



UDC 658:338

## SYSTEM OF STRATEGIC MANAGEMENT OF THE COMPANY UNDER CONDITIONS OF UNCERTAINTY AND CRISIS CHANGES

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**Abstract.** The article examines the theoretical foundations of the strategic management system in conditions of instability, uncertainty and crisis changes, and also pays attention to and considers modern concepts of strategic thinking, scenario planning, adaptive management, risk management and dynamic capabilities (dynamic capabilities) to help companies respond to crisis circumstances. The scientific approach to management in the context of a crisis is analyzed, in particular the ideas of strategic risk management, and the key components of an effective strategic system are outlined - from scanning the external environment to learning and adaptation mechanisms. The article presents the advantages and limitations of each of the theoretical directions.

**Key words:** strategic management, adaptive management, change management, development scenarios, risk management, company development.

### Introduction.

The globalization of business development in today's consciousness is at the center of ambiguity, or also called VUCA, that is, at the center of volatility, ambiguity, complexity and ambiguity. The recent COVID-19 pandemic, geopolitical upheavals and technological upheavals have also demonstrated that traditional approaches to stimulating strategic planning systems are often inadequate for sustainable thinking. Special emphasis is placed on the understanding that companies need dynamic strategic risk management systems to focus on forecasting and planning, to see future prospects [1]. However, traditional risk management too often focuses on implementing flow strategies and does not embrace formulaic strategies, which results in inertia and the illusion of control [2].

The company is expected to introduce an updated model of strategic management, including strategic flexibility, organizational flexibility and proactive robot with ambiguity in mind. The purpose of this study is to understand the theoretical and practical foundation of the systems of strategic management in the minds of the insignificance of these crises. The study is not directed to the analysis of the theoretical foundations of such concepts of management, which provide tools for strategic



planning in crisis minds. A comparison of emerging scientific approaches to crisis management, identifying their strengths and weaknesses, provides an opportunity to identify critical components of an effective strategic management system. The method of the study is to formulate an applied model of the management system, which combines the concepts of strategic thinking, scenario planning, adaptability, risk management and the development of dynamic capabilities.

### **Theoretical basis of strategic management in the minds of instability.**

Strategic management requires flexibility and foresight to survive in a rapidly changing environment. The first step is to understand the nature of uncertainty. According to scientists Tice et al., «uncertainty is very different from risk» - risk can be modeled with traditional tools, while uncertainty requires a high level of dynamic capabilities and organizational flexibility [3]. Such dynamic capabilities allow a company to adapt internal resources and processes to changes in the external environment, while understanding strategic thinking as a way of analyzing and creating long-term goals and plans taking into account various factors. Strategic thinking involves a combination of data, intuition and rational analysis to find non-standard solutions, it is aimed at a long-term vision of the company's mission and growth scenarios, and not just at routine solutions to current problems. The presented concept emphasizes the need to define strategies, long-term goals, even under uncertain short-term conditions, creating flexibility in formulating the company's overall strategy. Strategy scenario planning is one of the key tools for a company to operate in conditions of uncertainty. Rather than tying a company's future to a single set of events, many leaders find it helpful to have «a rich understanding of current opportunities, built from multiple perspectives of possible futures» [4]. For example, organizations in crisis situations are increasingly interested in scenario planning because it allows them to review their strategies in light of multiple alternative futures [4]. In the Oxford approach to scenario planning, participants identify relevant external factors and create multiple plausible future scenarios, which promotes a collective rethinking of the strategic “framework” and enriches leaders' vision [4].

The advantage of this approach is that it forces the company to go beyond its usual



assumptions and develop numerous strategies for different situations, but at the same time, the disadvantages can be the difficulty of involving a wide range of participants and the time intensity of the process, as well as the risk of incomplete implementation of the scenarios if the organization does not know how to use them immediately. Adaptive management should be recognized as another important concept for the strategic development of companies in conditions of uncertainty and crisis. This idea, based on iterative learning, involves the company experimenting with alternative strategies, consistently evaluating the results, and adjusting strategic goals and guidelines in accordance with the results of the analysis. Adaptive management can be understood as a «structured, iterative process of making decisions in conditions of uncertainty with the method of progressive reduction of uncertainty through monitoring», that is why this model is most widely accepted in conditions of uncertainty [5]. In addition, it is worth noting that the effectiveness of this model is manifested in the fact that the company starts its own activities, on the one hand, «changing the system», and on the other hand, accumulating its own knowledge for the system, which contributes to maximizing profits for the company itself [5]. This approach increases the effectiveness of long-term management and adaptation to new situations, the main advantage of adaptive management is its ability to provide a procedure for improving solutions with the help of feedback and self-learning. Constant monitoring and analysis require significant expenditure of time and resources, as well as the risks of a «closed cycle» if the company reacts too slowly to the discrepancy between the strategic model and reality. Risk management in strategic planning goes beyond passive analysis and insurance, which is why the strategic approach to risk management involves integrating risks into strategy development. According to research, traditional risk management usually focuses on implementing an already established strategy and does not cover this development phase [2]. Such a reduction turns risk management into a routine administrative task and creates false confidence. In a situation of deep uncertainty, companies need not only to accelerate the implementation of existing strategies, but also to constantly search for new strategies in accordance with emerging events. Therefore, companies create a system



of strategic risk management (Strategic Risk Management, SRM), which allows them to link risks with strategy development, making the management process strategically predictable [2]. Risk management in SRM involves the identification of roles and responsibilities, the implementation of processes, the involvement of stakeholders and the integration of risk analysis in the development of future strategic options, which provides the company with greater flexibility and adaptability to crisis situations.

Adaptive management should be defined as another important concept for the strategic development of companies in conditions of uncertainty and crisis. This approach, which is based on iterative learning, is that the company should experiment with alternative strategies, consistently evaluate the results and adjust strategic goals and guidelines in accordance with the obtained analytical results. Adaptive management can be understood as «a structured, iterative process of decision-making under uncertainty in order to gradually reduce uncertainty through monitoring», that is why this model is most acceptable in conditions of uncertainty [5].

In addition, it is worth noting that the effectiveness of this model is manifested in the fact that the company learns from its own activities, on the one hand, «flexibly changing the system», and on the other hand, accumulating its own knowledge about the system, which contributes to maximizing profits for this company [5]. This approach increases the effectiveness of long-term management and adaptation to new situations, the main advantage of adaptive management is its ability to provide gradual improvements in decisions through feedback and self-learning. Constant monitoring and analysis require significant time and resources, as well as the risks of a «closed loop» if the company reacts too slowly to discrepancies between the strategic model and reality. Risk management in strategic planning goes beyond passive analysis and insurance, because a strategic approach to risk management involves integrating risks into the development of strategy. According to research, traditional risk management usually focuses on the implementation of an already established strategy and does not cover the development phase [2]. Such a reduction turns risk management into a routine administrative task and creates false confidence. In a situation of deep uncertainty, companies need not only to accelerate the implementation of the existing strategy, but

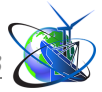


also to constantly search for new strategies in accordance with emerging events, therefore, leading companies create a system of strategic risk management (Strategic Risk Management, SRM), which allows you to link risk with strategy development, making the management process strategically predictable [2].

Risk management in SRM involves defining roles and responsibilities, strengthening processes, involving employees and integrating risk analysis into the development of future strategic options, this approach provides the organization with greater flexibility and adaptability to crisis situations for the strategic development of the company. Dynamic capabilities are a concept that describes the internal mechanisms of strategic flexibility of an organization. In the theory, dynamic capabilities are defined as «the ability to adapt, integrate and reconfigure internal and external resources and competencies in accordance with the needs of the changing environment of the firm» [3]. In other words, it is a set of skills and processes that allow an organization to quickly restructure its resource base and activity structure in response to new challenges. Without such capabilities, the effectiveness of the company in a rapidly changing environment may be short-lived [6].

### **Summary and conclusions.**

The article analyzes modern approaches to strategic management systems in conditions of uncertainty and crisis changes. The main concepts are highlighted - strategic thinking, scenario planning, adaptive management, risk management, dynamic capabilities - their advantages and limitations. It is found that an effective strategic system in an unstable environment must combine a long-term perspective with the ability to quickly respond to changes. The key components of such a system are: the formation of a flexible strategic vision; proactive scanning and forecasting of the external environment; development of certain future scenarios; integration of risk management with strategy; continuous learning of the organization; development of internal dynamic capabilities.



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