

# **ECONOMIC SECURITY OF ENTERPRISES: THE ESSENCE, FACTORS OF INFLUENCE, AND METHODS OF PROTECTION**

***Viktoria Voronina,***

*Ph.D. in Economics,*

***Oleksandr Halych,***

*Ph.D. in Economics, Associate Professor,*

*Poltava State Agrarian Academy, Poltava, Ukraine*

Under modern crisis conditions of the state economy, the economic subjects have to adapt to the factors of political and social-economic instability and look for adequate decisions of the most complicated problems and ways to decrease the threats of their functioning. At present, the questions of ensuring economic security are the most important for Ukrainian enterprises; the problem of creating and implementing the systems of economic security arises, the security, which is capable to create the conditions for lowering the level of threats for enterprises' activities.

The problems of analyzing and evaluating the state of economic security at different levels of the economy have lately become especially important and they have been considered in the papers of many scholars, Blank I., Varnalii Z., Goracheva K., Datskiv R., Dykan V., Illiashenko S., Kyrychenko O., Kosachenko A., Nasarenko I., Prygunov P., Sosnin V., and others are among them. The main problems, which are investigated in the papers of these scholars are: complex developing of theoretical, methodological and applied questions of ensuring the economic security of enterprises based on theoretical substantiation of the mechanism of economic security and recommendations as to its implementation.

The aim of the research is generalizing the notion of economic security of economic subjects, determining the main properties of

economic security and the factors, influencing the economic security inside and outside the enterprise.

The economic security of enterprise is a complex notion, including the totality of factors connected not only with the internal condition of the enterprise itself, but also with the influence of the external environment, with its subjects, with which the enterprise interacts [8].

Several approaches as to determining the essence of the notion “the economic security of enterprise” are distinguished. We are going to consider and evaluate some of them (Table 1).

Table 1. The approaches to determining the notion of “the economic security of enterprise”.

The author and source	The definition of the notion
Manokhina N. [4]	it is the system, which ensures the mobilization and the most optimal management of enterprise’s resources aimed at ensuring its sustainable functioning, active counteraction to various negative impacts of the external environment
The aim is the efficient using of enterprise’s resources, which ensures the prevention of threats, arising from the external environment, and ensuring the stable functioning of the enterprise both at the present time and in future	
The evaluation – it does not take into account internal threats	
Zubyk V., Zubyk R., Sedegov R., Abdula A. [5]	the protection of vitally important enterprise’s interests from internal and external threats. This protection is organized by the administration and personnel of the enterprise by implementing several measures of legal, economic, organizational, engineer-technical, and social-psychological direction
The aim is the protection of enterprises’ and personnel’s property from the sources of the external and internal threats to security, prevention of breaking the law, and also the reasons and conditions causing them, and also the prevention of emergencies	
The evaluation – the vision of enterprise development prospects is lost; economic security is limited to enterprise adaptation	
Kosachenko A., Ponomariov V., Liashenko A. [7]	it is the measure of harmonizing in time and space of enterprise’s economic interests with the interests of connected external environment subjects acting outside the enterprise

The aim is to harmonize economic interests with the interests of the external environment subjects: consumers, suppliers, competitors, the state and society on the whole	
The evaluation – it does not take into account the impact of internal threats, does not reflect the prospect of enterprise’s development	
Sosnin V. [11]	it is the degree of security of vitally important and legal interests of the enterprise from internal and external enemies, which is manifested in different illegal forms
The aim is preventing losses in the activities of the organization as a result of elucidating or losing the information, unauthorized access to the sources of confidential information; plundering financial and material-technical means; destroying property and values; upsetting the operation of technical means in production activity, including the means of information, and also preventing the personnel incomes’ decrease.	
The evaluation – it has a declarative character, as the protection of economic interests is limited to protecting the information containing commercial secret	
Yarochkin V. [12]	the organized totality of special bodies, services, means, methods, and measures, which ensure the protection of vitally important interests of personality, enterprise, the state from internal and external threats
The aim is not to allow losses in enterprise’s activities by disclosing confidential information; plundering financial and material-technical means; destroying property and values; upsetting the operation of technical means of production activity, including the means of information, and also preventing the personnel incomes’ decrease.	
The evaluation – the problems of enterprise’s economic security are limited only to the protection of commercial secret, which testifies to the simplified approach to considering the essence of the problem. In case of such a narrow understanding economic security all the spectrum of influencing the enterprise by the external environment as a main source of security for its activities is not taken into account	

In our opinion, under market conditions, ensuring the economic security of enterprise consists in timely revealing and neutralizing the threats to economic stability. It enables to state, that the economic security of enterprise is the system of protecting vitally important and legal interests of enterprise from external and internal threats in different forms, which ensures its stable development in the conditions of competition and economic risk.

In order to understand and estimate the level of enterprise's economic security, it is necessary to reveal its determining factors in time. Volkova M.N. maintains that the factors of enterprise's economic security are a complex of external conditions, affecting the parameters of security [2].

As a complex system, the system of economic security of the economic subject has individual peculiarities and it develops under the influence of external and internal factors.

As the research has shown, there are many factors of threats and other destructive circumstances which may affect the financial-economic results of enterprises' activities. The importance of different factors of influence can change with the time. Each enterprise, coming from the concrete situation must determine (forecast) the most meaningful (dangerous) factors of the external and internal impact and work out the system of measures as to their timely revealing, preventing, or weakening.

The following factors of economic security can be considered as external:

- the saturation of production factor markets (means of production, labor resources, finance): it influences pricing and changes the cost of resources

- the intensity of competitiveness in the branch and region: it affects the profitability of production;

- ecology in the region: it determines the possibilities of definite production in the definite region;

- economic policy of the state: it influences the import of raw materials and export of products, the conditions of enterprise's existence;

- fiscal policy of the state: it directly affects the accounting policy of enterprise;

- the position of banking system: it directly influences the activities of enterprise. Bankruptcy of servicing banks and hanging of money on their accounts negatively affect the financial position of enterprise;

– the level of inflation: it causes the fluctuation of wages, prices on raw materials and manufactured products, the profitability of production, and so on.

The totality of internal factors of economic security can be divided into the following levels [7]:

– the level of protecting information: it ensures the protection of the data having commercial secret;

– the level of internal management: it determines the quality of long-term, medium-term, and operative planning and affects all the production-economic activity of enterprise and its efficiency;

– product quality management: it enables to preserve the competitive advantages on the market of supply, ensuring the stable level of sales volumes and positive dynamics of financial indices;

– the strategic planning of activities and economic policy of enterprise: this factor influences the financial independence and stability. It is implemented by the strategic and current planning, determining the directions of development, economy of production, selecting resources, prognosticating optimistic and pessimistic scenarios of enterprise development, estimating changes in the external environment;

– the level of the used production technology; it ensures the competitiveness of products, the situation on the sales market, the level of production competitiveness. Outdated production technologies do not enable the enterprise to achieve the indicated parameters;

– the level of the personnel qualification: this factor is ensured by employees' diligence, the quality of selecting personnel by enterprise, quite precise assessing of the personnel's qualification, the availability of the personnel's motivation system, and educational level of executives. All the above mentioned factors enable to prevent specialists-spies from competitive firms, disclosing of commercial secret owing to a high level of discipline and self-consciousness;

– marketing: the studying of sales markets and conducting correct marketing tactics and strategy enables to raise the volume of profit from production activity and, hence, raise the profitability and financial stability;

– innovation activities: this factor enables to use the latest developments in production technology, raising the competitiveness of products and lowering the expenses on their manufacturing;

– force-majeure circumstances: accidents, fires, explosions, interruptions in energy, water, and heat supplies, putting computers out of operation, and so on.

The level of enterprise economic security depends on the fact, how efficiently its executives can prevent internal and external threats and liquidate harmful consequences of separate negative impacts of the external and internal environment. While changing one of the corrected factors for minimizing the risk in the system of ensuring economic security, chain reaction is observed, applying to all the factors and creating new mechanisms of the factors' interaction [1, p.p. 29-30].

Logutova T.G. notes, that external and internal factors may harm the economy of enterprise in four cases: the system of enterprise economic security is made in such a way, that it cannot predict the threat of its arising; the threat appeared, but the executives, who are responsible for enterprise economic security, are not able to prevent its negative consequences; the administration of enterprise tries to solve the problem, but its actions do not lead to the positive result [9, p. 205].

General and special security measures are distinguished. The main aim of general security measures is the prevention of arising possible threats, developing and following security regulations, regulating and motivating the behavior of employees in the organization.

The main aim of special measures is ceasing the threat at any of its stages by confidential methods of work methods of actions in

extraordinary situations. The employees, for whom it is their main activity, implement special security measures.

The methods of protection against threats and neutralization of their negative consequences can be presented by several directions [2, p.p. 144-145; 10, p.p. 193-199]:

- the methods of evading threats: refusing unreliable partners, suppliers; refusing to make risky decisions; lowering the share of loans in the economic turnover; declining bank credits, if the state of the financial market is unfavorable for enterprise; refusing any investment policy with the aim to support a high level of enterprise solvency, and so on;

- the methods of threat localization: distinguishing “economically dangerous” sections; consistent breaking-up of enterprise;

- the methods of transferring risks from threats: insurance; search of grants; hedging; financial guarantees, warrants; entering special terms to the texts of agreements as to decreasing personal responsibility of enterprise in case of unforeseen circumstances or those that transfer the risk to the counterparty;

- the methods of compensation: self-insurance by creating the system of reserves; developing and introducing the system of fine sanctions for enterprise counterparties; strategic planning of activities; prognosticating foreign economic activities; monitoring social-economic and regulatory-legal base; active and purposeful marketing; fighting industrial espionage;

- the methods of diversification: diversifying the kinds of activity and economic zones; diversifying the assortment of manufactured products; diversifying the suppliers of the main groups of products, and so on;

- the methods of limitation: establishing the corresponding economic and financial standards; fixing the maximal amount of the total stock of goods at enterprise (the stock of current replenishing, seasonal storing, target predestination); establishing the maximum amount of using borrowed money in turnover ( or its

share in the total sum of the used capital); fixing the maximal amount of deposit payment, allocated in one commercial bank and so on [2, p.p. 144-145; 10, p.p. 193-199].

Each of the methods has its limitations when used. However, their correct uniting assists in lowering the level of the probability of appearing the threat and the level of its impact on the object of economic security. Under modern conditions minimizing the threats, insurance (external and internal), and diversification are the most effective methods of protecting from the threats and their neutralizing.

Thus, the level of enterprise economic security depends on the fact, how effectively its administration and specialists will be able to evade possible threats and liquidate harmful consequences of separate negative components of the external and internal environment. That is, it is necessary to reveal in time the kinds of threats, determine the sources of their arising; to take care beforehand about the selection of measures and methods, ensuring the detecting a risky situation and the liquidation of its reason at the very beginning. While choosing the methods and ways of neutralizing the negative impact of threats and dangers' factors, it is necessary to take into account the versatility of the components of enterprise economic security and the specifics of work in the branch in which the enterprise functions.

### **References:**

1. Bezuglaya, N.S., 2012. Improving the system of ensuring the economic security of an enterprise based on risk management. MA dissertation. Krasnodar.

2. Volkova, M.N., 2015. Functional directions of the enterprise security service. *Social and economic sciences and humanitarian studies*, 4, 144-147.

3. Dubrova, O.S., 2002. Modern view on risk management as an important component of enterprise management. *Strategy of economic development of Ukraine*, 1 (8), 446-452.

4. Manokhina, N.V., Popov, M.V., Kolyadin, N.P. and Zhadan, I.E., 2014. *Economic security: study guide*. 1st ed. Moscow: SIC INFRA-M.

5. Zubik, V.B., Zubik, R.S., Sedegov, R.S. and Abdula, A., 1998. *Economic security of an enterprise (company)*. 1st ed. Minsk: Your. school.

6. Ivanilov, O.S., 2009. *Economics of the enterprise*. 1st ed. Kiev: ZUL.

7. Kozachenko, A.V., Ponomarev, V.P. and Lyashenko, A.N., 2003. *Economic security of an enterprise: the nature and mechanism of support*. Kiev: Libra.

8. Kozivkin, V.V., 2016. Economic security of an industrial Enterprise. *Business, management and law*. [ONLINE] Available at: [http://www.bmpravo.ru/show\\_stat.php?stat=297](http://www.bmpravo.ru/show_stat.php?stat=297). [Accessed 2 January 2019].

9. Logutova, T.G. and Nagaevsky, D.I., 2011. Economic security of an enterprise: essence, tasks and methods of providing. *Theoretical and practical aspects of economics and intellectual property*, 2, 204-207.

10. Donets, L.I., Shepelenko, O.V. and Barantsev, S.M., 2012. *Grounds for business decisions and risk assessment*. 1st ed. Kiev: ZUL.

11. Sosnin, V.I., 2002. *Enterprise security management*. 1st ed. Kiev.

12. Yarochkin, V.I., 2000. *Information security*. 1st ed. Moscow: Intern. relationship.