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EVALUATING THE EFFECTIVENESS OF CRISIS MANAGEMENT PROJECTS

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Abstract :

The article describes the basic methods for evaluating the effectiveness of crisis management projects. The study proved the relevance of the study of ways to assess the effectiveness of crisis management. The analysis and systematization of the existing methods for determining the effectiveness of anti-crisis management of enterprises, discussed their advantages. It is concluded that the priority of the use of certain methods analyzed evaluating the effectiveness of crisis management in specific situations.

المستخلص

تصف المقالة الطرق الأساسية لتقييم فعالية مشاريع إدارة الأزمات. أثبتت الدراسة أهمية دراسة طرق تقييم فعالية إدارة الأزمات. ناقش تحليل ومنهجية الأساليب القائمة لتحديد فعالية إدارة مكافحة الأزمات من الشركات مزاياها. وخلص إلى أن الأولوية لاستخدام أساليب معينة تحليل تقييم فعالية إدارة الأزمات في حالات محددة.

Introduction

Problems of ensuring effective crisis management of enterprises are relevant regardless of the business environment. External imperatives of functioning and development of enterprises determine the content of enterprise development problems and appropriate solutions, form a different structure of management priorities of owners and managers. Natural changes in the conditions of external and internal environment of the organization can lead to imbalance of management tools, reduce the degree of compliance with the new realities of the management system and, as a consequence, reduce the efficiency of management.

In theory and practice developed and widely used a variety of typological control scheme [1], allowing owners and managers of the company to achieve the goals in virtually all socio-economic conditions. However, not always in practice can be seen in the effective management of high turbulence of the environment [2] and even more so when the crisis development of the enterprise. Get a natural question: why wing-crisis-management systems and mechanisms do not allow to succeed in crisis enterprises? And what are the reasons for ineffective crisis management? Carrying out a qualitative analysis of the effectiveness of crisis management is problematic enterprises. This is due to several reasons, among which the most important are, first, the absence of documentary formalization of many actions of owners and managers, otno-longing to the pre-trial activities (negotiations, agreements, delays and installment payments, skid Cams with debt and others.) and, secondly, the closeness of information and limited access to information sources.

The urgency of this article is determined by the lack of a common methodology, which allows to uniquely identify the effectiveness of crisis management, used in meat-processing plants. Meanwhile, the implementation of crisis management assessment allows us to take the right decision on his effectiveness, efficiency and expediency of the further application.

Analysis of recent publications and studies.

Foreign experience shows that the issue of crisis management effectiveness evaluation now (namely the development of management strategies now in crisis) received considerable attention, as evidenced by the thorough development of the theory of crisis management

E. Altman (2002), T. Peter (2001), S. Brown (2010), D. Myers (1995), I. Ansoff (1957), R. Ackoff (1999), T. Tafflera (1995), R. Zuzak (2007), I. Adizes (2004), D. Champa (2013), M. Hammer (1997) and others. Ukrainian research issues of crisis management effectiveness evaluation are now works of authors such as P. Belenky (2002), I. Blank (1999), E. Boyko (2007), N. Bryukhovetska (2009), I. Bulyeyev (2015), M. Gerasymchuk (2010), M. Ivanov (2000), V. Vasilenko (2009), A. Kovalev (2006), L. Lihonenko (2001), M. Pashuto (2004), L. Sitnik (2014), O. Tereshchenko (2005), A. Afonin (2015), N. Turina (2013), L. Fedulova (2010), A. Cherniavsky (1998), V. Pasechnik (2009), M. Kolesnik (2014) and others.

Critical analysis of recent scientific publications allowed to select some gaps in the domain of the effectiveness of crisis management associated primarily with incomplete consideration of the effects of anti-crisis process, which leads to an incomplete description of the indicators of its effectiveness. This situation requires further study of the performance criteria of crisis management, clarification and expansion of its quantitative and qualitative indicators.

The aim of this article is

To analyze approaches to evaluating the effectiveness of crisis management projects.

Presentation of basic material.

Evaluating the effectiveness of restructuring measures carried out from the position of the company owners.

Along with traditional methods of determining the cost-effectiveness of restructuring measures characterized in Table 1 it seems appropriate to use such relatively little developed and, consequently, little studied in management as a method of business valuation. In the western theory and practice of corporate governance applied method VBM (Value Based Management- management, based on cost management). However, the direct borrowing of the above mentioned method in the practice of Ukrainian business management, as well as other instruments of Western management, is difficult because of having a place of methodological discrepancies and inconsistencies in the approaches taken by the management.

Table 1 – Indicators of economic efficiency of restructuring measures

Indicators Restructuring methods	Capital investments in the restructuring	Operating expenses for restructuring	Net profit after restructuring measures	The coefficient of efficiency of restructuring	The payback period of restructuring	The reduction of receivables	The reduction in accounts payable	Liquidity growth	Ensuring solvency
1	2	3	4	5	6	7	8	9	10
I. Adaptive restructuring	+	-	+	+	-	-	-	-	-
II. Organizational and management restructuring	+	+	+	+	+	-	-	-	-
III. Pretrial financial recovery	+	-	+	+	+	+	+	+	+
IV. Sanitation	-	-	-	-	-	+	+	+	+

Adapt this method of assessing the results of changes to the Ukrainian economic realities will try two ways. Both of them require in management of large and medium-sized enterprises of the industry the use of methods and techniques of economic analysis, not for the usual studies, the operating activities of the enterprise, and to evaluate the effectiveness held (held or planned to hold) restructuring measures, namely:

- use of international accounting principles and financial statements
(which since 2002 has undergone major changes);
- the provision of settlement and formulaic expressions adapted to Ukrainian accounting and management accounting and financial reporting;
- the use of indicators of the macro, meso and micro-economic environment in full compliance with the realities of the Ukrainian economy.

For example, in the basis of calculation of the National Bank of Ukraine refinancing rate level laid down the annual rate of inflation growth in the range of 10-11%, while the refinancing rate itself varies in the range of 13-15%, and on this basis the discount rate taking into account the "normal" investment risk range from 17 to 22%. These estimates have a situation at the beginning of 2007 show significant differences settings Ukrainian macroeconomic environment facilities management from the level achieved in the EU, where the discount rate rarely exceeds 12-13%.

The first of the proposed ways to restructure impact assessment is based on the determination of the net cash flow and the effectiveness of the full investment costs.

Calculation of indicators, reflecting the relevant information about the effectiveness of the restructuring measures can be illustrated with the use of certified software "Alt-Invest" TM 3.0 (use of which is allowed under a special agreement the author). It is possible to determine the seven years of reporting value:

- Net income;
- Free cash flow;
- Assets and liabilities after the restructuring measures;
- Profitability, turnover, debt service;
- Net cash flow, simple and discounted payback period;
- NPV, IRR;

- The marginal interest rate for possible loans, rate of return on total investment costs.

The second approach is less developed in theory, and hence, in practice, change management. The most characteristic feature of the method of EVA (Economic value added) is to determine the profitability of the business transformed from the perspective of the company owners. For its calculation takes into account the profits of the enterprise, free of taxes and fees for all (and not just borrowed) invested in venture capital. In other words, the economic interest of the owners of enterprises suggests that the performance of the restructured companies will be palpable than the profitability of alternative investments. For capital (industrial, banking or shopping - immaterial) should be a major capacity increase its value. Based on this assumption logically built EMF index calculation:

$$EVA = (NOP - T) - (IC \times WACC) = NP - (IC \times WACC), \quad (5.1)$$

$$EVA = [(NP : IC) - WACC] \times IC, \quad (5.2)$$

where NOP – profit from ordinary activities;

T – income tax and other obligatory payments

IC – invested capital;

WACC – weighted average price of capital;

NP – net profit.

Conversion of EVA calculation formula will be as follows:

$$EVA = [(NP : IC) - WACC] \times IC = (ROIC - WACC) \times IC, \quad (5.3)$$

where ROIC – return on invested capital.

The result shows that the value of capital increment depends on the efficiency of operation of the gearing enterprise data sources means the price, as well as the capital structure (the ratio of debt to equity).

The level of economic value added determines the line of conduct of the enterprise owners, directing capital to the continuation of favorable changes or restructuring them, helping them "a transfer" in the more profitable enterprises or projects.

The value of the weighted average price WACC can be calculated as follows:

$$WACC = (BC \times r_{BC}) + (CE \times r_E), \quad (5.4)$$

where BC – the price of borrowed capital;

r_{BC} – share of borrowed capital;

CE – cost of equity;

r_E – equity ratio.

Application of the above discussed procedure of payments is not limited to determining the actual value of the EVA, can also answer the main question of the owners of the market value of the company after the restructuring. It is possible to define it as follows:

$$MVA = BNA + EVA, \quad (5.5)$$

where, BNA – the carrying value of net assets (ie, after deduction of all kinds of accounts payable);

EVA – economic value added deferred, reduced by now.

The market value of the enterprise in the case of the efficient use of capital management restructured the company in accordance with the formula given above (ie, in the case where the $EVA < 0$) decreases, that is, the owners will lose part of the invested capital in the company. In the case that the weighted average cost of capital to the norm of its impact the market value of the company is equal to the carrying value of net assets. This means that the expectations of the owners of the business restructuring justified only to the extent there was a practice of investing in bank deposits.

If the restructured company for the reporting period will provide economic capital gains (EVA), then its value will automatically increase the carrying value of the company, which involves, first, the motivation of the employed management restructuring, and secondly encourages business owners to further restructuring of the enterprise transformation. For this reason, in the system of assessing the effectiveness of the method of restructuring measures economic value added (EVA) is becoming more common, and profit planning, capital structure and, accordingly, the prices are at the enterprises of the strategic priorities of the management restructuring.

The key factor determining the prospects of the use of the above order of assessment of restructuring measures in manufacturing plants in Ukraine, we believe that due to the method of the economic value added (or the EVA), it becomes possible to more objectively assess the impact of events than it succeeds with the help of the net profit. For EVA evaluates not only the financial result (which in itself is very important), but also at what price it was received, that is, how much of the capital and at what price was used to carry out restructuring activities.

So, on the basis of formula (5.1) we can identify the sources of growth in value added as a result of the restructuring of the enterprise (Table 2).

Table 2 – Measures that increase the restructuring efficiency and value of the business

<i>The main types of transformations</i>	<i>The direction of transformation</i>	<i>The criterion of effectiveness</i>	<i>The level of the market value of the business</i>
Adaptive restructuring	Increase profits at previous levels and capital structure	EVA	<i>Increase</i>
Organizational and management restructuring (including re-engineering)	Reducing invested (occupied) capital, while maintaining profit levels	EVA	<i>Increase</i>
Pretrial financial recovery	The reduction of capital expenditures	EVA	<i>Saved</i>
Sanation	Increasing the liquidity of assets	EVA	<i>Stabilize</i>

As you can see, the EVA justified criterion can speak a universal indicator of evaluating the effectiveness of restructuring of the enterprise transformation, because it is a tool that measures the actual profitability of the enterprise, as well as manage the business owners. In addition, the company management has the choice of forms and methods of restructuring to ensure a predetermined level of the owners of the enterprise value, that is, to consider not only the profitability of the business, but also the price and the capital structure necessary for its maintenance.

Conclusions

According to the author, discussed above method for evaluating restructuring reforms favorably with alternative uses as key indicators - economic value added (EMF), measured in absolute terms. In contrast, the evaluation of the effectiveness of restructuring programs on the basis of the calculation of return on assets (ROA and IRR) and profitability index (PI) does not always give a complete picture of the level of the market value of the projects.

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