

THE SYSTEM OF ECONOMIC MONITORING IN CORPORATE CRISIS MANAGEMENT

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Matusova O. M., Andryeyeva V. G. The System of Economic Monitoring in Corporate Crisis Management

The article is aimed to analyze system of economic monitoring in corporate crisis management and to clarify its structure in current economic conditions. On the basis of previous scientific studies the essence of economic monitoring and monitoring system is determined. It is found that global financial crisis has changed approaches to corporate crisis management and the value of monitoring system in it. Crises by their nature became large-scale, cross-border and unexpected that led enterprises to the necessity of detecting crises on early stages and predicting their origin. This require from enterprise construction of deliberated monitoring system in crisis management system. The monitoring system is substantiated as a complex of certain elements that, through implementing its ability to find, collect, analyze, use the necessary information, and to provide this information in proper time, reaches the purpose of overcoming or avoiding crisis. The further investigations should be concerned with studying the introduction of monitoring system for enterprises with different stages of crisis situation.

Keywords: monitoring, crisis management, crisis, system, data.

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Матусова О. М., Андреева В. Г. Система економічного моніторингу в антикризовому управлінні підприємством

Метою статті є аналіз системи економічного моніторингу в антикризовому управлінні підприємством і висвітлення її структури в сучасних економічних умовах. На підставі попередніх наукових досліджень визначено сутність економічного моніторингу та системи моніторингу. Встановлено, що глобальна фінансова криза змінила підходи до антикризового управління підприємством і цінність системи моніторингу в ньому. Кризи за своєю природою стали великомасштабними, транскордонними і несподіваними, що призвело до необхідності підприємств виявляти їх на ранніх стадіях і прогнозувати їх виникнення. Це вимагає від підприємства побудови поміркованої системи моніторингу в системі антикризового управління. Обґрунтовано систему моніторингу як комплекс визначених елементів, який через реалізацію його здатності знаходити, збирати, аналізувати, використовувати необхідну інформацію і вчасно надавати цю інформацію досягає мети подолання або уникнення кризи. Подальші дослідження можуть бути присвячені вивченню впровадження системи моніторингу на підприємствах з різними стадіями кризової ситуації.

Ключові слова: моніторинг, антикризовий менеджмент, криза, система, інформація.

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Матусова Е. Н., Андреева В. Г. Система экономического мониторинга в антикризисном управлении предприятием

Целью статьи является анализ системы экономического мониторинга в антикризисном управлении предприятием и выявление ее структуры в современных экономических условиях. На основании предыдущих научных исследований определена сущность экономического мониторинга и системы мониторинга. Установлено, что глобальный финансовый кризис изменил подходы к антикризисному управлению предприятием и ценность системы мониторинга в нем. Кризисы по своей природе стали крупномасштабными, трансграничными и неожиданными, что привело к необходимости предприятий выявлять их на ранних стадиях и прогнозировать их возникновения. Это требует от предприятия построения обдуманной системы мониторинга в системе антикризисного управления. Обоснована система мониторинга как комплекс определенных элементов, который через реализацию его способности находить, собирать, анализировать, использовать необходимую информацию и своевременно предоставлять эту информацию достигает цели преодоления или предотвращения кризиса. Дальнейшие исследования могут быть посвящены изучению внедрения системы мониторинга на предприятиях с различными стадиями кризисной ситуации.

Ключевые слова: мониторинг, антикризисный менеджмент, кризис, система, информация.

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The world economic crisis of 2007–2009 caused by the financial crisis in the USA and its consequences raised the questions of more close attention to corporate crisis management, what factors caused the failure and what was the role of economic monitoring system in

the situation. In short order, nearly all of Wall Street's major investment firms either collapsed or suffered staggering losses as a result of the crisis. Even insurance giant AIG had to secure an emergency loan from the federal government in order to avoid bankruptcy following collateral calls based on

the decline of the mortgage securities underlying its credit-default-swap protection products for collateralized debt obligations [1]. In fact, at the end of 2008, the federal US government pledged more money to bail out the financial services industry (as well as other segments of the economy) than it spent on the Louisiana Purchase, the New Deal, the Marshall Plan, the Korean War, the Race to the Moon, the Vietnam War, the Savings and Loan Crisis, Operation Iraqi Freedom, and NASA's lifetime budget combined [2].

In Ukraine the influence of the crisis was also significant. In 2009 there were 9193 bankruptcy cases with 85 in the government sector; 7413 enterprises were liquidated during that year [3]. Moreover, after the global crisis affected the economic situation in Ukraine, the short-term recovering turned into a new internal political crisis that caused by itself a long-term recession. During 2013–2015, the number of enterprises in Ukraine fell from 669 993 to 624 769 entities. The proportion of the liquidated entities to the created ones was 80% to 100% in 2013 [4]. Since Ukrainian enterprises are constantly operating under different crisis conditions (the crisis of 90s after the collapse of the Soviet Union, different internal political crises, the global crises influence), therefore, the effective system of crisis monitoring is particularly important in the crisis management system.

Issues of crisis management have received considerable attention from both scientists and practitioners, such as I. Blank, L. Ligonenko, V. Vasylenko, J. C. Van Horne. Due to the increasing frequency of the crises, which substantially affect the activity of enterprises, investigations of M. Berest, I. Piyurenko, G. Nadyon in recent years are devoted to monitoring system in crisis management. Despite of this fact, the problem of implementation and improvement of the monitoring system in enterprise crisis management is still researched partially. The need to define a modern effective monitoring system and lack of a significant amount of basic researches in this field has determined the necessity of further scientific research.

The analysis and definition of modern system of economic monitoring in enterprise crisis management is the **main purpose** of the investigation. Particularly, the article aims to identify the current features of economic monitoring in crisis management.

The global financial crisis that began in 2008 in the world economy highlighted not only significant drawbacks in financial management and the functioning of financial institutions but also demonstrated the necessity of changing approaches to crisis management. This is due to peculiarities of the influence of globalization and integration processes on the nature of crisis and the system of economic relations. With the increasing of such global processes the relationships between economic agents become more complex and more interconnected, which makes economic subjects vulnerable to threats.

Moreover, globalization affects threats, which begin to spread faster due to their complexity and the existence of mutually reinforcing effects. The specific features of threats in the activity of enterprises are conditioned by the fact that crises become:

- ★ *large-scale and cross-border* (they arise in one country resulting from negative changes in the national economy and spread to other countries, which may not be directly related to and have significant economic links with the country of the crisis origin);
- ★ *unexpected* (crises arise not only in the countries or enterprises that have conditions for this but also in at first glance stable subjects of the world economy).

Having analyzed the causes and consequences of the global financial crisis, a large number of enterprises from around the world accused the financial sector and the government. Of course, these two economic institutions significantly affected the stability of the economy and business activity. But the fact that enterprises took too many risks and with the absence of an effective crisis management system could not cope with the external threat was an equally significant factor. It does not mean that enterprises did not use crisis management instruments and policies, but the existing management systems were not ready to confront the crisis arising under new globalized economic conditions.

At the same time a crisis is one of the driving forces for changes in an enterprise. Due to a crisis managers can find out the causes that have led to the crisis situation but under stable conditions sometimes can be hidden or reveal the ineffective usage of resources.

Although a crisis can be considered from the prospect of a positive impact on the enterprise activity, in practice not all enterprises can obtain benefits from it. Firstly, considering a crisis as a driving force of further development, experts realize that negative effects of a crisis are more powerful and can lead to bankruptcy; secondly, only an enterprise with a well-established mechanism of management and interaction of all departments can turn a negative situation to its account and get benefits from the crisis. Thus, positive and negative consequences of a crisis require from an enterprise having a well-developed monitoring system in its crisis management. The type of consequences depends on the effectiveness of the monitoring system in the enterprise; its ability to find, collect, analyze and use the necessary information and give this information in proper time in order to turn a threat into opportunity.

There are two main approaches to defining monitoring in the enterprise crisis management system. According to the theoretical one monitoring is a process of collecting information with the purpose of further forecasting enterprise activities and crisis situations.

Monitoring is a continuous or regular observation of an object or a process with the purpose of the evaluation and comparison forecasting of its development; it provides systematic diagnosis of the object using clear indicators and system evaluation criteria. A feature of crisis monitoring in an enterprise is that the object of study in this case is financial position of the studied entity in terms of availability and depth of the crisis [5].

Enterprise monitoring is a management process component that represents a continuous observation and analysis of the enterprise activity with tracking the dynamic changes. The monitoring of enterprises is important for

identification of possible signs of crisis states, prevention of crises, and provision of safety of the enterprise [6].

G. Nadyon considers that the effective anticrisis management of the industrial enterprise must have the preventive character and have the monitoring of the external and internal environment of the enterprise with the aim of identifying the presuppositions of crisis phenomena [7, p. 57].

I. Piyurenko defines monitoring of the enterprise economic activity as a special monitoring system, which includes collection, analysis of information about the processes occurring in the economic sphere of the enterprise performance, forecasting based on objective data on economic dynamic indicators, basic trends in the enterprise development and formation of scientifically based conclusions necessary for making effective management decisions. In his opinion, economic monitoring is the most universal tool of crisis management, which is not created as a separate system but is an element of the crisis management system [8].

Along with the theoretical investigations, practical recommendations and standards are of great importance for understanding monitoring as an ongoing process that takes into consideration changes in the enterprise activity.

Thus, ISO defines monitoring as a continuous checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected [9].

According to the COSO, monitoring can be done in two ways: through ongoing activities or separate evaluations. And the priority is given to the ongoing process: "Ongoing monitoring is built into the normal, recurring operating activities of an entity. Ongoing monitoring is performed on a real-time basis, reacts dynamically to changing conditions, and is ingrained in the entity. As a result, it is more effective than separate evaluations. Since separate evaluations take place after the fact, problems often will be identified more quickly by ongoing monitoring routines" [10].

Based on the evaluation of different approaches, we have formulated the following definition of monitoring: economic monitoring in corporate crisis management is an ongoing process of collecting, observing and evaluating dynamic indicators for identifying changes in the external

environment and development of the enterprise at different stages of the crisis development.

The system of economic monitoring in corporate crisis management is a complex of elements that through an ongoing mechanism of observation of economic indicators provide for collecting data, comparing actual indicators with standards or set values, determining signs of a crisis situation and causes of its appearance (Fig. 1).

The main purpose of economic monitoring in the process of enterprise crisis management is to form a database of key indicators of enterprise activity, evaluate data, determine the signs of a forthcoming crisis and find out the causes of the crisis situation occurrence. Objects of economic monitoring in this case are external and internal environment of the enterprise, their quantitative and qualitative characteristics, dynamics of the investigated indicators, causes of appearance of links between elements of the enterprise system and their influence on the enterprise development. According to the goal there can be formulated the following tasks:

- ✦ collecting data about the external environment and its changes;
- ✦ collecting data about internal processes on the enterprise and their changes;
- ✦ determining interrelations of the internal and external environment and the level of their correlation;
- ✦ identifying the influence of changes in the environments and the level of their correlation on the crisis occurrence in the enterprise;
- ✦ determining the criteria of normal (stable) situation in the enterprise, deviation from standard values ("weak signs"), crisis emergence and development;
- ✦ investigating factors influencing the crisis emergence and development;
- ✦ determining the enterprise reserves as to avoiding crisis, overcoming crisis and turning it into positive changes;
- ✦ forming a database for a further forecasting of the enterprise development and emergence of crises.

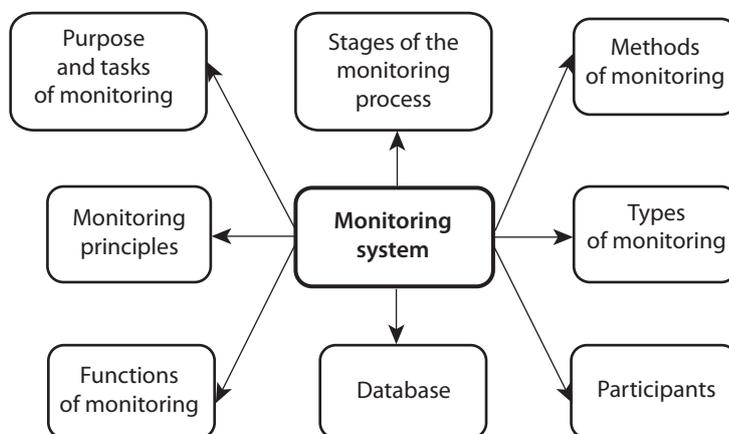


Fig. 1. Elements of the economic monitoring system in corporate crisis management

Source: developed by the authors.

The database of economic monitoring is created with the purpose of further estimation and formation of databank for anticrisis decisions and consists of two main types of information resources: primary and secondary sources. Primary sources of information are official statistical documents, which contain information about the macroeconomic situation, industrial development, state of the legislation and changes in it, the political and cultural situation; financial statements of competitors; reports of consulting companies, financial statements of the enterprise and other documents concerning any type of the enterprise activity. Moreover, it can be information about the external environment or management activity, which is not documented but influences the crisis development. Secondary information is based on estimation of primary data and is the basis for making decisions in the process of crisis management.

Economic monitoring can be identified also through its functions:

- ✦ *information function* (provides different information about the enterprise activity and crisis development);
- ✦ *accounting function* (collects data about the external and internal environment, the enterprise activity and crises);
- ✦ *analytical function* (evaluates previously collected data);
- ✦ *diagnosis function* (compares indicators with standard values, determines factors that influence the crisis occurrence and development);
- ✦ *prognostic function* (allows forecasting changes in the enterprise performance and crisis emergence).

Realization of the purpose, tasks and functions of economic monitoring in the crisis management system is possible if the monitoring system complies with the following principles:

- ✦ *systematic character* (the monitoring of each type of the enterprise activity is carried out in conjunction with other types);
- ✦ *ongoing process* (current processes in the world economy require from enterprises continuous observation of the external and internal environment in order to respond to the crisis emergence in time);
- ✦ *relevance* (information corresponds to objective reality);
- ✦ *scientific validity* (economic monitoring is based on scientific methods of data evaluation and crisis management);
- ✦ *dynamism* (the monitoring system as every system of the enterprise should be constantly updated considering the changes in the environment and its own development);
- ✦ *focus on the enterprise goals* (monitoring system aims to achieve strategic goals of the enterprise through its own purposes);
- ✦ *effectiveness* (effectiveness of the monitoring process as the ratio of the result and expenditures).

The monitoring system of corporate crisis management does not operate separately from other management systems. It requires attraction of staff from different departments and involvement of different types of enterprise ac-

tivity. According to the current trends in the world economy the enterprise that separates management functions between corresponding departments is less competitive than the enterprise that distributes functions and responsibility between all departments involved in the particular process. Thus, we consider that establishing the monitoring department in the enterprise is justified if it is conducted with distributing monitoring functions between other departments involved in crisis management. Every manager has the necessary qualification and due to his/her position better understands which changes in the sphere of the enterprise activity he/she is responsible for can be signs of crisis emergence. He/she can help the monitoring department to build broad picture of the situation in the enterprise regarding crisis management. Besides internal members of the monitoring system there are external participants (representatives of consulting companies, marketing agencies, invited business analysts and auditors, the enterprise top management and enterprise owners) which take part in the monitoring process directly through providing the necessary analytical information or indirectly through the mechanism of decision making.

Depending of its goals monitoring can be:

- ✦ *informational monitoring* (structuring, accumulation, systematization and distribution of information);
- ✦ *basic monitoring* (ongoing observation of the enterprise activity and the external environment in order to determine the crisis emergence at early stages);
- ✦ *crisis monitoring* (evaluation of the occurring crisis and giving the full information about its features, factors of increasing, sphere of influence, potential hazards and possible ways of overcoming).

Depending on its scope monitoring can be divided into general (observation of the external and internal environment) and special (investigation of the crisis development in a division or department of the enterprise). Investigation of different types of the enterprise activity is represented by financial monitoring, monitoring of operational and investment activity, of marketing and management activity, etc.

According to the methods of generating information, there can be singled out three main types of monitoring:

- ✦ investigation of the dynamics of the enterprise development;
- ✦ monitoring of the current conditions;
- ✦ analysis of crisis forming factors of the external and internal environment.

Investigation of the dynamics of the enterprise development involves analysis of the main indicators for certain periods and formation of monitoring statistics. The monitoring of the current conditions is based on the current (if it is necessary, daily) information about the crisis development and identifies the "crisis field", which shows a certain object influenced by the crisis and determines the main indicators for observation. The analysis of crisis forming factors of the external and internal environment covers estimation of the internal and external environment impact on the enterprise

from the point of view of provoking a crisis. It includes indication of factors that can be a potential threat, formation of groups of factors according to their certain characteristics and investigation of influence of certain factors on the forms and magnitude of the crisis.

In the process of implementation of the monitoring system in the system of crisis management of an enterprise the first stage is to set the goals and tasks of monitoring. At the second stage the object of monitoring, the system of indicators and sources of relevant information are identified. The third stage is a methodological one. At this stage methods of further monitoring and steps of their implementation are determined. In the process of monitoring statistical methods, methods of modeling, forecasting and analysis of consequences are usually used to indentify crisis development. The fourth stage is collection of necessary data defined by the previous stages of monitoring. The fifth stage is analysis of the data, determination of possible deviations from the standard values, investigation of the crisis trends and factors influencing them. At the last stage managers systematize the data, qualify the causes of the crisis emergence and development and make conclusions.

The monitoring system is a dynamic system and can change depending on fields of the enterprise activity, the system of general management and crisis management in the enterprise, methods of investigation, participants involved in process of data collection, strategic goals of the enterprise.

CONCLUSIONS

The monitoring system is an essential part of corporate crisis management, which allows an enterprise to identify changes in the external environment and the development of the enterprise at different stages of a crisis. Monitoring gives the opportunity to form a database with relevant information about the crisis forming factors, causes and consequences of the crisis, its emergence and development in order to use this information for making decisions with the purpose of avoiding or overcoming crises. The monitoring system is a complex of certain elements that determine the basis of the monitoring process in crisis management. Every enterprise can build its own monitoring system regarding the field of its activity, peculiarities of the industrial development, the enterprise management system and the system of crisis management. Nevertheless, the enterprise should take into consideration the basic principles of building the monitoring system. ■

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