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## Innovative approaches to business management in conditions of economic instability

**Abstract:** The article is devoted to studying innovative approaches to enterprise management in conditions of economic instability. The main goal of the research was to identify and analyse the impact of innovative strategies and management methods on the development of enterprises' innovative potential during economic crises. To achieve this goal, special and general academic research methods were used, in particular 'synthesis' and 'generalisation', which were used to evaluate the effectiveness of the implementation of innovative approaches in the activities of enterprises in the conditions of unpredictable changes in the business environment. As a result of the study, it was found that, in conditions of economic instability, innovations in enterprise management should focus on strengthening innovative potential and production and on the technical improvement of business processes for which the formation of innovative strategies is necessary. It has been found that enterprises that actively implement innovative management methods in their activities have more chances to ensure their sustainability in challenging business conditions and, with this transformation of management practices, create conditions for dynamic growth and development of their innovative potential. As a result of the study, it has been established that using innovative approaches contributes to improving the efficiency of enterprise resource management, improves interaction with counterparties, and stimulates the further implementation of innovative solutions in production. Based on the research, the understanding and principles of forming innovative management strategies for enterprises in conditions of economic instability have been improved. In addition, a set of recommendations has been formed for enterprises and organisations regarding strengthening the management system based on innovative solutions to ensure the stability and dynamic development of business processes in crisis trends.

**Keywords:** economic instability; enterprise competitiveness; enterprise management; innovative approaches; innovative management strategies

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## INTRODUCTION

In modern conditions characterised by a significant increase in economic instability, economic entities need to implement innovative management strategies to ensure their own stability and market competitiveness. Therefore, innovative approaches to management in conditions of dynamic and unpredictable changes in the business environment are of great importance, especially given the sharp changes in global markets and economic trends today.

Therefore, introducing innovative strategies into the management process of the enterprise as an effective tool for responding to economic changes becomes an objective necessity. In particular, studies of the impact of an innovative approach to strategic management, technological development and management organisation on the company's compliance with the requirements of the modern business environment are becoming essential. All this requires forming management strategies for implementing innovative approaches in various business sectors and identifying critical aspects that allow adaptation to changes and ensure high competitiveness. Particular attention should be paid to modern management technologies, risk management strategies and the approach to personnel management. At the same time, the problem of forming a mechanism for managing innovation potential to ensure its influence on enterprises' innovative development in conditions of economic instability needs to be solved. Solving this problem requires defining new principles for managing the innovative potential of an enterprise.

Accordingly, it can be concluded that innovative approaches to management are currently a critical factor in the sustainable development of enterprises in times of economic instability, which requires a study of approaches to ensure their successful development and maintain a stable position on the market in the long term.

## LITERATURE REVIEW

Innovations in enterprise management are a critical factor in ensuring sustainability and success in today's conditions of economic instability. Therefore, it is possible to note a relatively wide range of specialised academic research focused on the study of innovative approaches and their influence on the management activities of enterprises.

First, it is necessary to note the classical approach to forming the theoretical foundations of innovation management. In this aspect, it is worth noting the works of outstanding academics, such as Drucker (2012), Porter (1991) and others, who define the importance of a strategic approach to management and consider innovation as a critical element of the strategic success of an enterprise. In particular, Drucker (2012) emphasises that "innovations are the only specific function of the enterprise," and they must be integrated into its management culture and strategy.

Contemporary research in the technological development of enterprises mainly focuses on using modern digital and information technologies. In particular, in the works of Dziamulych et al. (2021) and Shmatkovska et al. (2022), it is determined that the integration of digital tools into the management process allows enterprises to respond more quickly to changes in the business environment and ensures their competitiveness. At the same time, they get the opportunity to form reliable business models, which can be used to neutralise the impact of destabilising economic factors.

Also, in the context of economic instability, it is relevant to study the possibilities of applying risk management in management and functional adaptation of enterprises to changes in the business environment. At the same time, it is worth noting the work of Jean-Jules and Vicente (2021), which reveals the importance of timely identification and management of risks in forming strategic plans for developing enterprises and allows them to adapt to economic fluctuations effectively.

It should also be noted that an essential aspect of modern innovation management is the flexibility of an enterprise's organisational structures. These aspects are sufficiently widely disclosed in Pawlowski's (2016) studies, which identified the objective need for forming flexible and adaptive management systems, with the help of which enterprises can effectively respond to changes in the external environment.

In general, modern academic developments determine the importance of innovative enterprise management approaches in economic instability. However, there is also a need to research the principles of forming management strategies aimed at increasing enterprises' competitiveness in dynamic market changes.

In conducting our research, a complex of systematic methods was used, including abstract-logical, monographic, induction and deduction, analytical and calculation methods, and economic-mathematical. To achieve the goal, special and general academic methods were used, in particular synthesis and generalisation, with the help of which the effectiveness of such innovative approaches was evaluated.

In order to ensure a sufficient level of visualisation, a graphic method, constructing graphs, diagrams, and schematic displays of information, were used to present the results. A high level of visualisation provides an opportunity to improve their perception and can attract the attention of academics who are also interested in these issues.

## RESULTS AND DISCUSSION

Constant dynamic changes and fluctuations in the modern market environment are characterised by unpredictability and riskiness, and these require from enterprises systematic management planning and forecasting of the results of its activities. To achieve this goal, the key and only possible approach, under conditions of constant instability in the economic sphere, is the application of strategic management as a system that involves the analysis and determination of development trends, not only based on past data and aimed at forming plans for the future but also analysing trends in accurate lifetimes. In this respect, special attention should be paid to determining the strategic target orientations of the business entity based on forecasting the demand for products by its strategic development plans and changes in the external environment.

At the same time, the instability of the market creates a need for the management apparatus of enterprises to consider not only possible losses but also potential opportunities for ensuring the growth of competitiveness of the enterprise in the long term. Since dynamic changes in the business environment affect all its subjects, enterprises have a strong chance to start forming competitive advantages on bases that are fundamentally different from traditional approaches. At the same time, the process of creating competitive advantages must be started as early as possible because the earlier this process begins, the better the company's competitive position. This process is relevant for those organisations facing complex strategic tasks or opening up new opportunities to ensure competitiveness, which require innovative methods to consistently improve

existing production organisation systems, technologies, personnel management and business models.

The need to form specific approaches to the management of enterprises in conditions of instability of the business environment is usually determined by the need to increase management efficiency and the manifestation of visualisations. Accordingly, the basis of the formation of innovative approaches to enterprise management is the system of anti-crisis management of economic activity. At the same time, anti-crisis management is decisively based on traditional approaches to optimising elements of economic activity. It can be displayed using a matrix of anti-crisis measures (Table 1).

Table 1. Matrix anti-crisis measures of an enterprise

|   |   |
|---|---|
| <p><b>Cost reduction</b><br/>           Reduction of labour costs<br/>           Reduction of costs for raw materials and materials<br/>           Reduction of production costs</p>  | <p><b>Attraction of additional financing</b><br/>           Sale and lease of surplus assets<br/>           Sales optimisation<br/>           Acceleration of turnover of receivables</p> |
| <p><b>Restructuring of accounts payable</b><br/>           Debt settlement<br/>           Debt coverage at the expense of a share of capital<br/>           Re-registration of payables into claims secured by collateral<br/>           Payment of debt by bank drafts<br/>           Conversion of debt into securities</p> |   |

Source: systematised by the author based on Tarasova (2015)

As can be seen, classic anti-crisis management combines cost reduction and optimisation of financial obligations with productivity stimulation. However, this approach is practical only under the relative stability of the internal or external conditions of the business entity's functioning. At the same time, it is worth noting that anti-crisis management of conditions of economic instability is significantly complicated due to unpredictable fluctuations in market conditions, volatility of exchange rates, unforeseeable fluctuations in demand for goods and services, as well as due to an increase in the cost of resources.

In addition, economic instability generates problems related to decreased liquidity, restrictions on access to financial resources, and increased costs, which can become a severe challenge to ensuring their effective functioning. In addition, as practice shows, dynamic, unpredictable changes in the market are often associated with the uncertainty of the legal environment and political turbulence, which threaten changes in the tax base and state regulatory principles and complicate management effectiveness. In addition, instability often creates problems related to a mistaken strategy of adaptation to changes and an insufficient response of the enterprise to new risks and threats. In general, modern enterprises must be in a state of constant readiness to rebuild and reform their business processes. At the same time, conditions of instability may require the management of enterprises to apply innovative solutions to current problems. Still, the scarcity of resources and high uncertainty usually become a significant obstacle to their successful implementation.

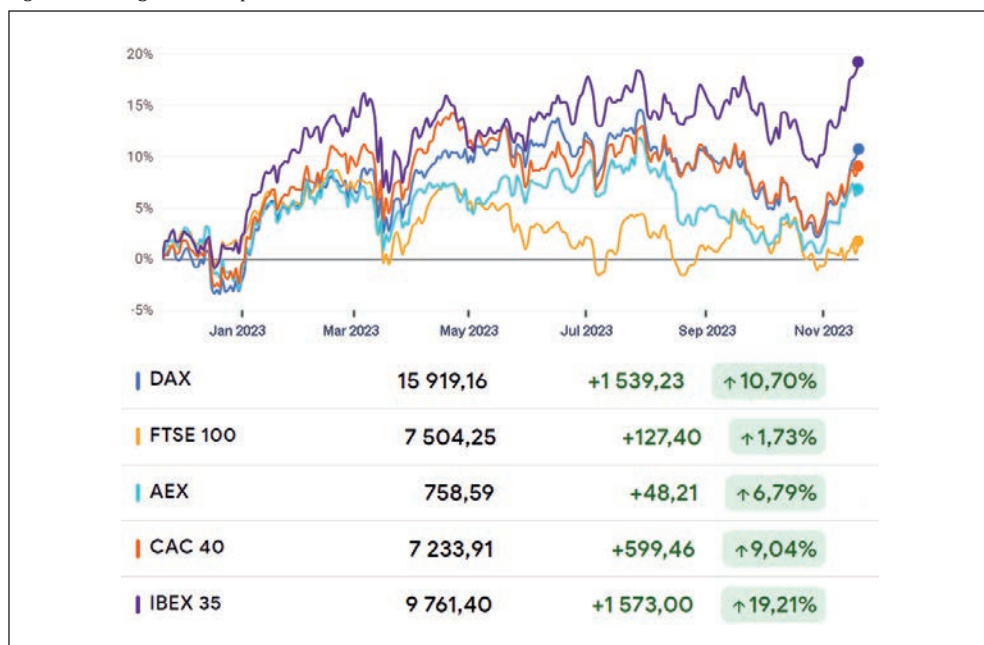
At the same time, it is worth determining the characteristics of the dynamism of the economic environment, in particular those points that characterise it as unstable and

which threaten unpredictable change. Of course, in conditions of significant transformations and cyclical crises, there are peak moments of changes in the market that affect the entire system. However, the current market situation is usually insufficiently predictable or unstable, even under normal conditions. In addition, extraordinary shock events associated, for example, with the COVID-19 pandemic and Russian aggression against Ukraine and the civilised world, strongly influence the economic processes.

In general, the dynamics of economic processes are visible through stock market indices, which reflect the state of economic activity. On the other hand, they reflect the stability or instability of the financial market by tracking the price fluctuations of stocks and other financial instruments. At the same time, a stable market is characterised by moderate and smooth changes in indices, while significant price fluctuations represent an unstable market.

In the context of predictability, a growth in stock indices may indicate an increase in the confidence and optimism of investors, indicating a stable economic climate. Conversely, a sharp decline indicates uncertainty or negative economic trends. In this aspect, the dynamics of indices are essential since their increase over a long period may indicate stable economic growth and high investor interest. Instead, constantly recurring fluctuations or a sharp decline can be signs of instability, a possible increased risk, and an unstable market state. Therefore, analysing the dynamics of indices allows investors and economists to assess the general stability or instability of the market and respond in time to possible economic change. Therefore, by evaluating changes in the leading European indices, it is possible to determine the financial system’s stability level in the European market (Figure 1).

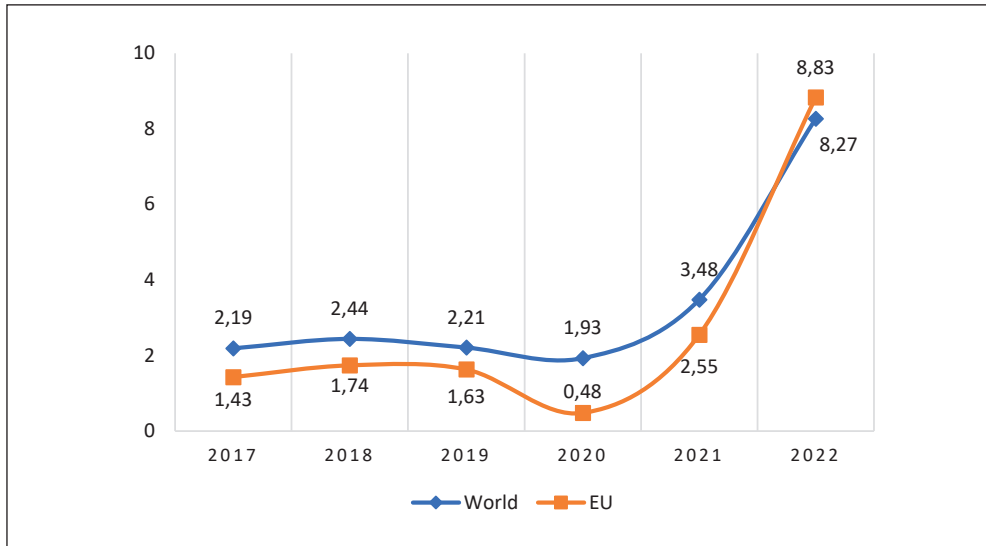
Figure 1. Changes to European stock indices from November 2022 to November 2023



Source: Stock Indices (2023)

As can be seen when comparing the dynamics of economic activity using the leading stock indices of Germany (DAX), the UK (FTSE 100), France (CAC 40), Spain (IBEX 35) and the Netherlands (AEX) for the calendar year (November 2022 to November 2023), the overall fluctuation in this period exceeded the indicator by 20 percentage points. At the same time, indices fell twice by ten percentage points or more during the year. In addition, despite the general trend towards an increase in economic activity, European markets during this period needed to be more stable to form reliable forecasts of fluctuations in demand and long-term investment activity. The impact of inflationary trends on the world economy and the economic system of the European Union will also be considered (Figure 2).

Figure 2. Inflation rates in the world economy and the EU for 2017–2022, in %



Source: World inflation rates (2023)

As can be seen, despite the relative stability of inflation rates during 2017–2020, both in the world in general and in the European Union in particular, economic systems entered an imbalance, first after the COVID-19 pandemic and then in 2022 from the beginning of the Russian military aggression against Ukraine and the increasing resistance of aggressive dictatorships against the civilised world. Since both events were sudden and unpredictable for the business environment, considering the possibility of such sudden changes in the future is necessary for strategic planning in enterprise development. The growth of the level of risk requires the development of plans for their avoidance or measures to prevent their impact on economic activity.

Accordingly, it can be concluded that traditional approaches to the management of enterprises in modern conditions of market instability are not very practical in connection with growth in the level of volatility. This requires management to apply new approaches based on innovative tools, including digital and information technologies.

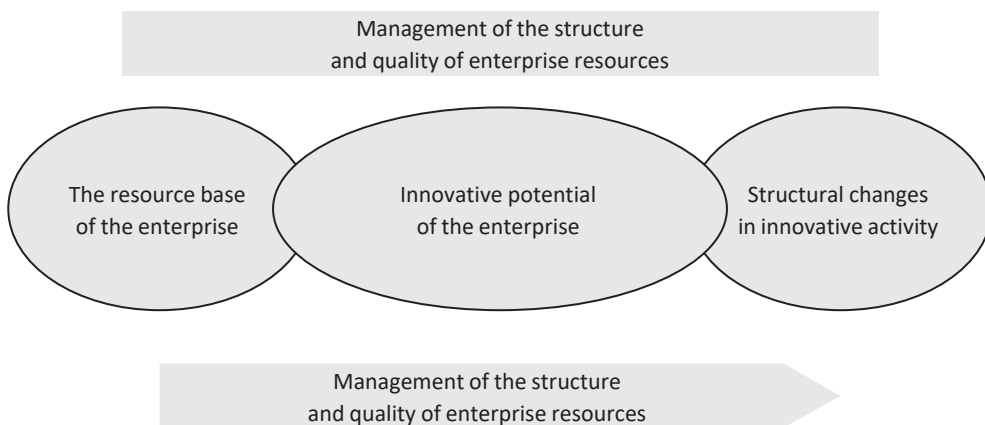
In general, to achieve efficiency in the system of innovative management of enterprises, it is necessary to transfer a technological product into commercial production to ensure its productive use. At the same time, moving technological developments from

scientific units to potential consumers is usually carried out using the market mechanism – introducing technology to the market and its sale. It is this mechanism of strategic management in modern conditions that ensures the innovative development of the enterprise. Under such an approach, the company’s management must forecast development based on past trends and thoroughly study the market (competitors, consumers) to anticipate changes and respond promptly. Therefore, strategic plans should be drawn up for a year with the necessary margin in time to make appropriate adjustments.

However, in conditions of rapid changes in the external environment, the advantages of strategic planning may well turn into disadvantages, provided they are applied linearly. Since changes in market conditions, as already noted, are often unpredictable, binding to planning cycles can interfere with managers and lead to negative consequences in the enterprise. The solution to this problem involves making management decisions in real-time, i.e. quickly and independently of the planning cycle. At the same time, traditional budgeting and long-term planning approaches should remain elements of the strategic management system but require implementing a mechanism for online adjustment.

Thus, the innovative development of an enterprise in contemporary conditions should be based on constant and systematic innovations aimed at increasing the efficiency of all aspects of its economic activity. The practical implementation of such development is carried out at the management level, which should provide for the necessary redistribution of resources following changes in the business environment conditions with the possibility of using available resource factors to create innovative products and form competitive advantages. Moreover, it is possible to carry out strategic tasks with the achievement of a strategic goal only based on using the creative potential of the enterprise by increasing the efficiency of enterprise management (Figure 3).

Figure 3. Mechanism of management of innovative potential and innovative development of the enterprise in conditions of economic instability



Source: developed by the author

Thus, the innovative management of enterprise activities assumes that innovative resources are integrated with creative potential into the management process. Further improvement of the management system leads to structural and qualitative changes

in improving and optimising the use of resources, achieving the innovative goal of the enterprise, and increasing its economic efficiency. All this is the basis for ensuring the creative development of enterprises.

## CONCLUSIONS

Thus, it can be concluded that a high level of volatility in markets and economic instability in the economic activity of enterprises characterises modern conditions. This requires the application of innovative management strategies, which would be based on stimulating all functional divisions of the enterprise in its strategic management system. Simultaneously, central management efforts should be directed to constantly improving production and technological processes, which are of the most significant importance for achieving the strategic goal of the enterprise. This way, management ensures continuous functioning and innovative development in such conditions.

At the same time, achieving the company's strategic goal is facilitated by an innovative approach to implementing strategic tasks. A combination of strategic management and the creative potential of the enterprise is based on the functional relationship between strategic management and the innovative development of the enterprise.

The results of further research in this aspect, it is believed, should focus on the practical development of means of strategic management of the enterprise based on ensuring the need for its innovative development.

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