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THE IMPERATIVE FOR THE FORMULATION AND IMPLEMENTATION OF THE CRISIS MANAGEMENT MODEL STRATEGY WITHIN BUSINESS ORGANIZATION

A crisis is a serious threat to the basic structures or the fundamental values and norms of a system, which – under time pressure and highly uncertain circumstances – necessitates the making of critical decisions [1].

In the modern business environment, a crisis is not an episodic anomaly but rather a recurrent and widespread aspect of organizational activities. This recurring phenomenon spans a spectrum of contingencies, including, but not limited to, economic fluctuations, cyber vulnerabilities and reputational losses. The imperative for the companies lies not only in crisis reaction but in the proactive cultivation of resilience. The cyclical and dynamic nature of these challenges becomes a foundational force, which drives a shift of organizational paradigm from crisis avoidance to systematic readiness. It is especially relevant for the business environment in the context of Ukrainian realities.

The consequences of crises extend beyond operational impact, including harmful ramifications on a company's financial performance, stakeholder relations and broader societal well-being. These impacts trigger the erosion of client trust, depreciation of brand equity and decline of market share. The rapid speed of technological evolution, worldwide interconnectedness and the nature of fast information spreading, has intensified the impact of crises. What was once a local issue can now escalate into a reginal crisis within days and a global one withing weeks. Internally, crises negatively influence employee morale and productivity.

Contrary to the notion that crises are insurmountable, organizations possess the capacity to navigate, mitigate, and recover from the most challenging situations. Crisis management is the process through which a company seeks to take and apply necessary measures to overcome a crisis with minimum loss [2].

Crisis management aims to achieve the following objectives [3]:

- ensure well-being of the stakeholders;
- exercise command over the immediate circumstances while sustaining business operations with minimal disruption;
- expedite the restoration of business operations to a state of normalcy at the earliest possible juncture;
- mitigate losses or damages and uphold business confidence;
- sustain proficient communication channels internally and with stakeholders such as customers, the media, and regulatory bodies.

Spectrum of proficiency in crisis management ranges from escaping to interactive actions and classified as follows [4]:

1. Pre-emptive crisis management.

It seeks to predict a possible crisis early and find solutions that could allow a company to avoid a subsequent crisis. The aim is to resolve the crisis as quickly as possible, and avoidance is the quickest way to its resolution.

2. Proactive crisis management.

This approach also seeks to identify a possible crisis as early as possible, but to take initiative early in the crisis and resolve it rather than for its avoidance.

3. Responsive crisis management.

It is understood as a set of procedures and principles to help bring the affected business out of the crisis and stabilize it. Responsive crisis management emphasizes agility, flexibility and involves quick decision-making, effective communication, resource mobilization, and strategic planning to address the immediate and long-term consequences of a crisis.

4. Reactive crisis management.

It is characterized by a chaotic management response to an evolving crisis.

A crisis management model is a framework which covers all aspects of crisis prevention, management and recovering from a crisis. Crisis managers can achieve better results by viewing events via a model. It is important to differentiate crisis management from risk management - risk management involves planning for events that might occur in the future, crisis management involves reacting to negative events during and after they have occurred. Lifecycle crisis management models unfold crisis to a set of sequential stages. The easiest model contains just three stages – pre-crisis, crisis and post-crisis.

Crisis management strategy refers to the specific plans, tactics and actions that a company develops to address a particular crisis. It is more granular and focused on the unique aspects of a crisis. A crisis management strategy outlines how the company will respond to the crisis, the steps to be taken, the resources to be deployed and the objectives to be achieved. These strategies are typically developed within the broader framework of the crisis management model.

Thus, the imperative for formulation and implementation of the crisis management model and strategy within a business organization predominantly lies in the proactive cultivation of resilience but involves crisis reaction as well. The crisis management model provides the overarching structure and guidelines for how a company will handle crises, while the crisis management strategy outlines the specific actions and tactics to be executed during a particular crisis. Both are essential for effective crisis management, with the model providing the framework for strategic planning and the strategy addressing the tactical and operational aspects of crisis response.

References:

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