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CRISIS MANAGEMENT IN INTERNATIONAL COMPANIES: HOW TO RESPOND TO GLOBAL CHALLENGES

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Abstract

The article examines key aspects of crisis management in international companies in the context of global challenges such as pandemics, political conflicts, and economic crises. It outlines strategies that help companies adapt to rapid changes in the global market and maintain business stability. Special attention is given to analyzing the impact of international crises on operational activities, supply chains, financial performance, and company reputation. The article also explores the role of leadership and proactive strategies in effectively overcoming crises.

Keywords

Crisis management, Global challenges, Stability, Management, Adaptation, International companies.

Problem statement

In today's world, international companies are facing increasingly complex and unpredictable global challenges, such as pandemics, political conflicts, economic crises, and changes in the regulatory environment. These crises not only jeopardize business stability but can also cause lasting damage, affecting supply chain operations, financial performance, and reputation.

The problem is that it is difficult for international companies to predict when and how such crises will occur, as well as to adapt quickly and effectively to new conditions. There is a need to develop reliable crisis management strategies that will allow companies not only to successfully overcome crises but also to maintain or even strengthen their positions in the global market.

Relevance of the chosen topic

The topic of crisis management for international companies is extremely relevant due to frequent global challenges, such as pandemics, political conflicts, and economic instability. The unpredictability of these events poses serious threats to the stable operation of the business, and companies are forced to respond quickly to crises to maintain their competitive advantage. Analyzing effective crisis management strategies will help businesses to better prepare for possible shocks and ensure sustainability in a changing environment.

Analysis of recent research and publications

Many scientists and economists are studying this topic. Companies regularly face significant challenges to remain competitive. This is the reason for writing many papers and conducting a large number of studies. In order to cover the topic from different angles, the article considers the works of Prodius O.I., Adyrova T.I., Rudnichenko E.M., Stangret A.M., Pushak Y.Y., Dzhur O.E. and others.

Purpose of the study

The purpose of the study is to identify and analyze effective crisis management strategies for international companies that allow them to adapt to the global challenges that enterprises face very often. The purpose of the article is to analyze the impact of crises, the variety of approaches in the process of adaptation, and to study ways to maintain stable business operations.

Presentation of the main research material and results obtained

1. Definition of crisis management in the context of international companies

In the context of the global increase in natural, economic and social disasters and their tangible, sometimes decisive impact on the fate of commercial organizations, the issues of analyzing the essence of the crisis and responding to it adequately are becoming extremely important for theorists and practitioners today. A modern specialist is forced to work in a dynamically changing reality due to digital technologies and globalization processes, in the face of crises, the frequency and variety of forms of which, according to experts, will only increase. In particular, a study by the British organization Oxfam, based on an analysis of data from the UN, the International Committee of the Red Cross and the University of Louvain in Belgium, showed that over the past 20 years, the number of annual natural disasters alone has increased 4 times. According to the EU, 2010 was the largest year in terms of the number of natural disasters and the economic losses caused by them at $109 billion, which is three times more than in 2009. In this context, a number of the world's leading companies (Parmalat, Enron, WorldCom) have ceased to exist at different times because they failed to respond adequately and timely to the development of crisis situations. And this is just one of the types of crises that companies can face. Different crises have different impacts on macro- and microeconomic processes. Their typology is discussed below.

2. Overview of the main types of crises affecting international business

Table 1 (see Appendices) shows the classification of crises by their characteristics. According to the structure of relations in the socio-economic system and the differentiation of the problems of its development, separate groups of economic, social, organizational, technological, and psychological crises can be distinguished.

Economic crises are the result of sharp contradictions in the country's economy or the economic condition of an individual enterprise. They mean a sharp deterioration in the country's economic situation, which is manifested in a significant decline in production and sales, disruption of existing production ties, loss of competitive advantages, bankruptcy of enterprises, increased unemployment and, as a result, a decline in living standards and welfare. A special case within this group can be considered financial crises - a deep disruption of the country's financial system, accompanied by inflation, non-payments, currency instability, and a crisis in the Central Bank. These signs characterize contradictions in the state of the financial system or the financial capabilities of the state or other business actors. Financial crises can be considered crises of monetary expression of economic processes.

Social crises arise when the interests of different social groups or entities clash: employees and employers, trade unions and entrepreneurs, etc. This group also includes political crises, i.e., troubles in the political structure of society, crises of power, crises of realization of interests of different social groups, classes, and in the management of society. Very often, social crises are a continuation and addition to economic crises, although in some cases they can arise on their own (for example, over the style of management, dissatisfaction with working conditions, attitude to environmental problems, etc.

Organizational crises manifest themselves as crises in the distribution of responsibilities and integration of activities of individual units (branches of administrative units, regions, branches or subsidiaries). Very often, such crises paralyze organizational activities or cause excessive bureaucratization due to the wrong selection of managers for regional teams.

Technological crises arise when there is a clear need for new technologies in the form of problems with new technological ideas. They can be a crisis of technological incompatibility of products or a crisis of rejection of new technological solutions. More generally, such crises can be viewed as crises of scientific and technological progress (STP), i.e., as an aggravation of contradictions between its trends, opportunities, and consequences.

Psychological crises are manifested in the form of widespread stress, uncertainty, panic, fear for the future, dissatisfaction with work, legal security, and social status. They arise in the social and psychological climate of a society, a team, or a separate group.

Almost every company has faced some difficult situation during its operations that hindered its further development. But there are crises in history that have left their mark on both the economy as a whole and the success of individual companies. Such global crises have also brought many innovations, which can be considered a positive effect. The 21st century has seen such large-scale crises.

3. Examples of recent global crises

The global financial crisis of 2008 resulted in a significant increase in unemployment and a growing number of financially insolvent enterprises in every sector of the economy in Ukraine and other countries. Demand for Ukrainian exports declined significantly, and foreign capital inflows almost stopped. Banks lost their ability to attract syndicated loans, and their ability to refinance old debts remained limited. As a result, banks in many countries have significantly reduced lending to both legal entities and individuals, which had been one of the most important sources of investment and consumption before the crisis. As a result, demand for cars, housing and a number of consumer goods decreased, which can be explained by objective macroeconomic instability and a number of subjective factors, including the inability of management to carry out effective crisis management, the ability to identify problems in a timely manner and take the necessary measures. Financial difficulties at enterprises are caused by a synergistic combination of the negative effects of the global financial crisis, certain imbalances in the development of all types of activities, and a number of internal problems that are typical for most domestic business entities. In general, the crisis of 2008 pushed international companies to search for new strategies for survival and recovery, focusing on efficiency, sustainability and risk management.

COVID-19 has also had a significant impact on international companies:

- Disruptions in supply chains: The shutdown of production and border closures have disrupted global supply chains, especially in the automotive and electronics industries.
- Shift in consumer demand: Demand for goods and services has shifted, with online sales and need for technology going up, while tourism and retail are among those which are badly hit.
- Remote working: The switch-over to working from home has forced many companies, and thus, the productivity and work structure of the companies are affected.
- Lessened income and financial losses: Lockdowns resulted in economic shutdowns of businesses, leading to bankruptcies and reduction of staff.
- Accelerating digitalization: The crisis has pushed companies to actively implement digital technologies and online platforms to support operations and customer interaction.

As we can see, Covid-19 has had a significant impact on many areas of business operations. International companies were under particular pressure from such crises, and not all of them were able to withstand it. Many companies ended up in bankruptcy, but some managed to avoid this scenario.

Examples of companies that have suffered from such challenges:

1. Lehman Brothers (Financial crisis of 2008)

The American investment bank Lehman Brothers became a symbol of the global financial crisis of 2008. As a result of massive losses related to mortgage loans, the bank declared bankruptcy. This led to a large-scale chain effect on financial markets around the world (MyFin, 2021b).

2. General Motors (Financial crisis of 2008)

During the 2008 crisis, the American automotive giant General Motors (GM) experienced serious financial difficulties due to a sharp drop in demand for cars. The company was forced to declare bankruptcy and receive financial assistance from the US government to avoid a complete collapse (MyFin, 2021a).

3. Airlines Industry (COVID-19 pandemic)

The aviation industry has been hit by the COVID-19 pandemic as international flights have been suspended and travel demand has plummeted. Companies such as British Airways, Delta, Lufthansa, and Emirates have suffered huge losses, forcing them to lay off thousands of employees, suspend flights, and receive government support (Garrow, 2020).

4. Boeing (COVID-19 pandemic)

The American aircraft manufacturer Boeing has experienced serious problems during the COVID-19 pandemic. Declining demand for airplanes and logistics problems have severely hit the company's finances. The pandemic was compounded by the continuing effects of the crisis due to the suspension of the Boeing 737

MAX model after several plane crashes (Garrow, 2020).

5. ExxonMobil (Oil price decline in 2020)

Due to the COVID-19 pandemic, oil demand has fallen sharply, leading to lower oil prices in 2020. ExxonMobil, one of the largest oil and gas companies in the world, suffered significant losses and made a loss for the first time in a decade. The company was also forced to reduce investments and the number of employees (BBC, 2021).

6. Nokia (Technological and market changes)

The Finnish company Nokia, once a leader in the mobile phone market, has lost its position due to global changes in technology. The shift to smartphones and changes in consumer preferences, including the emergence of the Apple iPhone and Google Android, led to a sharp decline in sales and the company's market influence (Minds, 2018).

These examples show how international companies can be vulnerable to global economic, political and natural crises, and how these crises can significantly change their business. Businesses operating globally are more sensitive to market fluctuations and crises, and the reasons for this are discussed below.

4. Why international companies face greater risks due to global challenges

International companies face greater risks due to global challenges for several key reasons:

1. Variety of market conditions
   Each market in which an international company operates has its own economic conditions, legal requirements and competition. Vulnerability to economic downturns or regulatory changes in each country increases the risks for companies operating in the international market [4].
2. Political instability
   International companies operate in different political environments, which can lead to risks associated with changes in governments, political regimes, or the introduction of new laws. Trade wars, changes in tariffs, or sanctions can also directly affect business.
3. Currency fluctuations
   Operations in different countries involve the use of several currencies, which exposes companies to currency risk. Exchange rate fluctuations can significantly affect the company's profitability and asset value.
4. Cultural and social differences
   International companies need to adapt their products, services, and marketing strategies to different cultures and social customs. This adds complexity to brand and performance management in different markets.
5. Disruptions in the supply chain
   Global companies depend on complex supply chains spanning many countries. Disruptions due to natural disasters, political crises, or global pandemics can paralyze production and supply, as happened during COVID-19.
6. Geopolitical risks
   Conflicts between countries, international sanctions, terrorism or instability in certain regions can pose significant threats to international companies. They may be forced to reduce their business or shut it down completely in certain regions.
7. Environmental and climate change
   Climate change and natural disasters, such as floods, hurricanes, and fires, can affect companies' operations, especially in the agricultural and manufacturing sectors. In addition, international companies are facing pressure to implement environmentally sustainable practices around the world.
8. Changes in consumer preferences
   Globalization facilitates the rapid spread of trends and changes in consumer preferences. Companies need to constantly adapt to changes in demand in different markets, which adds unpredictability to planning and production.
9. Global competition
   International companies are facing stiffer competition not only locally but also globally. Competition from local or other international players requires continuous improvement and optimization of business processes.
10. Technological risks and cyber threats
    International companies often depend on complex information systems that can be vulnerable to cyberattacks. In the context of globalization and digitalization, the risk of data loss, disruption of

operations, or theft of intellectual property is higher.

Thus, the global nature of international companies increases the number of external factors that can affect their stability and development, making them more vulnerable to various risks.

The main types of external risks to business are shown in Fig. 1, and the diagrams of strategic risks and hazards are shown in Fig. 2 and Fig. 3.

If you look at the list of such risks, the question arises: How to protect your business from them? It is for this purpose that a separate category of management has been created, which includes many aspects and is characterized by a variety of choices for company executives. After analyzing their situation, they choose a specific crisis management strategy.

5. Crisis management strategies for international companies

Risk management is a specific branch of management that requires knowledge of firm theory, insurance, analysis of business activities, mathematical methods of optimizing economic tasks, etc. Risk management is a set of methods, techniques and measures that allow to predict the occurrence of risk events to a certain extent and take measures to reduce them. Risk management (RM) is a system of risk management and economic (financial) relations arising in the course of this management. RM is based on the purposeful search and organization of work to reduce the degree of risk, the art of obtaining and increasing income in an uncertain economic situation.

A risk management strategy is the art of managing risk in an uncertain business situation, based on risk forecasting and the application of risk mitigation techniques.

The following rules apply to the risk management strategy:

- maximum winnings.
- optimal probability of the outcome.
- the optimal combination of gain and risk.

Approaches to risk management have changed and continue to change. Fig. 4 shows the evolution of risk management systems. Fig. 5 shows the main aspects of crisis management.

Depending on the type of risk and crisis, company leaders apply different methods of protection or control.

The main strategies for companies in crisis situations are:

1. Avoidance

Refusal to implement a risk-related activity (project). Such a decision is made in case of non-compliance with the specified risk management principles. For example: the level of possible losses, as well as additional costs associated with risk mitigation or risk transfer to another person, are unacceptable to the entrepreneur; the level of possible losses significantly exceeds the expected return (profit), etc. Risk avoidance is the simplest and most radical direction in the risk management system. It makes it possible to avoid possible losses and uncertainty entirely. At the same time, risk avoidance usually means that an entrepreneur gives up profits. Therefore, in case of an unjustified refusal to undertake a risk-related activity (project), there are losses from unused opportunities.

2. Aggressive strategy

The process of crisis management is aimed not at maintaining market positions, but at gaining new ones where competitors have suffered the most damage from the crisis.

Crisis management consists of the following stages:

- Diagnosing and assessing the parameters of the crisis;
- Development of crisis management concepts aimed at planning strategic and operational measures;
- Implementation of the adopted concept to overcome the crisis;
- Continuous monitoring of external and internal factors.

Given the need to shift the emphasis of crisis management towards more aggressive management, we propose the following sequence of stages in the deployment of crisis management:

- preparing to study the situation and further diagnose it;
- diagnosing and assessing the parameters of a crisis or pre-crisis state;
- development of concepts for using the crisis to one's advantage, aimed at planning strategic and operational measures for active counteraction;
- Implementation of the adopted concept of using the crisis to one's advantage;
- continuous monitoring and control of external and internal factors.

The main difference, as we can see, is the development of the concept of using the crisis to one's advantage.

3. Diversification

It is one of the key tools for mitigating risks in the operations of international companies. This strategy is preventive. The essence of diversification is not to rely on one source of income, market, product or partner, but to expand the business in different directions to minimize the impact of possible crises.

Types of diversification:

1. Geographical diversification

   This is the expansion of business to new markets or countries. This is especially important for international companies, as a crisis in one region (e.g., political instability or economic downturn) will not affect the entire company if it is represented in several markets. For example, a company that has production facilities and sales markets in Europe, Asia, and North America can smooth out the effects of a crisis in one of these areas.

2. Product diversification

   This is the development of new products or services that reduce dependence on one segment. For example, a company that used to produce only electronics can start producing home appliances or software. This allows the company to stay afloat even if the demand for one product falls due to the crisis.

3. Diversification of suppliers

   Providing the company with materials and components from several different suppliers from different regions helps to avoid supply chain disruptions that can occur during crises. For example, if one supplier experiences difficulties (due to natural disasters, wars, or sanctions), the company can switch to other partners.

4. Financial diversification

   This is the distribution of a company's financial assets among different instruments and markets to reduce risks. For example, investing in different currencies, shares of different companies, or using different banking institutions. This allows the company to remain financially stable in the face of currency fluctuations or financial crises in different countries.

Each type of diversification has its own advantages and disadvantages and reduces risks in certain ways, which can help a company survive difficult times. Companies that diversify their business operations can adapt to changes more quickly and have a better chance of surviving in the face of global challenges. Ultimately, a well-designed diversification strategy can be a powerful growth tool that will allow companies to emerge from the crisis stronger (Tkachenko & Bondarenko, 2024).

It is also important to constantly monitor the situation in the external economy, systematically assess the risks to the company and develop an effective response method. Of course, there are many more scenarios that managers can follow to keep their company successful. We will analyze them in more detail.

6. Crisis management trajectories

The trajectory of crisis management (CM) is the path along which management moves, enabling an enterprise in a crisis to create new and new prerequisites for increasing its efficiency. The trajectory of crisis management as a way of developing the efficiency of an enterprise is closely intertwined with the concepts of "strategic management" and "strategy".

Fig. 6 shows the types of trajectories of enterprise crisis management.

Unnumbered lists are formatted as follows:

1. The trajectory of "rapid rise and excessive costs".

   A company in crisis, using aggressive crisis management, uses a minimum of management costs to achieve its goals and increase profitability. However, over time, such costs increase, reducing the effectiveness of crisis management.

2. The trajectory of "rapid growth and efficiency growth".

   A company in crisis, through aggressive crisis management, uses a minimum of management costs to achieve its goals and increase profitability. Over time, such costs are reduced, increasing the effectiveness of crisis management.

3. The trajectory of "slow takeoff and excessive costs".

   A company in crisis, while implementing aggressive crisis management, uses maximum management costs to achieve its goals and increase profitability. However, over time, such costs increase, significantly reducing the effectiveness of crisis management.

4. The trajectory of "slow rise and increasing efficiency".

   A company in crisis, through aggressive crisis management, uses maximum management costs to achieve its goals and increase profitability. Over time, such costs are reduced, significantly increasing the effectiveness of crisis management.

5. The trajectory of "reactive success".

The company succeeds without incurring additional costs to overcome the crisis. This is due to the new quality that was obtained earlier but was not relevant, the growth of the company's image and, as a result, the growth of the value of the company's securities on the stock market.

Under modern forms of business management, in order to reduce the degree of risk, increase competitiveness and stability, enterprises should constantly have a consolidated picture of the results of all types of activities, which is possible only after their comprehensive economic diagnostics. Such information is the basis for making effective management decisions and developing both crisis management strategies (which are the basis of TMA) and crisis management programs as the main tools for ensuring the achievement of long-term goals and objectives of the enterprise, the course of action and the allocation of resources necessary to achieve the goals.

To better understand the different approaches to overcoming difficulties in an enterprise, let's look at specific cases of international companies that have managed to continue their profitable operations

7. Overview of the main types of crises affecting international business

1. General Motors

   Crisis: In the early 20th century, the United States went through the Banking Panic of 1907. The central bank had not yet been established, and excessive lending led to massive bank closures. The panic lasted only a couple of months, and the economy and business recovered for another two years.

   What the company did: GM's founder William Durant was not at a loss and in 1908 switched from producing horse-drawn carriages to manufacturing automobiles. He was almost the first businessman with such an idea.

   Result: When the country's economy stabilized, William Durant was able to buy up other car manufacturers, such as Oldsmobile, Cadillac, and Pontiac, and invest in new developments (BusinessViews, 2020).

2. Netflix

   The crisis: 2009, the peak of the global economic downturn.

   What the company did: Since the company's inception, it has been selling and renting movies on DVD. A year after the company was founded, it focused exclusively on rental. In 2009, the service had 3 million customers, which was the year of the biggest crisis. This success was made possible because the company offered streaming services - subscribers could watch an unlimited number of movies online.

   The result: From 2006 to 2011, the number of subscribers increased by 290% from 6.3 million to 24.6 million, and the Netflix brand is known all over the world (BusinessViews, 2020).

3. Walmart

   One of the largest global retail chains with more than 10,000 stores and over 220 million weekly visitors.

   For example, in 2009, it launched the Walmart Marketplace to offer the widest possible range of products to the audience, and in 2013, it launched a grocery pickup service that did not take off immediately, but during the pandemic, one in five shoppers chose this type of shopping. In order to compete with Amazon, Walmart acquired a number of e-commerce companies and created the Walmart+ service (similar to Amazon Prime) with free next-day delivery (Majevska, 2022).

4. Marvel

   The company, which owns a universe with a multi-million fan base, has been on the verge of extinction more than once. For example, in the 90s, its main business, comic books, ceased to be profitable, primarily due to high competition. The business launched new directions - a chain of restaurants and CDs, which also failed to bring the desired result. The company had to lay off a third of its staff and was on the verge of bankruptcy.

   After the creation of Marvel Studios, the world saw the first films with characters from the universe - Blade, Spider-Man, and X-Men became successful, but a significant share of revenues was eaten up by license fees.

   Then the company took a bold step - it received a $525 million loan for 10 comic book adaptations from Merrill Lynch, but in case the first films failed, the rights to the subsequent ones would have to be given away. Nevertheless, the success was undeniable: the Iron Man movie grossed $600 million, and the studio created the most successful franchise in Hollywood history (Majevska, 2022).

Of course, there are many such examples, but there are also many companies that failed to effectively use the limited amount of time given to respond to difficult situations. Therefore, it is important to remember the main principles of crisis management and apply them correctly in a particular case

Conclusions

Preparedness for emergencies, including sudden crises, is important because preventive actions can always be taken. Companies that have contingency plans in place are more likely to adapt to new conditions and mitigate negative consequences.

Crisis situations, such as the financial crisis of 2008 and the COVID-19 coronavirus pandemic, have brought a number of important lessons for international businesses:

- Diversification of risks is important: companies should not be too deeply involved in one region or sector, and they should also work with different sources of supply or sales.
- Make the business agile and adaptive: business models of organizations should be such that, if necessary, they can quickly adjust to new market trends.
- The place and role of digital technologies: Digital tools and platforms help companies to organize uninterrupted business operations, remote work, and customer service.
- The importance of the human factor: rational crisis management involves the participation of all employees and the creation of an atmosphere of mutual assistance.
- The need for communication: clear and adequate information to all participants in the center process, including the entire system, is an important factor in overcoming the crisis.

Risk management safeguards an organization from the unexpected and boosts its robustness. Similarly, with effective management of crises, the organization has a few unique benefits which assist in ensuring continued profitability:

- Enhancing reputation: Effectively managing crisis situations creates confidence in clients, investors and partners as it shows one is capable of solving problems.
- Employee retention: People are less likely to leave an organization that they perceive as stable.
- Cost containment: Irrespective of the situation likely to occur, management strategies are put in place prior and this assists in preventing large losses from being experienced.
- Decreased downtimes: Restoring functionality takes a shorter duration for an organization which has designed its own mechanisms prior to all other organizations.

Thus, crisis management is not just a necessity, but a strategic advantage for any international company. By investing in the development of crisis management systems, companies can increase their resilience, adaptability, and competitiveness in a dynamic and unpredictable world.

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Applications

Table 1: Classification of crises

Classification criteria of crisis	Types of crisis	Characteristics of crisis types
Time of impact	Short-term	Duration does not exceed one year
	Medium-term	Duration from one to three years
	Long-term	Impact lasts more than three years
Cause of occurrence	Objective	Arises due to the influence of objective factors
	Natural	Arises due to the influence of natural factors
	Accidental	Arises due to the influence of accidental factors
	Subjective	Arises due to the influence of subjective factors
	Artificial	Arises due to the influence of artificial factors
	Law-based	Caused by certain laws and regularities
	Cyclical	Caused by the cyclical development of the organization
Consequences	Destructive	Leads to the destruction of the socio-economic system (bankruptcy, liquidation)
	Recovery	Leads to the improvement of the system's functioning
	Aggravation	Deterioration of indicators towards the maximum possible deterioration
	Sharp Decline	Rapid change in key performance indicators towards deterioration
	New Crisis	Leads to the emergence of a new crisis
	Weakening	Slight deterioration of key performance indicators, weakening of business positions
	Soft Exit	A crisis that does not cause significant damage and allows effective anti-crisis management
Special Management Functions	Strategic Management	Arises due to ineffective strategic management
	Personnel	Arises due to ineffective personnel management

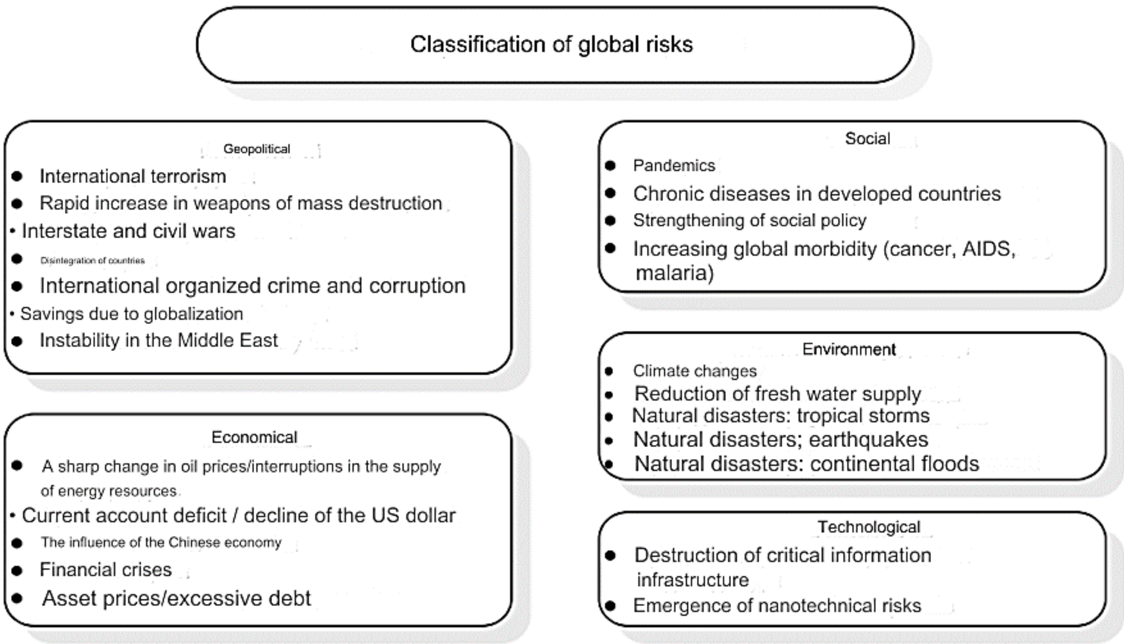

Fig. 1: Classification of global risks.

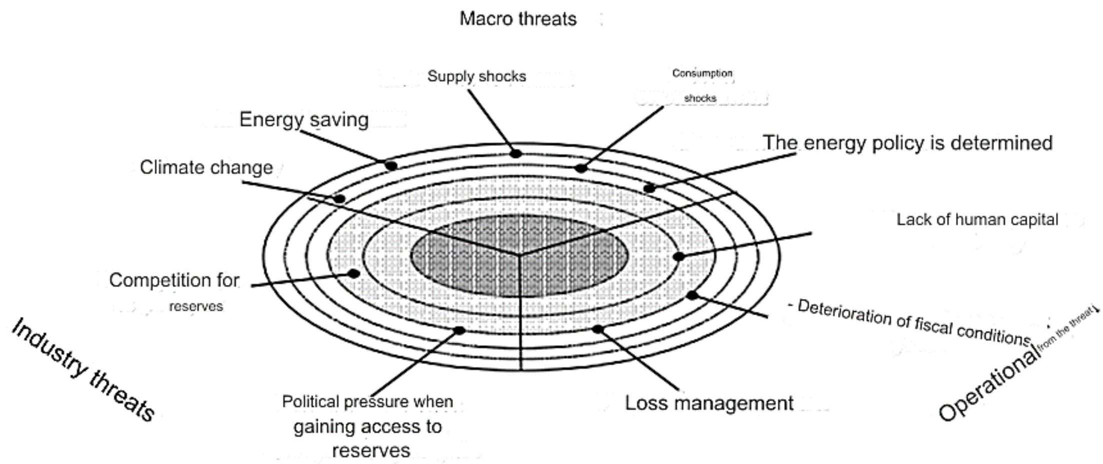

Fig. 2: Strategic risks of international business.

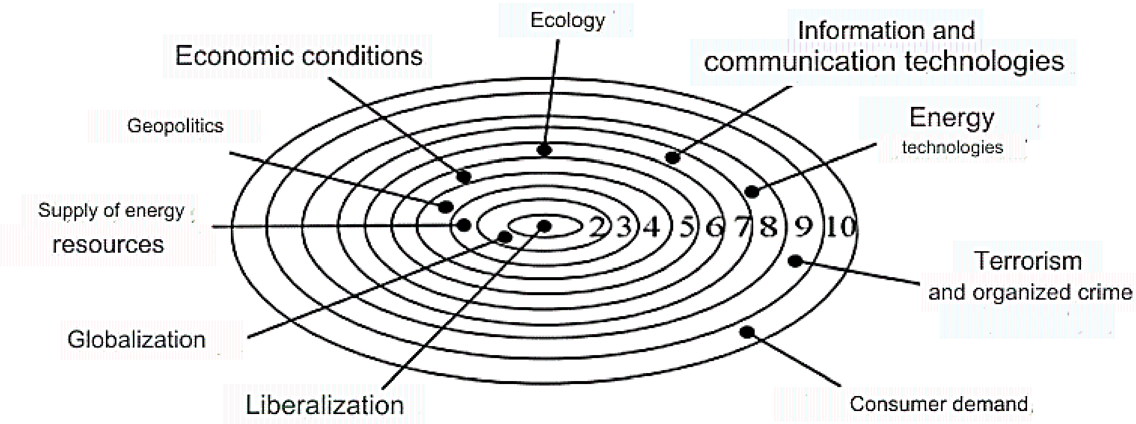

Fig. 3: The main potentially dangerous factors for the development of corporations.

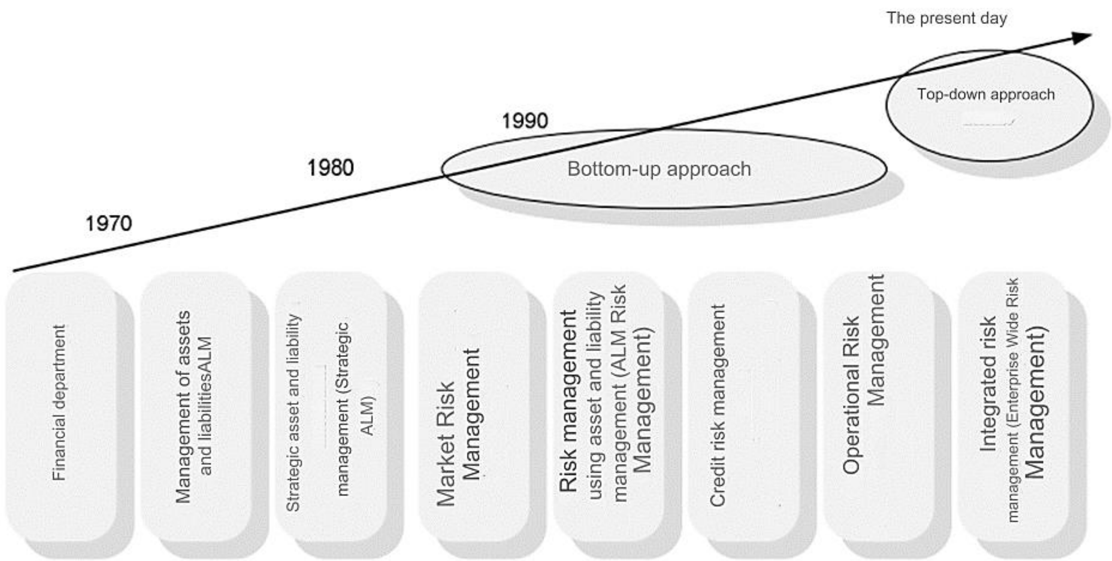

Fig. 4: Evolution of risk management systems.

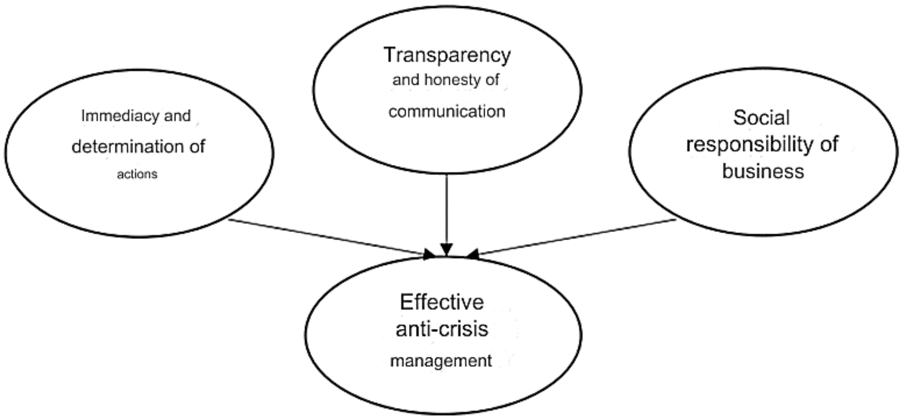

Fig. 5: The most important aspects of crisis management.

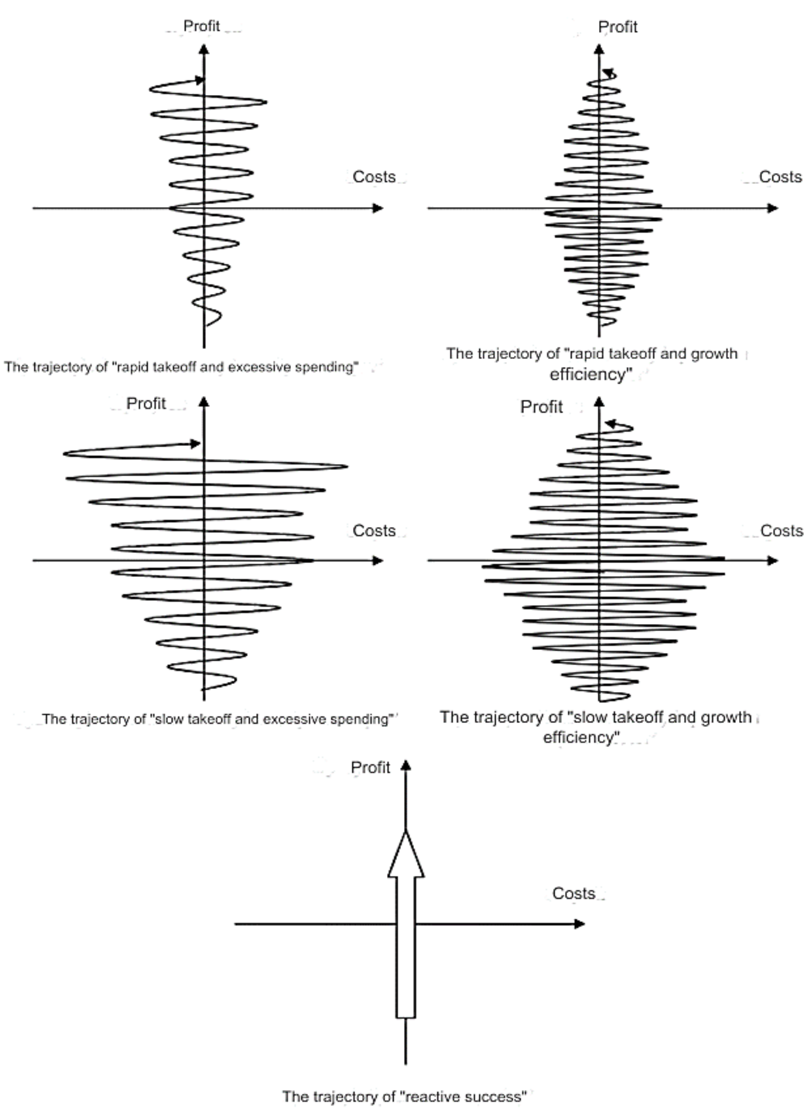

Fig. 6: Types of trajectories of enterprise crisis management.