

FINANCIAL RESILIENCE: LESSONS FROM GLOBAL CRISES

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Abstract: Financial resilience is defined as the structural and strategic components of an organization that enable it to navigate economic volatility safely and steadily. It involves proactive financial management practices, such as managing debt, diversifying revenue streams, and maintaining cash reserves, to ensure sustainability and success amid external stresses. Better financial resilience reduces the money-related mental health issues that people on low, moderate and volatile incomes often experience.

Introduction. With more headspace and less worry come fewer sickness absences and avoidable accidents, and increased productivity when in work. It reduces the kinds of hardship which can undermine educational attainment and feed through into lower earning capacity and hampered social mobility for future generations.

In recent history, global crises have shaped the way organizations approach crisis management and communication. One such event was the COVID-19 pandemic, which disrupted businesses worldwide and highlighted the importance of effective communication strategies. According to a report by McKinsey, over 80% of companies had to adjust their communication strategies during the pandemic, with many adopting digital platforms to reach their audiences. This shift not only ensured continuity but also fostered a new era of transparency, where businesses learned to communicate openly with stakeholders about challenges and uncertainties.

As organizations navigated these turbulent waters, lessons emerged regarding the necessity of preparedness. For instance, a study from the Harvard Business Review revealed that companies with crisis management plans in place were 3.5 times more likely to recover from crises faster than those without. This statistic resonates with the story of a medium-sized manufacturing firm that had a robust risk assessment framework. When supply chain disruptions arose due to lockdowns, this company implemented pre-established communication channels, resulting in a 50% reduction in downtime compared to competitors scrambling to respond without a plan. Their experience underscores the vital role of preparedness in crisis communication.

Basis. Furthermore, the recent rise in social media usage has transformed the landscape of crisis communication, offering new opportunities for organizations to engage with audiences. Data from Pew Research Center shows that 72% of adults

actively use social media platforms, making it crucial for businesses to harness these tools effectively during crises. Take, for example, a well-known airline that faced a significant operational meltdown. Instead of hiding behind traditional press releases, their proactive use of Twitter and Facebook allowed them to provide real-time updates and address customer concerns promptly. This approach led to a remarkable 60% increase in customer satisfaction ratings post-crisis. Such stories exemplify how adapting communication strategies in response to lessons learned from crises can not only mitigate damage but also rebuild trust and loyalty among customers.

People who have financial security today are more likely to save more for the future, and less likely to experience problem debt – and this in turn creates more investment in the broader economy.

Why do Businesses need Financial Resilience?

There are several reasons why businesses need financial resilience. Mitigating risk and minimising disruption to ensure the business can operate are key reasons. However, reputation and long-term viability should also be considered when planning for financial resilience.

Being able to manage and effectively respond to economic crises will help to maintain trustworthiness and demonstrate the business's commitment to its customers, stakeholders and employees.

In terms of long-term viability, resilient businesses will be able to recover and adapt more quickly to challenges. This will be key in retaining customers and minimising financial losses. Developing proactive financial strategies to build a robust financial foundation will help your business withstand economic shocks and enable it to emerge stronger and better positioned for long-term success.

What are the key aspects of Financial Resilience?

The key aspects of financial resilience include:

Financial Planning and Budgeting: is essential to enable businesses to set financial objectives and goals, as well as the key performance indicators (KPIs), that will help align your team to achieve the business's objectives. Your financial planning will also be key in helping you to make well-informed decisions. Your financial plan and budgets will need to be monitored regularly and adjusted to support ongoing

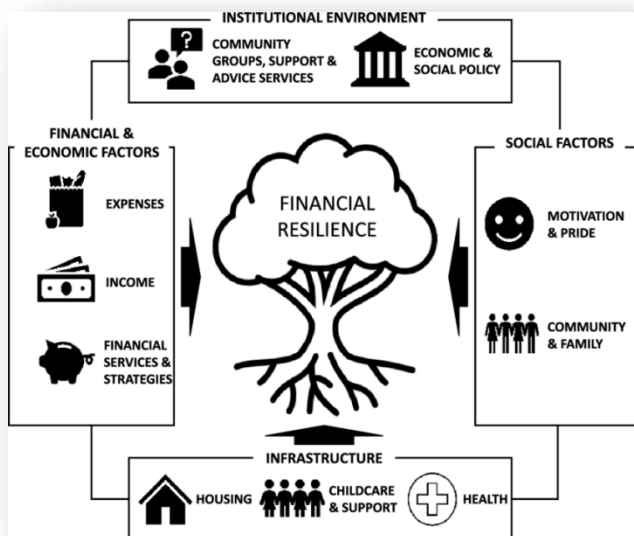
financial stability.

Debt Management: maintaining a healthy level of debt is a key contributor to financial resilience. Navigating and overcoming financial challenges will be much easier if you can maintain healthy levels of debt. Do this by avoiding and unnecessary borrowing and ensuring that you make any payments in a timely manner.

Risk Management: identifying risks and managing them through appropriate insurance policies will go a long way to support financial resilience. By protecting your business from unexpected adverse events, such as liability claims or damage to your property, you can mitigate some of the risk to your insurance providers.

Diversification of income streams: having diverse streams of income will ensure that you are not dependent on a single source of income. Single income streams could make businesses vulnerable to loss if the source becomes disrupted.

Building a resilient business is crucial, especially in today's unpredictable world.



History shows that companies often rise from crises stronger than before. Lessons from crisis management reveal key strategies for survival and growth.

Understanding risks and preparing for the unexpected can make all the difference. Strong leadership and clear communication are essential during tough times. Embracing flexibility allows businesses to adapt quickly to changing circumstances. By learning from

past challenges, organisations can develop robust systems that withstand future shocks. This post will explore these lessons, offering insights into building resilience for your business journey.

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