the contemporary methods of securing and using the reserve funds, as well as of their distribution systems.

The elaboration of the strategy regarding the consolidation of the financial situation of the company implies the existence of a process of efficient economic management of the patrimony, which involves a complex of organizational, technical and financial measures, which will allow the optimal correlation of the production factors. The manager's abilities to mobilize the collective to overcome the crisis situation are not the last place.

A big problem in the strategy of managing instability and avoiding the financial crisis is correlated with the non-effective management, sometimes it is enough to change the team of managers and implement the anti-crisis management policy, in order to record a financial growth and efficient economic results, that will allow the regular payment of the salary and the debt settlement to the state budget.

Therefore, the entrepreneur assumes responsibility for the development of an individual program of actions that would allow identifying, reducing and avoiding his own insolvency. Activating in the competition environment, the economic agent is required to offer his clients facilities for selling the goods, including the sale in credit, which conditions the probabilistic character and a high degree of risk. [Fomin, Ia.A.; 2004]

The economic and financial management of the company is a complex of correlations, which are formed in the process of developing and carrying out the activity between different elements of the material structure, the technical potential and that of the human resource, which express the possibilities of production, how they are used and which are the results obtained. At the same time, it is necessary to compare them with the possible level of attainment, depending on the potential existing in the equipment.

Currently, considering that the entrepreneurial activity is carried out under the conditions of an uncertain environment, the problem of evaluation, analysis and management of financial instability and crisis requires a study, which would include theoretical as well as practical aspects. Therefore, they must become a key element of the theory of economic management.

The management procedure allows appreciating the ways and possibilities of ensuring the economic stability of the company, its ability to withstand adverse events. In the process of examining the sphere of financial crises, it is necessary to consider the level at which the company is assigned and the stage in its life cycle.

Regarding the economic management, we affirm that, it can be treated as a specific process, which consists of a set of planning, organizing and control activities aimed at establishing and tracing the goals and objectives, to be achieved, as well as the interaction of the economic means that allow to achieve these goals, including a complex of efficient forms of administration of the entire patrimony of the enterprise.

The anti-crisis management involves the prior elaboration of a program to avoid critical situations, to insure against risks and to eliminate the negative consequences. There is an essential difference between stable planning, which is based on the use of certain resources, and between planning to restore normal business activity, because before unforeseeable and unpleasant phenomena, it allows the economic agent to restore in a short time its solvency and fulfill, as far as possible, its commitments towards its customers, partners and employees.

In the specialized literature, the process of carrying out the procedures for confronting the financial crises related to the activity of the debtor companies, is considered as a process of avoiding the crisis, which in the conditions of the market economy is considered as a directed process.

This situation highlights two concepts: crisis management and crisis regulation. The first is a microeconomic category, which represents all the forms and methods of carrying out the crisis avoidance procedures stipulated in relation to the corresponding enterprise. This category reflects the relations of production, which are formed within the enterprise at the stage of its recovery or liquidation.

The second, as a macroeconomic category, includes organizational, economic, normative and legal measures of influence from the state, which have as purpose the protection of enterprises against crisis situations, the prevention of bankruptcy or liquidation in case of inoperability of their functioning in perspective.

Some scientists emphasize the preventive procedures for avoiding the financial crisis and consider that the anti-crisis management is aimed at not admitting the bankruptcy of the company. According to the given approaches, the determination of the essence of the anti-crisis management manifests itself to some extent in the narrow sense, as it provides the management process under the conditions of the existing financial crisis and is directed towards the enterprise's exit from the given situation. The main cause in the management of the financial crisis is to ensure the conditions, in which the financial difficulties cannot have a permanent and stable character.

Thus, the notion of anti-crisis involves the operation of a system of enterprise management, with a systemic and complex character, which aims to prevent or avoid unfavorable phenomena for business, to implement and realize, within the economic agent, a special strategic program, which allows to remove temporal difficulties, keep and extend from the source, in different circumstances, the positions of the subject on the market.

At the same time, such formulation of this category does not allow revealing the structure of crisis avoidance management and does not determine the importance of financial restructuring in the case of the company's recovery.

The managerial theories determine that crisis avoidance management must a priori overcome and prevent the insolvency of the enterprise. The use of management procedures allows ensuring, over a long period of time, such a level of competitiveness, which will create conditions to produce the required goods on the market and would ensure sufficient monetary flow to pay all obligations [Hada, T.;2013].

Based on the above, the management of the financial crisis can be divided into the following modules:

- analyzing the external environment of the internal potential of the competition priorities;
- preventive diagnosis of the causes of crisis situations in the economic and financial processes of the company;
- complex analysis of the economic and financial situation of the company in order to establish the methods of financial recovery;
- the business plan for the financial recovery of the company;
- procedures for managing financial crisis avoidance and controlling their execution.

This determination of the anti-crisis management reflects its structure and content, as the first three modules are aimed at determining the current state of the enterprise, and the last two aim at removing it from the crisis.

From this point of view, the management of the activity of the company under the conditions of bankruptcy can be studied as a guided process, which is aimed at preventing or avoiding the crisis, which corresponds to the goals and the objective tendencies of development.

In this context, the problems of anti-crisis management of the financial position of the company can be reflected in the following three groups: [Yon, G.B.; 2004].

1. includes the problems related to the detection of the insolvency status;
2. it comprises the key spheres of the volatility of the enterprise, namely, the methodological, economic and financial problems;
3. differentiate the management technologies, which include the problems of crisis forecasting.

Thus, the notion of crisis management consists in the financial restructuring of the company and the modeling of processes, which refers to different groups of problems.

The assertions allow us to conclude that insolvency is a complex feature that reflects the internal processes, carried out within the company, which ultimately affect its financial status. Thus, for most management subjects, the management mechanism should not be aimed at avoiding the crisis, but should foresee the prevention of insolvency and ensure the possibility of preventing bankruptcy.

At the same time, regarding the insolvent enterprises, we mention that the main direction of the anti-crisis management consists in the financial restructuring.

Any management decision is made when the results are not yet known and the information is limited, so some principles of risk mitigation must be taken into consideration, namely: you must not risk more than your own capital allows, you must not forget about the consequences of risk, do not risk much to get little.

4. Conclusions

The structure of enterprises largely determines its ability to respond to changes in the external environment. If an enterprise has an organizational structure that is too rigid, it can become an obstacle to flexible adaptation to new real conditions, impede the process of innovation and impede a creative approach to solving new problems and tasks.

The manager should maximize the resources of the enterprise and distribute them in such a way as to have the greatest effect. The mechanism of using the resource potential of the enterprise is brought into line with the ongoing anti-crisis policy. When conducting a comparative analysis, it is important to highlight those points that can fundamentally affect the success of the enterprise.

At the stage of implementation of the anti-crisis policy, the top management of enterprises should revise the plan for the implementation of the new strategy, if this is required by new circumstances.

Analytical information should allow to determine: the reasons for the change in the financial condition of the enterprise; the composition of measures taken by the management of the enterprise to prevent deterioration in financial condition, the degree of their sufficiency and effectiveness; ideology and directions of forming a business plan and investment project; the depth of the crisis in which specific enterprises, types, forms and conditions of state support find themselves.

Monitoring of financial activities for a wide range of indicators, the results of the analysis of business plans and investment projects will allow you to quickly assess the financial condition of insolvent enterprises.

Since the insolvency of the enterprise can be eliminated in a short period due to a number of emergency financial operations of an operational nature, the remaining reasons that led to the crisis will lead the enterprise to crisis again. Therefore, it is necessary to restore financial stability by overcoming the causes of insolvency in a relatively longer period of time.

In practical terms, financial decisions should be aimed at increasing working capital and reducing the need for working capital. Of course, in a crisis situation,

when the possibilities of a significant increase in the volume of generating own financial resources and attracting long-term borrowings are limited, the main direction of ensuring the achievement of the financial equilibrium point by the enterprise is justification of the optimal need for working capital.

To obtain a positive result at enterprises it is necessary to rationally use their own fixed and circulating assets, significantly reduce production and administrative costs and significantly increase the volume of activity based on market conditions.

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