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# METHODS OF KEY PROBLEMS DIAGNOSTICS IN THE SYSTEM OF CRISIS MANAGEMENT

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JEL Category: **B41, M10**

### **Abstract**

*The content of anti-crisis management, based on the opinions of leading scientists, is revealed in a scientific article. Own interpretation of this concept, which covers all the advantages of the most famous statements of leading scientists has been made. Practical aspects of crisis management with an orientation to its basic sections and anti-crisis programs are identified. Understanding these sections allows managers to generate timely measures that will meet the level of the crisis of the enterprise. Emphasis is placed on crisis forecasting and bankruptcy methods. To gain a better understanding of the methodological support of crisis management, its basic methods and methods have been systematized and classified. The general division of classical techniques involves the selection of techniques using multifactorial models and evaluation using estimates. According to the status of regulation, it is advisable to group the methods of crisis diagnosis into mandatory (state) and recommended (scientific). The most popular multifactorial models of crisis management analysis are identified with their advantages and disadvantages. All considered models are adapted for enterprises of economically developed countries and do not consider the peculiarities of the functioning of economic entities in Ukraine. The article defines the directions of further improvement of methodological support of crisis management at domestic enterprises, among which the strengthening of the information base for analysis, clearer*

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*formulation of the goals of analysis, the unification of the assessment of the financial condition of enterprises of all forms of ownership and organizational and legal forms of management are*

highlighted. The authors define further directions of scientific researches in the sphere of crisis management of the enterprise under difficult market conditions.

**Keywords:** crisis management, crisis, bankruptcy, diagnostics, analysis, management methods, problems, anticrisis, business systems

## 1 INTRODUCTION

Difficult market conditions, severe competition, high levels of uncertainty significantly complicate the functioning of most businesses, resulting in huge crises, and bankruptcies. Often the reason for this situation for business entities is the lack of management skills, which are not able to timely identify a crisis and adequately respond to it, and take effective measures. That is why it is important today to create a holistic system of tools that will allow managers to effectively eliminate troublesome phenomena and prevent potential bankruptcy.

In the scientific community, the issue of crisis management is widely studied and discussed. This is evidenced by the huge number of works of famous scientists, among which it is worth noting: Lihonenko, L. (2005), Hradov, A., & Kuzyn, B. (1996), L. Sytnyk (2000), L. Skibitka (Skibits'ka, L., Matvieiev, V., Schelkunov, V., & Podrieza, S., 2014), Hriaznovoj, A.(1999), V. Vasilenko, V. (2003), Minaev, E., & Panahushyn, V. (1998), Afanas'ev, H. (1998), Patterson, B., (1993), Madsen, K., & Platz, N. (2005), Green, P., (1992) and others. But the dynamic environment in which businesses operate is constantly demanding the consideration of new factors and conditions, revision of existing theoretical foundations of crisis management, improvement of existing methods and approaches for timely identification and elimination of problem situations and places in the activity of the enterprise.

The main purpose of the research is to consider the existing theoretical and methodological foundations of crisis management and to form a system of methods of forecasting and identifying crises, adapted to the modern realities of the economic life of the enterprise, with further development of effective measures.

## 2 THEORETICAL BASIS OF ANTI-CRISIS MANAGEMENT

The prerequisite for the emergence of crisis management is due to simple and logical reasons, including the emergence of a wide range of diverse problems faced by enterprises in the course of management, and the development of management as a science and a separate management function.

The term crisis management or crisis management is a fairly new term that entered the domestic scientific space in the mid-1990s. As a rule, the substantive content of this economic definition encompasses the practical application of a system of techniques and methods in overcoming a crisis for any business unit.

However, to understand in more detail this area of practice, it is necessary to trace the basic context, which was embedded in the concept of "crisis management" in Western countries, which are rightfully its founders.

All Western scholars trying to uncover the essence of anti-crisis management are conditionally divided into several groups:

1. view it as measures aimed at crisis prevention.
2. understand the directions and methods that help the business structure to overcome the crisis.
3. integrate the ideas of the previous two groups, revealing crisis management as a direction of management activities aimed at preventing, eliminating, and responding to crisis effects and maximizing and effectively eliminating their consequences.

The results of a detailed and critical analysis of the statements of leading Western economic and domestic scientists are summarized in Table 1.

Table1 Disclosure of the term "crisis management" by leading scientists

Author, source	Definition of <b>crisis management</b>	Comments
Mitroff, I., 1994	A consistent interdependent assessment of the various types of crises and forces that may pose a threat to the organization	Such determination is oriented only to the assessment of existing crisis phenomena without their possible prediction or development of measures for their elimination
Humphreys, C., 1992	The direction of management aimed at minimizing losses and other negative results with the further support of trust in the company, its management, and corporate image among employees, customers, shareholders, and the general environment	The main focus is on finding ways out of the crisis and maintaining a good reputation. The downside is no mention of evaluating the causes of crisis phenomena to further prevent them
Head, G., 1990	Crisis management is designed to provide a coordinated, effective response to the crisis through planning, management and control of the organization and its assets immediately before, during, and after the organization has suffered losses as a result of the crisis to conserve the resources it needs to the fullest possible recovery of the pre-crisis level in the future	Such a context of crisis management most characterizes it, paying attention to which management functions are involved, time of their use and targeting. On the positive side, the author focuses on not only getting out of the crisis but also preventing it, the direction of action at the time of being in crisis.
Korotkov, E., & Beliaev, A., & Valovoj, D., 2000	Management, which is predetermined in some way to predict the threat of a crisis, analyze its symptoms, measures to reduce the negative effects of the crisis and use its factors for the next sustainable development of the organization	The authors define this concept as a permanent management style, providing a daily assessment of all factors that may lead to a crisis, as well as situations in which businesses are located and bear signs of problematic phenomena.
Vasylenko, V., 2003	Management, which foresees the danger of the crisis, analysis of its symptoms, measures to reduce the negative effects of the crisis and use its factors for positive development	
Skibitska, L., & Matvieiev, V., & Schelkunov, V., & Podrieza S., 2014	The main goal of anti-crisis management is to develop and prioritize measures aimed at neutralizing the most dangerous factors that lead to a crisis.	Given disclosure of the term is focused solely on the formulation of strategic measures that should eliminate the impact of the crisis factors, but the assessment of the current situation remains without attention.
Lihonenko, L., 2005	Special, permanently organized management, aimed at the most prompt detection of signs of crisis and creation of appropriate prerequisites for its timely overcoming to ensure the restoration of the viability of an individual enterprise, preventing the situation of its bankruptcy	The interpretation states the day-to-day need to implement such specialized management to prevent bankruptcy and properly maintain the viability of the enterprise. A sufficient and inclusive definition

Author, source	Definition of <b>crisis management</b>	Comments
Hradov, A., & Kuzyn, B., 1996	Set of consecutive general measures: analysis of the state of macro- and microenvironment, selection of the appropriate mission of the enterprise; study of the economic mechanism of emergence of crises and creation of a system of scanning of the external and internal environment of the enterprise for early detection of weak signals about the crisis; strategic control of the enterprise activity and development of a strategy for preventing its insolvency; prompt assessment and analysis of the financial state of the enterprise, identifying the possibility of insolvency (bankruptcy); developing a crisis response system to deal with the crisis; constant accounting of risk of business activity and development of measures for its reduction	The author expands the context of the concept of "crisis management" as a step-by-step algorithm of actions and tools that prevent bankruptcy and avoid the factors that trigger crisis phenomena.
Sytnyk, L., 2000	Management system aimed at solving problems of intensive development of the enterprise by mobilizing and intensifying all resources as opposed to extensive development	The peculiarity of such a statement is the disclosure of the content of anti-crisis measures. According to the author, to prevent bankruptcy is to "mobilize and intensify all resources as opposed to extensive enterprise development"
Minaev, E., & Panahushyn, V., 1998	Not only management focused on withdrawal of the enterprise from the state of crisis, but also management, which should anticipate and prevent the insolvency of the enterprise in advance following the strategic program of enhancing competitive advantages and financial recovery	Positive in this statement is not only the retrospective aspect of anti-crisis management but also the orientation on the prediction and prevention of problem situations in the activity of the enterprise.
Cherniavs'kyj, A., 2006	Management capable of preventing or mitigating crises in production and economic activity, as well as maintaining the functioning of the enterprise in the survival mode in times of crisis and leaving the crisis with minimal losses	The definition is threefold: a) Crisis prevention. b) Survival of the enterprise in crisis. c) Exit from the crisis with minimal losses.

Based on all existing definitions it is possible to form the most complete and comprehensive one. Crisis management is an enterprise management system with a complex, systematic nature and aimed at preventing or eliminating unfavorable business phenomena by using the full potential of

modern management, developing, and the implementation of a special program at the enterprise. It is strategic and eliminates temporary difficulties, maintains and improves the market position of the enterprise in any way s circumstances, mainly using its resources.

### 3 PRACTICAL TOOLS OF CRISIS MANAGEMENT

A clear organization of crisis management requires an understanding of all theoretical and practical aspects. Today, in the scientific

community, they are all organized into separate sections, namely: three classical sections (CM) and a special part - CA. However, if these sections are aimed at crisis management, then the section and its contents are slightly corrected, and the letter A. supplements the abbreviation itself.

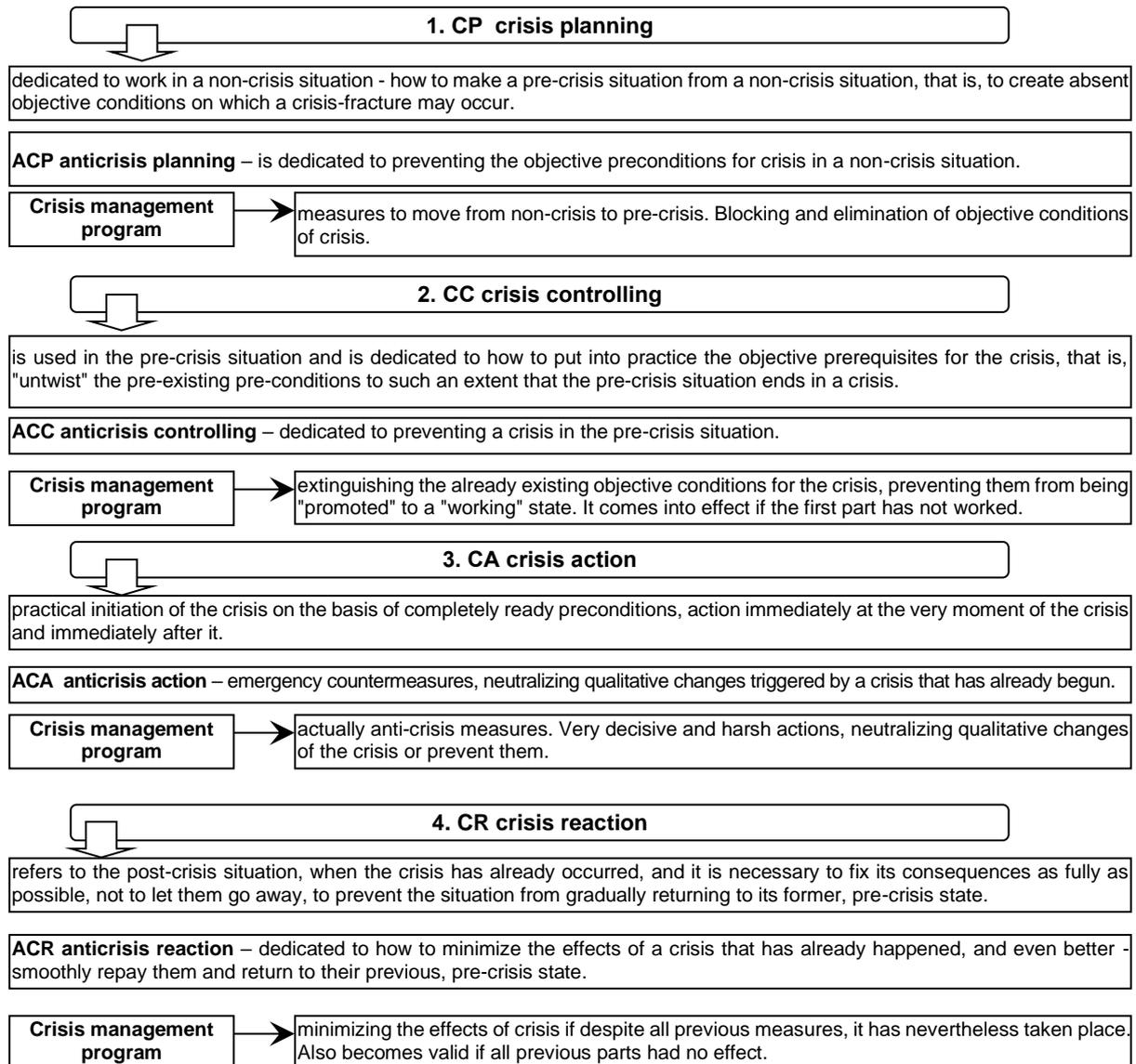


Fig. 1 Sections and programs of crisis management (developed by the authors)

A special crisis management program is formed for each individual situation. The description of such parts of anti-crisis management is systematized in Fig. 1.

The choice of a particular system of measures depends on the situation in which the enterprise is located. In practice, there are events where no decisive action is required, but only to prevent the adverse effects of a changing external environment. An example would be a situation

where a business is going well and management should only support the positive trends.

### 4 METHODS OF FORECASTING PROBLEM SITUATION

Crisis management should be oriented not only to the assessment of the pre-existing crisis but also to a great extent prevent the influence of factors that can lead to problems in the activity of an individual enterprise. Nowadays, scientists have

differently defined areas of analysis aimed at diagnosing a crisis in an entity's activity or forecasting it in the near future. However, the most popular among them are: identification of problems that are negative consequences of enterprise management (Balashov, A., 2004); performance of targeted financial analysis (Green, P., 1992); assessment of the current situation according to the criteria of presence or absence of crisis (James, E., 2009); study of the goals of the enterprise and ways to achieve them (Afanas'ev, H., 1998).

In general, it should be noted that the diagnosis and forecasting of crisis at the enterprise is a set

of economically sound methods and techniques of financial and economic analysis. When they are systematically applied at certain intervals (depending on the size, characteristics, type of activity, etc.) will allow identifying the crisis on time and evaluating potential functioning and development opportunities. Therefore, a special place in such a crisis management system is assigned to methodological support.

The current practice of crisis management has a wide arsenal of methods and techniques, which for their qualitative selection and application requires proper systematization (Fig. 2).

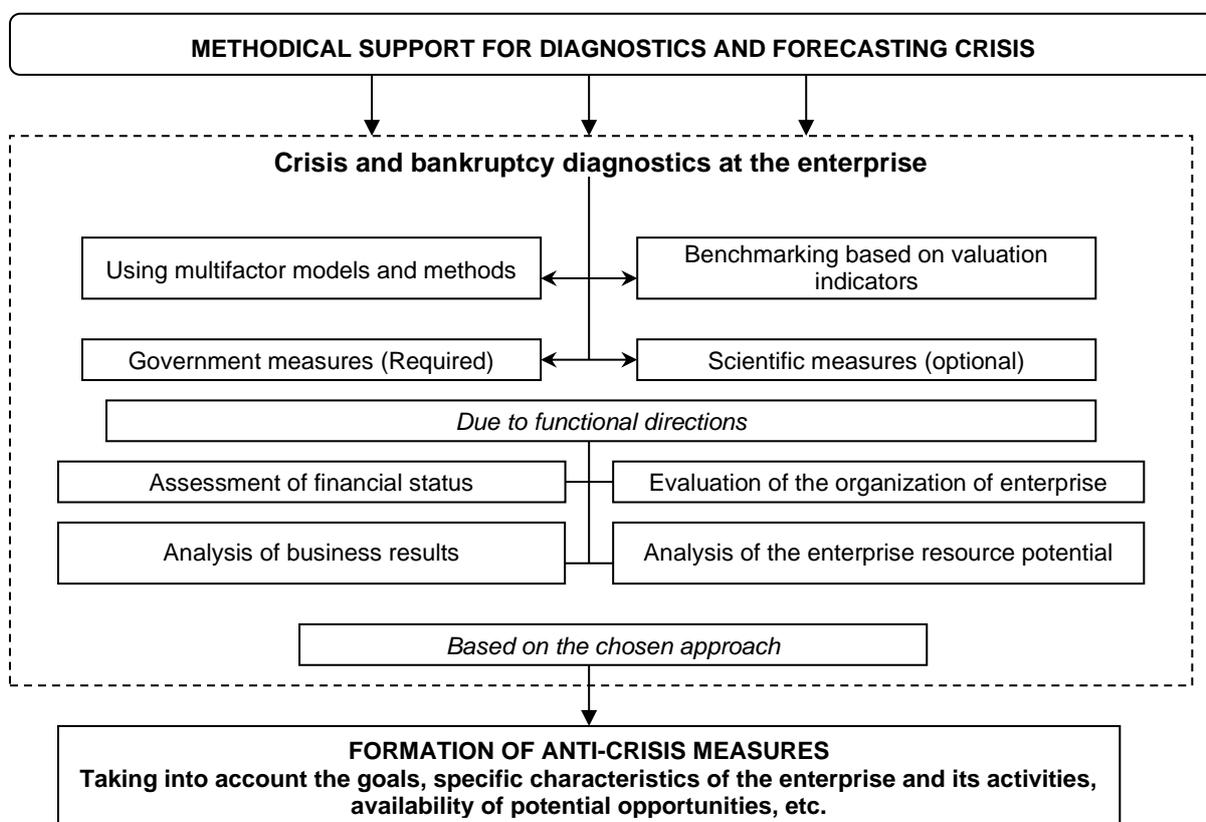


Fig. 2 Contents of methodological support of crisis and bankruptcy diagnostics and forecasting  
Source: (developed by the authors)

All methods that formulate methodological support for crisis diagnostics have the same purpose - to provide the management of employees with the appropriate information, which will help to make sound and effective decisions that will help to form a satisfactory balance sheet structure and to create an adequate level of solvency of the enterprise.

It should be noted that for the best results of forecasting problem situations in the activity of the enterprise it is appropriate to apply a combined

approach, which would simultaneously cover the assessment of both financial condition and results of management, resource potential, etc. This will summarize the impact of both the individual component of the activity and its entire complex on the possibility of a crisis and its subsequent course. The use of purely financial metrics significantly limits the overall understanding of the existing picture and does not identify the main causes of problems for an entity.

Quite often, scientists identify the diagnosis of the solvency of the enterprise with the prediction of its bankruptcy. You can agree with this view since a protracted crisis can lead to a deterioration of the parameters of solvency and gradual bankruptcy.

Modern science has dozens of models that allow determining with certain accuracy the likelihood of a crisis. The most popular of them are considered in Fig. 3.

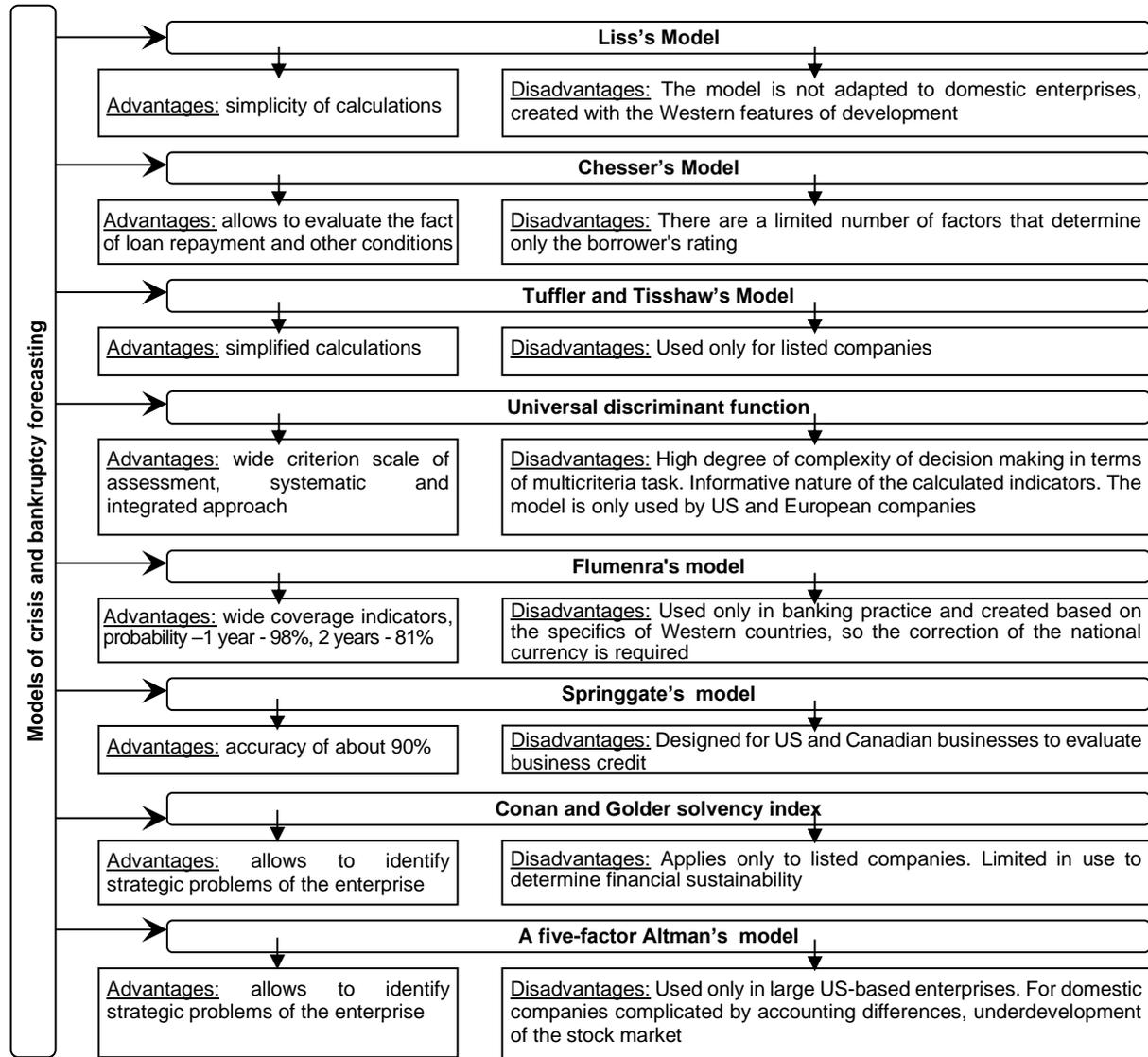


Fig. 3 Comparative characteristics of models of forecasting the crisis of the enterprise  
 Source: (developed by the authors)

Among the models presented in Fig. 3 it is difficult to distinguish the most versatile models. First of all, it has to do with adapting them to different conditions of functioning and development. If we talk about business units in the West, the models of economists Lis, Taffler, Tisshaw, etc., will be optimal for them, since they take into account the peculiarities of the legislative and legal field, state regulation, competition conditions inherent in the USA, Great Britain and more. For enterprises from less developed countries, the application of

multifactor models has some difficulties, which is caused by the following factors:

- instability and imperfection of the regulatory framework;
- poor quality and informative content of the reporting documents;
- biased statistics and their limited potential for bankruptcy.

That is why all the described models do not allow us to take into account the absolute majority of

conditions of functioning of the domestic enterprise.

## 5 CONCLUSIONS

To summarize the above, we believe that Ukrainian financial analysts should develop their model, which would allow estimating the financial status and other parameters of the absence of crisis manifestations with full integration into its algorithm of national accounting standards and reporting, use different information sources that would reveal all industries in which businesses operate.

As possible directions of adaptation of existing models of crisis diagnostics at Ukrainian enterprises it is possible to distinguish:

- a. provision of sufficient database for diagnostics both at the macro level and at meso and macro levels;

- b. creation of proper conditions for an objective assessment of the financial condition of enterprises of all forms of ownership and organizational and legal forms;
- c. a clear definition of the objectives of the subjects and objects of analysis, taking into account the characteristics of enterprises and their conditions of operation.

All these points can significantly help to improve the methodological tools of crisis management for domestic enterprises in the market. Such a comprehensive approach to strengthening the effectiveness of methods and models for assessing the prerequisites of the crisis and the direction of its exit will significantly strengthen the competitive position of domestic enterprises.

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Received for publication: 17.01.2020  
Revision received: 02.05.2020  
Accepted for publication: 01.07.2020

#### **How to cite this article?**

##### **Style – APA Sixth Edition:**

Bagrii, K., Romanchuk, A., & Iryna, M. (2020, July 15). Methods of key problems diagnostics in the system of crisis management. (Z. Cekerevac, Ed.) *MEST Journal*, 8(2), 9-17. doi:10.12709/mest.08.08.02.02

##### **Style – Chicago Sixteenth Edition:**

Bagrii, Konon, Alla Romanchuk, and Mustetsa Iryna. 2020. "Methods of key problems diagnostics in the system of crisis management." Edited by Zoran Cekerevac. *MEST Journal (MESTE)* 8 (2): 9-17. doi:10.12709/mest.08.08.02.02.

##### **Style – GOST Name Sort:**

**Bagrii Konon, Romanchuk Alla and Iryna Mustetsa** Methods of key problems diagnostics in the system of crisis management [Journal] // MEST Journal / ed. Cekerevac Zoran. - Belgrade – Toronto : MESTE, July 15, 2020. - 2 : Vol. 8. - pp. 9-17.

##### **Style – Harvard Anglia:**

Bagrii, K., Romanchuk, A. & Iryna, M., 2020. Methods of key problems diagnostics in the system of crisis management. *MEST Journal*, 15 July, 8(2), pp. 9-17.

##### **Style – ISO 690 Numerical Reference:**

*Methods of key problems diagnostics in the system of crisis management.* **Bagrii, Konon, Romanchuk, Alla and Iryna, Mustetsa.** [ed.] Zoran Cekerevac. 2, Belgrade – Toronto : MESTE, July 15, 2020, MEST Journal, Vol. 8, pp. 9-17.