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THE STRATEGY OF CRISIS MANAGEMENT IN THE COMMERCIAL BANKS OF THE REPUBLIC OF MOLDOVA

СТРАТЕГИЯ АНТИКРИЗИСНОГО УПРАВЛЕНИЯ В КОММЕРЧЕСКИХ БАНКАХ РЕСПУБЛИКИ МОЛДОВА

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Annotation: Long-term development of the banking sector directly depends on a correct, well-developed strategy of the bank. One of the methodologies of the internal crisis management activities of commercial banks in the Republic of Moldova is the development and implementation of the bank's strategy.

Аннотация: Долгосрочное развитие банковского сектора напрямую зависит от правильной, развитой стратегии банка. Один из методов внутреннего кризисного регулирования деятельности коммерческих банков в Республике Молдова является разработка и реализация стратегии банка.

Keywords: bank, crisis management, key elements, strategy.

Ключевые слова: банк, кризисное управление, ключевые элементы, стратегии.

Introduction

The strategy (the Greek: from "stratos" - "army" and "ago" - "lead", or "the art of the commander") in a general sense is a plan of action in condition of uncertainty. This is a set of rules, an action model, that prescribes that all the measures, in case of an extraordinary event should be taken depending on the circumstances, at that moment; including natural events and the actions of other people, its primary goal is to assure the achievement of the banks' objectives [5].

The concept of "Strategic Management" was for the first time used by Western economists in the 60-70-ies of the XX century to divide the control system in "operational" and "top management" [7, p.10].

In a narrow sense, the strategy represents the general action plan that defines priorities for the strategic objectives, resources and sequence of steps for achieving the strategic objectives. However, in a more broad sense (scale), the strategy is a long-term qualitatively defined direction of the organization development relating to the scope, means and forms of its activity, the system of relationships within the organization, as well as the organization's place in the economic environment that is leading the organization toward its goals [1].

Materials and methods of research

The research methods used in writing the article: method of economic observations, namely, purposeful and organized perception of economic facts, delivering the primary material for

scientific economic research, method of economic measurement, economic analysis and synthesis, method of economic modeling.

Results and considerations

The strategic management of a bank is the management of a banking institution that basically relies on human potential, focuses its activities on the needs of consumers, provides flexible regulation and timely adaptation of banking activities to the external environment requirements, that allow to gain competitive advantage in the market and to achieve its goals in the long run [2, p.12].

Thus, the strategy of the bank, in the general sense, is a program, a plan for the most important (strategic) goals, as well as the way to achieve these goals.

In the context of the financial and economic crisis, the bank's strategy must include specific procedures to recover the bank from crisis or to minimize their consequences.

The need for a holistic strategy is determined by:

- the inability to successfully enter the market and the subsequent efficient functioning without a clearly defined general course of development, taking into account the expected risks and opportunities in all bank's activities;
- the commitment to continuous strengthening of the market position, i.e., to ensure long-term competitive advantage;
- the need for continuous improvement of management of own activity to improve its effectiveness.

The bank's strategy includes the following key elements:

a) the system of goals, including the mission, organization-wide and specific objectives;

b) the policy or a specific set of organizational actions rules oriented to achieve their goals.

According to the author, the main element of the strategy is an integrated set of rules and decision-making principles used to determine the main directions of activity and the methodology for their implementation.

A particular importance in the internal crisis management of commercial banks activities plays the effective implementation of the adopted strategy of the credit institution. Because of this, a special attention is paid to the qualification of specialists that are developing it and the competent authorities to approve and adopt this strategy, as well as the bank's managers at all levels, which will be directly held responsible for the implementation of this strategy [2].

Banking strategy is being developed on several years (10 - 25 years), is defined in different projects, programs and is being put in action during its implementation.

The development of a strategy requires a significant investment of time and effort of a large number of specialists; therefore, the process is quite expensive and is not rational to be frequently changed. At the same time, both within the bank and beyond may occur new unexpected circumstances that do not fit into the concept of the original strategy. In such cases, the initial strategy becomes unrealizable and even destructive, that is why the commercial bank must review the previous plan and formulate strategic objectives (or a new strategic plan) in accordance with the new realities and requirements of the market.

The strategic plan is developed by the management and leading specialists of the bank using a standard technology defined by the methodology of strategic planning that includes eight successive stages [6] (Figure 1):

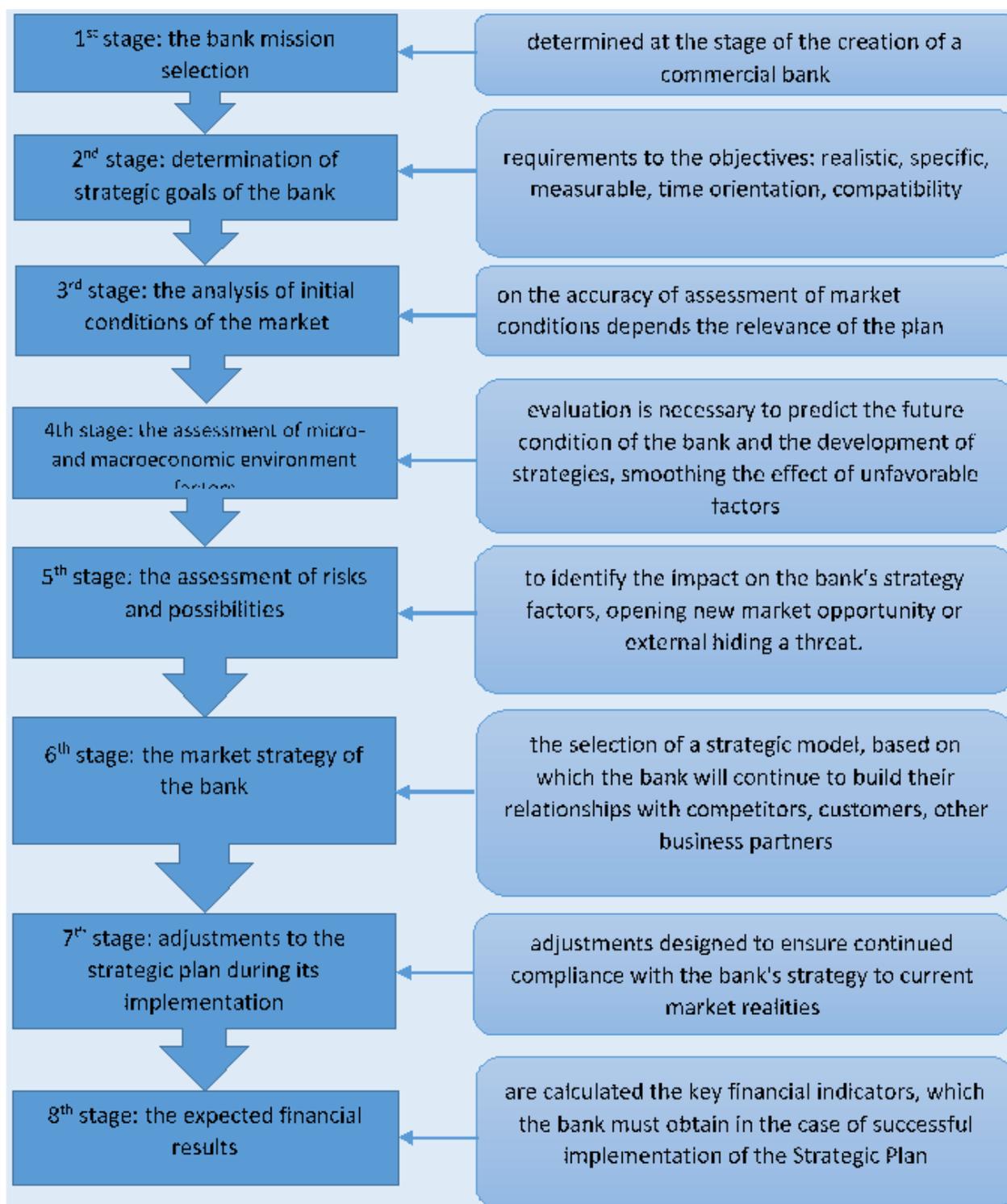


Figure 1. The scheme of standard technology development of a strategic plan [developed by the author based on the 6]

Generally within the bank may be designed and implemented three main types of strategies

[6]:

1. The strategy of growth, assuming the accelerated development of the bank in the relevant segment of the market based on aggressive competition policy.
2. The reduction strategy, which implies a decrease in bank served market segment in the process of implementing them passive competition policy, otherwise it is called strategy of "harvest" or strategy of cost reduction.

3. The limited growth strategy, implying the progressive, i.e., relatively slow and carefully evaluated development of the bank in the relevant market based on offensive competition policy.

Any strategy includes general principles based on which the bank's managers can make consistent decisions to ensure a coordinated and ordered achievement of the objectives in the long term. There are four different groups of such principles (rules):

1. The terms used in the assessment of the bank's performance in the present and in the future.
2. The rules, that regulate the bank's relationship with its external environment: what kinds of banking products they will develop, and which is the target audience, and others.
3. The rules that determines the relations and procedures within the bank and its branches. They are often referred to as an organizational concept.
4. The rules under which the bank conducts its daily operations, called the basic operational techniques.

The process of choosing a strategy involves the study of alternative directions of the bank development, assessment and selection of the best strategic alternatives for implementation. It uses special tools, including quantitative methods of forecasting, the development of future scenarios and portfolio analysis.

The implementation of the strategy is done through the development of programs, projects and procedures that can be considered as medium and short-term plans for implementing the strategy. In the process of strategy implementation, each level of leadership decides its specific tasks and shall perform the functions assigned to them.

The crucial role is played by top management. His or her work at the implementation stage of the strategy can be expressed in the form of five successive stages.

The first stage: in-depth study of the state of the environment, objectives and developed strategies. At this stage, are performed the following tasks:

- the clarification of the essence of the proposed objectives, selected strategies their correctness and conformity with each other, as well as the state of the environment;
- informing the employees of the bank on the ideas and goals of the strategic plan in order to prepare the ground for their involvement in the implementation of strategies.

The second stage: the development of complex solutions for the efficient use of the bank's available resources. At this stage, is performed the evaluation of resources, their distribution and their alignment with existing policies.

At the third stage, the top management decides on amendments to the existing organizational structure.

The fourth stage is to carry out the necessary changes in the bank, without which it is impossible to proceed with the implementation of the strategy. For this is developed a scenario in case of «a possible resistance" to changes, are developed measures to eliminate or reduce to a minimum the "real resistance" and to enforce the consolidation of the changes.

The fifth stage: correction of the strategic plan in case that this is urgently required by newly arisen circumstances.

The results of the strategy are estimated, and the control is carried by mean of the feedback of the bank system, during this stage the adjustment of the previous stages may occur.

The next thing for the effective functioning of the bank is the evaluation and monitoring of the strategy.

The peculiarity of banking strategies in times of crisis are [4]:

- the identification of the main problems in the credit institution caused by the crisis;
- the formulation of specific tasks that are set for the bank in order to solve these problems and to stabilize its operations;

- the availability of clear, effective measures aimed at eliminating these problems or minimize the consequences of the risks.

Conclusions

The effective implementation of banking strategies, especially in a crisis, is possible only due to competent and qualified bank employees. Advanced training is a fundamental precondition for a stable and steady credit institution during crisis and for gaining a competitive advantage, increasing market share and profits in a stable economy.

Consequently, the bank's strategy should aim, firstly, to improve the professional level of its personnel, regardless of their position, because some of them will be responsible for taking the correct management decisions and on the others will take care of their appropriate implementation.

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