

Considering the negative factors in enterprise management

V. Kozyk, N. Seliuchenko, V. Masiuk

Department of Business Economics and Investment,
Lviv Polytechnic National University 79013, Lviv, Bandery st. 12,
e-mail:vklymash@gmail.com

Received April 15.2014: accepted June 20.2014

Abstract. The article examines the processes of anti-crisis management, risk management and economic security management of the enterprise as functional subsystems of the general system of enterprise management. The views of various scholars concerning these processes are analyzed; their main stages and features are highlighted. The relation between the subsystems in times of crisis and under normal conditions is established.

Key words: anti-crisis management, risk management, economic security system, process, strategy, crisis, risk, danger.

INTRODUCTION

To avoid irregular activities and to ensure stable operation and development of the enterprise, effective management process should be adjusted. Due to the large number of internal and external factors that affect the enterprise and can cause deviations from planned indices and even threaten the crisis emergence, it is necessary to implement such management subsystems as anti-crisis management, risk management or economic security management. Each of these subsystems should be aimed at achieving the strategic goals of the enterprise. Therefore, the processes of anti-crisis management, risk management and economic security management should have clearly defined goals and objectives, methods and tools, which in some cases may coincide, but have their own specifications.

Many experts are engaged in the research of anti-crisis management, risk management and providing of economic security. However, most scientists focus on the study of one of the three functional management subsystems. So there is a question whether one of these subsystems is sufficient to address the impact of negative factors, or three subsystems must operate.

The aim of the article is to identify the features of anti-crisis management processes, risk management and economic security management of enterprise and establish relationships between them in times of crisis and under normal conditions.

THEORETICAL STUDY OF THE PROBLEMS OF ENTERPRISE MANAGEMENT IN VIEW OF THE NEGATIVE FACTORS

Any type of management activity involves performing a series of actions, the use of techniques and methods by which ensured the achievement of a specific result. The sequence of such actions, methods, techniques reflects management process. In general, it can be displayed by the following stages: 1) goal identification, 2) situation assessment, 3) problem identification, 4) taking appropriate management decision, 5) decision implementation, 6) control of decision implementation, deviations identification and making decisions concerning their elimination.

V.O.Vasylenko [16] focuses on the fact that within the general meaning of the management process, there are different types of influence formation, which reflect the features of the object and the subject of management, specific circumstances, experience and competence of the manager and personnel, other characteristics of the practical conditions of management activity. Accordingly, the management process is built on the following criteria: rationality, time-saving and resource utilization, maximum efficiency.

Given the above, we emphasize that it is possible to identify stages that are similar to the mentioned above in the processes of anti-crisis management, risk management and enterprise economic security management.

But each of these processes has its own characteristics. Therefore it is necessary to investigate these processes and identify their characteristics.

The process of anti-crisis management can be described as a series of targeted, well-defined successive anti-crisis actions. We will focus on the characteristics of these actions.

Many domestic researchers affirm that anti-crisis management could have a preventive nature, or is directed to overcome the crisis that has unfolded in the enterprise. In particular, V.O. Vasylenko [16] states that "anti-crisis management is a management that is aimed at predicting crisis, analyzing its symptoms and threats elimination of the crisis emergence. And in case of their emergence - analysis and taking quick actions of liquidation character with minimal losses and negative consequences".

Exploring the financial crisis, O.O. Tereshchenko [14] describes specific features of anti-crisis financial management as follows. Firstly, it is a set of preventive measures aimed at preventing financial crisis (systemic analysis of the strengths and weaknesses of the enterprise, evaluating the probability of bankruptcy, risk management (identification, evaluation and elimination), implementation of preventative measures, etc. Secondly, it is a financial management system, aimed at the withdrawal of the enterprise out of the crisis, including reorganization or restructuring of the enterprise.

L.O. Ligonenko [9] firstly describes anti-crisis management as a reactive process, i.e. as a set and sequence of measures to overcome the current crisis, and then - as the preventive process. Reactive process includes: diagnostics of crisis situation and the threat of bankruptcy; identifying goals, objectives and the subject of anti-crisis activity; time constraints and resource potential evaluation of the anti-crisis management process; design and implementation of anti-crisis program and monitor its implementation. The preventive process is the design and implementation of the preventive measures in order to stave off crisis.

The analysis of anti-crisis management stages, separated by L.O. Ligonenko [9], suggests to agree with the authors [19] that proposed mechanism reflects such management features as mobility in the use of resources, software and targeted approaches to implement management decisions, intensified sensitivity to the time factor, increased attention to the past and future assessments of management decisions and the use of anti-crisis criterion of quality of management decisions during their design and implementation. However, it should be noted that the sequence of anti-crisis management stages, separated by L.O. Ligonenko, doesn't contain any stage to prevent crisis in the prosperous enterprise.

N.V. Mishenina [11], investigating the problems of anti-crisis management, identifies the following stages: detection of negative internal and external factors of the

environment; predicting the effects of these factors on the enterprise; evaluating the possibility of the crisis overcoming; the strategy formation of anti-crisis activity of the enterprise; design and implementation of anti-crisis program; the evaluation of anti-crisis activity.

We agree with the author [11] that in case of crisis emergence, the enterprise should identify all negative factors of internal and external environment, and to predict the consequences of their impact on the enterprise, i.e. the further development of the crisis. However, the crisis presence in the enterprise (as evidenced by the third stage) calls for a deep diagnostics of its state which, in our opinion, is not reflected in the stages of anti-crisis management.

Diagnostics of management processes is one of the most important steps. It determines the nature of management decisions and their efficiency.

V.O. Vasylenko [16] considers diagnostics as "the determination of object, phenomenon or management procedure through the implementation of complex research procedures, identifying weak links and "bottlenecks". The task of diagnostics is closely intertwined with the other two goals - prediction and analysis of origin. Prediction allows you to specify a diagnosis. The investigation of the object development also helps to understand its current state better. ... At the same time diagnostics is the starting point of the prediction, because without a clear and accurate statement of the prevailing condition it is impossible to assess the alternatives of object development".

L.O. Ligonenko [9] understands the diagnostics of the crisis and the threat of bankruptcy as the system of "retrospective, operational and target analysis aimed at identifying signs of a crisis state on the enterprise, assessment of the bankruptcy threat and possibilities to overcome the crisis."

I.A. Blank claims that assessment of crisis growth factors and prediction of possible bankruptcy should be made long before its obvious signs [2]. For this purpose, rapid diagnostics of bankruptcy is operated, which aimed at detection of early signs of crisis development of the enterprise and preliminary assessment of the extent of the crisis. In other scale crisis situation, fundamental diagnostics is mandatory that describes a system of estimating the parameters of the crisis financial development of the enterprise [2].

In our opinion, the stages, proposed by N.V. Mishenina [11], do not include evaluation of the enterprise state, problems identification and "analysis of the origin" of these problems, so there is no analysis of the crisis causes, assessment of the type and depth. The mentioned above makes it impossible to implement the next stages of anti-crisis management adequately, i.e. to predict the effects of the factors on the enterprise, to evaluate the potential of the crisis overcoming, to create a strategy of anti-crisis activity and develop anti-crisis program.

The complex nature of anti-crisis management is reflected in [19]. The authors identified three types of anti-crisis management: preventive, crisis and post-crisis management. Each of these types provides individual management process.

The implementation of preventive management has two stages: scanning the environment and preventive program implementation, which prevents the internal negative factors and regulates the adjustment conditions to the external factors.

Crisis management includes diagnostics (identification of strengths and weaknesses and ranking problems), the formation (creation) of goals and objectives (analysis of management, marketing, finance, production and personnel, threats evaluation), and developing a program of anti-crisis management and its implementation (development and implementation of measures to eliminate threats, functional structures optimization and development strategy provision).

Scientists also distinguish three stages of post-crisis management: evaluation of post-crisis state (analysis of the crisis results and prediction of the possible development), activity planning (mission, strategy, goals and objectives creation of the enterprise in accordance with available resources) and implementation of the business process.

There is an interesting point of view of the German scientist U. Krystek reflected in [7] concerning the division of anti-crisis management in anticipative, preventive and reactive. O.V. Kovalenko believes that anticipative crisis management, which is implemented in the case of potential threat of the crisis, and preventive, which is administered by the presence of symptoms of latent crisis, focused on risk management and reactive crisis management, which is used in a period of deep crisis, aimed to reorganize the enterprise.

Summing up information concerning the content of the anti-crisis management process (both aimed at crisis prevention and in case of crisis of varying depth), it should be emphasized that scientists associate it with the following actions: crisis threat prediction and threat elimination of its appearance – B.O. Vasylenko [16]; risk management with the aim of preventing the financial crisis – O.O. Tereshchenko [14]; evaluation of the threat of bankruptcy after diagnostics of the crisis phenomena – L.O. Ligonenko [9]; evaluation and elimination of threats in the case of crisis – V.I. Vorobyov, A.M. Shtanhret, O.M. Petrashova [19]; risk management in cases of potential threat of crisis and symptoms presence of latent crisis – O.V. Kovalenko [7].

The risks are the subject of risk management and threats are the objects of enterprise economic security. So, it could be stated that anti-crisis management encompasses risk management processes and threats at the stage of crisis prevention and after its overcoming, but in times of crisis it has a much broader nature. Consider these processes in details.

The process of risk management is displayed by a sequence of stages; the ultimate goal of these stages is to avoid losses or to minimize them in case of risk events.

V.V. Vitlinsky and H.I. Velykoivanenko [17] entail the following stages of risk management: 1) information-analytical stage; all risks are evaluated, regardless of the management staff can affect them or not in case of their implementation, 2) identification; parameters of all possible risks considering management activity and company activities are determined, 3) risk analysis, which resulted in solving the question whether to engage in a certain activity with the available information about identified risks, 4) risk level reduction, which involves finding ways protection against unacceptable risk and developing a mechanism of its implementation, 5) control of possible or existing situation, 6) program implementation in case of risk, 7) analysis, conclusions and suggestions.

The authors [20] proposed the following stages of the risk management process: 1) identification and recognition (risks identification), 2) risks assessment, 3) the selection and implementation of risk management techniques, and 4) analysis of management results and probable losses.

The author [15] presents the process of enterprise risks management by five stages: 1) risk analysis; 2) the selection of methods to influence the risk; 3) decision-making; 4) direct impact on risk; 5) monitoring and adjusting the results of the management process.

Summarizing the points of view of different authors, it should be noted that the risk management process begins with the identification and assessment of the risk. Preferably the risk assessment is divided into qualitative and quantitative. Qualitative assessment is the analysis of risks types and their features, sources of risks emergence, areas of its distribution. Quantitative assessment determines such characteristics as the occurrence probability of adverse events and the magnitude of potential losses [20].

The [12] states that risks analysis can be performed in two ways: from uncovering to assessment and vice versa. The first option is considered by the authors as "pre-emptive risk management", which involves the application of preventive measures to identify possible risks and consequences of their functioning. In case of losses, it is necessary to evaluate their worth, and then to find out the reasons of occurrence.

The correct selection of influence methods on the risk plays an important role in the system of risk management. The following approaches of risk management are identified in [18]: avoidance, prevention and acceptance. In domestic literature they are described as strategies of risk management. Risk prevention requires methods of its optimization. Scientists divide such methods into external (risk sharing, exterior insurance, derivatives) and internal (limitation, diversification, provisioning, obtaining of

additional information). According to [15], the decision concerning risk management method involves the choice of several methods of risk exposure, which combination can give the most advantageous option among possible level of damage and the probability of a particular type of risk.

The final stages of the risk management process are monitoring and adjusting the results of implementation of the chosen management strategy according to new information [12], the analysis of efficiency of use of selected risk management techniques and the usefulness of other methods [20].

The authors [20], including researches of domestic scientists, emphasize that effective risk management can be achieved based on the following principles: 1) high risk for small is unjustified, and 2) you cannot risk more than your resources allow; 3) it is needed to consider the possible risk consequences.

T.L. Mostenska and N.S. Skopenko [12] included these principles, which indicate that risk analysis should precede the determination of the objectives of business activity and their comparison with the magnitude of risk and capital.

Risk delimitation, according to [18], allows risks differentiating into "serious" and "very threatening". Very threatening risks could cause a crisis which results in lower economic security even till its bankruptcy. That's why modern scientists research the problems of the risk management in terms of economic security of enterprise.

The process of risk management in the context of economic security is considered by author [8]. The basis of this process is the identification of sources of those risks types that lead to threats of the sustainable development of enterprises in case of their implementation.

The mechanism of risk management aimed at ensuring economic security is proposed in [4]. It involves the determination of influence of internal and external risks on the enterprise activity, methods application and management tools and ensures timely control to achieve optimum level of enterprise economic security.

In general, the management process of enterprise economic security is defined as a set of interrelated sequential actions aimed at enterprise state achievement in which "the probability of negative changes under the environment influence is acceptable" [3].

In [19] scientists identify two subcontracting levels of the enterprise economic security management. The first level is called the executive, which carries out continuous monitoring and analysis of the internal and external environment, and also well as formation of economic security strategy and implementation of the designed measures. The second - coordination level - performs administrative procedures concerning coordination of all departments, aimed at maintaining of economic security.

The [10] considers four stages in the management of enterprise economic security. In the first stage the mission and strategic goals of the enterprise are determined and the analysis of internal capabilities and external threats is conducted. In the second stage, firstly, the general strategy is designed, and then the priority of reactions concerning stabilization, preservation, development of competitive and innovative position or position to ensure the long-term potential is determined and finally the economic security strategy is selected. The third stage involves the implementation of the chosen strategy, and the fourth - the evaluation of its efficiency.

The authors [1,13] aver that the strategic objectives provide formation and increase of the economic potential and meet the requirements of economic security. The general strategy of the enterprise determines the types and nature of threats to its economic security, which defines the measures that should be developed to ensure the economic security.

It should be emphasized that the authors [10, 13] associate measures concerning the management of enterprise economic security with its strategic objectives, just as it should be taken into account in risk management that is highlighted above.

T.V. Haylova [6] proposes to divide management of enterprise economic security, like anti-crisis management, into preventive and crisis. The author argues that this division provides a variety of goals, objectives, functions and management techniques. Preventive management of economic security is aimed at planning of the strategic position of the enterprise development, analysis and prediction of future changes, identification of opportunities and threats. Instead, the functions of crisis management of economic security are to reduce losses using rapid response methods, attracting the necessary resources for this purpose, as well as implementation of anti-crisis measures.

The similar point of view can be traced in V.I. Franchuk [5]. He identifies three modes in which economic security system can operate: casual, high alert and emergency (crisis) state. Casual mode of the enterprise economic security system is similar to preventive anti-crisis management. It is aimed at risks and threats prevention of the internal and external environment. High alert mode is typical in case of certain threats. In this case, security forces or Crisis Group may be involved to terminate the threat. In state of emergency operational management of the enterprise goes to Crisis Group, and security service is subordinated to Crisis Group. In this case, even external security forces, such as the State Security Service or the Internal Affairs agencies may be involved. So the casual mode should have a preventive nature concerning influence of negative factors (threats and risks). According to the author, in high alert mode (when the threat is in action) and in state of emergency (in times of crisis), enterprise security service and external security forces may be involved.

It should be emphasized that the internal security service and external subjects of economic security can apply specific methods of preventing or overcoming the impact of threats. Such methods may include, for example, economic intelligence service (economic spying), force methods etc.

The authors [19] indicate that in the anti-crisis management system economic security should be formed even during the enterprise foundation. According to them, it is important to turn attention not only to the current job, but also to development of the economic security strategy, formation and training of anti-crisis groups and improvement of the economic work in general.

APPROACHES TO THE MANAGEMENT OF INFLUENCE OF NEGATIVE FACTORS ON ENTERPRISE IN VARIOUS CONDITIONS

Given the conducted analysis of risk management processes and economic security management, it can be stated that the strategic objectives of the enterprise activity determine the risks and threats, admissible risk level and acceptable economic security level. Moreover, the lower the risks level of the activity of business subject is, the higher is the level of economic security. Hence, risk management and management of enterprise economic security are connected with each other, and should coordinate and direct their actions to achieve the strategic goals of the enterprise.

In our opinion, under normal conditions, a functional subsystem of the general system of enterprise management that is aimed at elimination or mitigation of the negative factors on it can be anti-crisis management (anti-crisis group) or enterprise economic security system. Creating these two subsystems simultaneously is impractical. Risk management should be subordinated to the anti-crisis management or economic security system. Implementation of risk management only doesn't give an opportunity to use specific techniques and tools of economic security system and thus effectively influence on all negative factors and phenomena, such as illegal and selfish actions of physical persons or legal entities. The proposed approach to the management of negative factors impact (threats and risks) during crisis prevention or after its overcoming is shown in Fig. 1.

The stage of the crisis overcoming is more complex, it requires the use of specific anti-crisis approaches, methods and tools. That's why in times of crisis anti-crisis management runs enterprise management. However, in this case both the enterprise and the process of anti-crisis management are exposed to various negative factors of external and internal environment. So anti-crisis management, implementing anti-crisis strategy should delegate certain tasks and functions to economic security service and risk management in order to overcome the crisis effectively, to prevent their further development and a threat of bankruptcy. This approach is shown in Fig. 2.

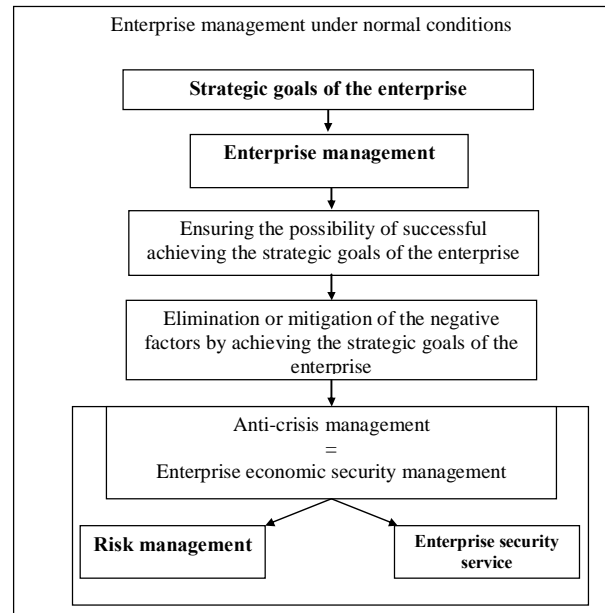


Fig. 1. Interconnection of anti-crisis management, risk management and enterprise economic security system under normal conditions*

* Source: elaborated by authors

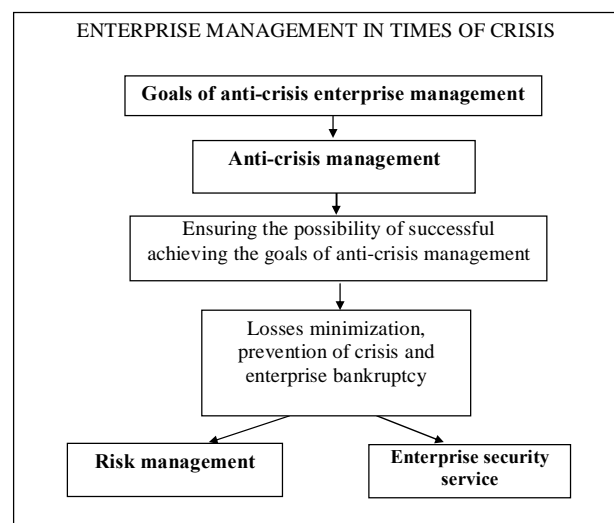


Fig. 2. Interconnection of anti-crisis management, risk management and enterprise economic security system in times of crisis*

* Source: elaborated by authors

CONCLUSIONS

1. The process of enterprise management should be aimed at achieving the strategic goals of the enterprise and should be built in a way to maximize time savings, the enterprise resources (financial, material, labor, informational) and to achieve the best results. The processes of anti-crisis management, risk management and economic security should be built according to these principles.

2. The basis of anti-crisis management process is the crisis prevention or the crisis overcoming. The

process of risk management should focus on the selection and implementation of management solutions, most winning between risk probability and the potential level of damage. Enterprise economic security management provides early detection and threats elimination. It allows providing the appropriate level of economic security and sustainable development of the enterprise.

3. The strategic goals of enterprise determine the potential risks and threats, admissible risk level and acceptable level of economic security. Risk management and enterprise economic security management are connected with each other, so have to direct and coordinate their actions to achieve the strategic goals of the enterprise. For an impact on negative factors these management subsystems use techniques and tools which in some cases may coincide, but have their own specific features.

4. Under normal conditions, a functional subsystem of general system of enterprise management that is aimed at elimination or mitigation of the negative factors on it can be anti-crisis management or enterprise economic security system. Creating these two subsystems simultaneously is impractical. Risk management must have a subordinate character to them.

5. In times of crisis, anti-crisis management runs enterprise management. During the anti-crisis program implementation, anti-crisis management should delegate certain tasks and functions to economic security service and risk management. The processes of anti-crisis management, risk management and economic security should be aimed at achieving goals of anti-crisis strategy.

REFERENCES

1. **Alekseyev I., Khoma I. and Shpak N. 2013.** Modelling of an impact of investment maintenance on the condition of economic protectability of industrial enterprises. *Econtechmod an international quarterly journal*, Vol. 2, №2, 3-8. (Ukrainian)
2. **Blank I.A. 1999.** Fundamentals of Financial Management. V.2. Kyiv. Elga, Nick Center, 512. (Russian)
3. **Bliznyuk A.O. 2012.** The nature and features of enterprise economic security management /<http://eprints.kname.edu.ua/25073/1/268274%20%D0%91%D0%BB%D0%B8%D0%B7%D0%BD%D1%8E%D0%BA%20%D0%90%D0%9E.pdf>. (Ukrainian)
4. **Dotsenko I.O. 2013.** Risks management mechanism of entrepreneurship in the system of enterprise economic security: Abstract of PhD thesis on economic science. Khmelnytsky, Khmelnytsky National University, 20. (Ukrainian)
5. **Franchuk V.I. 2010.** Theoretical model of the system for ensuring economic security of joint stock companies. *Almanac of Ukrainian National Forestry University*, №20.8, 155-162. (Ukrainian)
6. **Haylova T.V. 2006.** Formation of mechanism of enterprise economic security management: monograph. Donetsk, Donetsk Institute of Law under the E.O. Didorenko State University of Internal Affairs of Luhansk, 152. (Russian)
7. **Kovalenko O.V. 2009.** The nature, features and some problems of preventive anti-crisis enterprise management. *Almanac of National Technical University "Kharkiv Polytechnic Institute"*, №5, 99-106. (Ukrainian)
8. **Laburtseva O.I. 2011.** Risk management in the context of economic security. *Almanac of Kyiv National University of Technologies and Design, KNUTD*, №5, 244-246. (Ukrainian)
9. **Ligonenko L.O. 2001.** Anti-crisis enterprise management: theoretical and methodological principles and practical tools: monograph. – Kyiv, Kyiv National University of Trade and Economics, 580. (Ukrainian)
10. **Maslak O.I. and Hrishko N.Y. 2013.** The economic security management of enterprise according to the principles of its rational level provision. *Marketing and innovation*, №1, 198-208. (Ukrainian)
11. **Mishenina N.V. and Kryvuschenko M.V. 2011.** The strategic model of anti-crisis enterprise management. *Research bulletin of Chernihiv State Institute of Economics and Management*, №3 (11), 170-175. (Ukrainian)
12. **Mostenska T.L. and Skopenko N.S. 2010.** Risk management as management tool of enterprise risks. *Almanac of Zaporizhzhya National University*, №3 (7), 72-79. (Ukrainian)
13. **Sudakova O.I. 2009.** The conceptual foundations of planning of enterprise economic security. *Economic space*, №23/2, 204-213. (Ukrainian)
14. **Tereshchenko O.O. 2004.** Anti-crisis financial management in the enterprise: monograph. – Kyiv, Kyiv National Economic University, 268. (Ukrainian)
15. **Tkach V.O. and Kamushkov O.S. and Shevchenko V.O. 2011.** Financial enterprise security: organizational and economic management mechanism of enterprise tax liabilities: monograph. – Zaporizhzhya, 168. (Ukrainian)
16. **Vasylenko V.O. 2005.** Anti-crisis enterprise management. – Kyiv, 504. (In Ukrainian)
17. **Vitlinskiy V.V. and Velykoivanenko H.I. 2004.** Risks in economics and business: monograph. Kyiv, Kyiv National Economic University, 480. (Ukrainian)
18. **Vitlinskiy V.V. and Verchenko P.I. 2000.** Analysis, modeling and management of economic risks: textbook for self-teaching. – Kyiv, Kyiv National Economic University, 292. (Ukrainian)
19. **Vorobyov V.I., Shtangret A.M. and Petrashova O.M. 2010.** Methodological support improvement of anti-crisis management in the enterprises of publishing and printing industry: monograph. – Kyiv, 296. (Ukrainian)
20. **Zagorodniy A.G. and Pylypenko L.M. 2010.** Risks of audit activities: methods for detecting and estimation: monograph. – Lviv, 232. (Ukrainian)