

**Microeconomics**

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**THE PROBLEMS OF ECONOMIC SECURITY  
ENHANCEMENT OF AN ENTERPRISE  
IN THE CONDITIONS OF EXACERBATION  
OF GLOBAL ECONOMIC CRISIS**

**Abstract**

In the conditions of market economy described with substantial factor fluctuation of external and internal environment of functioning of an enterprise, with threats to its financial and economic interests on the side of certain business entities, and with high risk rates, the enhancement of economic security of an enterprise is one of the most urgent lines of the management system.

**Key words:**

Business security, enterprise, market, economic transformations, economic security of an enterprise.

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## **Problem Definition**

The formation of market economy promoted the origin of new production relations based on private property, that conditioned new requirements both, to means of production and to production forces. The development of market economy is characterized by different kinds of crises of political, economic, and social nature, which, in their turn, make threats for entrepreneurial activity as a whole, and for individual enterprise, in particular.

Actual entrepreneurship suffers from unfair competition and industrial espionage, criminal elements, corruption and fraud, economic shadowing, etc. In addition, threats to entrepreneurship come from non-professional behavior of the enterprise's personnel, as well as of public management, etc.

At the moment, when the economy is undergoing a deep recession, the strong trend is observed towards intensification of criminogenic situation in economy, and the threats to economic security are getting unprecedented scopes.

In our opinion, it is very difficult to guarantee the security of entrepreneurial activity in modern conditions of rapidly changing financial and economic environment, and moreover, to ensure the business capacity. Therefore, the issue of enhancement of business economic security in the conditions of exacerbation of global economic crisis is of critical importance requiring immediate solution.

## **Analysis of Recent Researches**

The problems of economic security of an enterprise till recent time were the core of mostly western experts' studies; while national economic scientists got down to study them quite recently. The reason why the interest had arisen and had intensified to those problems was the global economic crises that gripped all areas, and became the substantial obstacle to provide the sustained development not only of national entrepreneurship, but also of Ukrainian economy as a whole. The topicality of economic security is corroborated with the rate of its study in research papers. Among famous scientists who contributed much into the development of this problem on different historic periods should be named the following: V. Andriychuk, O.Arefyev, L.Abalkin, V. Heyets, V. Hubs'kiy, V. Ponomaryov, O.Kiriyenko, T.Kuzenko, V.Tambovtsev, A.Kolosov, O.Hrunin, V. Senchahov, H.Pasternak-Taranushchenko, V.Zabrods'kiy, N.Kapustin, H.Kozachenko, M.Yermoshenko, V.Muntyan, A. Lyashenko, Ye. Olynikov, Ya. Zhalilo, and others.

Though the scientific accomplishments of national and foreign economic scientists are great, still there are many disputable questions requiring further researches, deep study and creation (building up) of new approaches and lines of their improvement.

Since the studied issues are very important and comprehensive for the business entities, it is critical to expand theoretic and organizational methodic developments for the problem solution of enhancing the economic security of an enterprise. In this paper we shall analyze some of them.

### **Task Definition**

The aim of this publication is to study the problem of the economic security enhancement of an enterprise in the conditions of exacerbation of the global economic crisis, and to design the actions for solution of those problems.

### **Statement of the Topic Examined**

Most of Ukrainian enterprises today, working in unstable economic and socio – political environment, in the conditions of complicated inflation processes ignited by the crisis mode of economic development, undergo deep production recession, and occur themselves in a critical state. Therefore, the enhancement of economic security will enable to play the exceptional role in their activity.

Though the issue of economic security of an enterprise was examined by many economic scientists, so far there is no unique vision of the essence of this matter.

In particular, T. Kovalyov and T. Sukhorukov regard that the economic security of an enterprise is the protection of its activity from negative effects of external environment, and ability to timely eliminates different threats or adapt to the available conditions, which do not produce negative effects [6].

Y. Razdina understands the economic security as a series of measures facilitating increase of financial firmness of business entities under conditions of market economy, which protect their commercial interests from negative market effects [11].

E. Oleynikov notes that the economic security of an enterprise implies the opportunity of the most efficient utilization of resources to prevent threats and ensure the sustained functioning of an enterprise at the present time and in future [10].

T. Kuzenko shares that opinion, viewing the notion of economic security of an enterprise as the state of efficient resource utilization and employment of available market opportunities of an enterprise enabling to prevent internal and external threats, to ensure sustained survival and firm development on the market in appliance with its mission [8].

In N. Kapustin's opinion, the economic security of an enterprise is a set of factors which ensure independence, firmness, ability to progress in the conditions of destabilizing factors [5].

In his turn, M. Bendikov understands the economic security of an enterprise as the protection of its scientific and technical, its technological, production, and its personnel potential from direct (active) or indirect (passive) threats [2].

Proceeding from critical review of scientific literature, we propose our own definition of the economic security of an enterprise. In our opinion, the economic security of an enterprise is the protection of the business entity from negative internal and external factors, enabling to reach maximal efficient resource utilization and sustained functioning of an enterprise both at current stage of its financial and economic activity, and in future.

The necessity to enhance and support the high level of economic security of an enterprise is conditioned by the objectively existing task for each business entity to ensure balanced and continuous development on the market in compliance with the chosen mission and achievement of the set objectives.

It is worth noting, that the level of the economic security of an enterprise depends upon the effectiveness rate of its managers, and how its specialists are able to resist the probable threats and negative consequences of certain component elements of external and internal environment.

The sources of negative effects on the economic security can be the following:

- 1) willful or not willful actions of some authorities and business entities (organs of state power, international organizations, business competitors);
- 2) correlation of objective factors (state of financial condition on the markets of certain enterprise, scientific researches and technological developments, force-majeure circumstances, etc.)

Negative effects on the economic security could be both, of objective and of subjective nature. The objective negative effects are those which do not arise from the will of a certain enterprise or of some of its employees. The subjective effects occur as a result of inefficient work of the enterprise, as a whole, or of some of its employees [4].

The negative effects on the economic security of an enterprise in the conditions of the exacerbation of the global economic crisis could be produced in the following cases:

- rapid, galloping, and unpredictable price appreciation to raw materials, semi-products, and assembly units;
- lack of facilities for technical re-equipment and carrying out the research and development, and design works;
- jerky work;
- absence of contracts and orders;
- high unemployment rate;
- great debit indebtedness for commodities, works, and services;
- absence of clear system of normative and legal regulation;
- unfair competition;
- instable exchange adjustment;
- increase of credit risks, and instability in the area of financial policy, etc.

Proceeding from the above, the chief goal of the economic security enhancement of an enterprise is to guarantee the sustained functioning of an enterprise at the present stage, and to ensure high potential for its subsequent development.

The chief functional goals of the economic security of an enterprise, on the basis of which the required structural elements are built up, include the following:

- to ensure high efficiency, financial firmness, and independence of an enterprise;
- to reach technological independence and high competitive capacity of technical potential of every individual business entity;
- to ensure highly effective management, optimal and effective organizational structure of business management;
- to reach high qualification level and intellectual potential of the personnel;
- to minimize the destructive effects of the production and economic activity produced on the environment;
- to guarantee legally all aspects of the activity of an enterprise;
- to secure the information realm, commercial secrets, and to achieve the proper level of information provision for all subdivisions and branches of an enterprise;

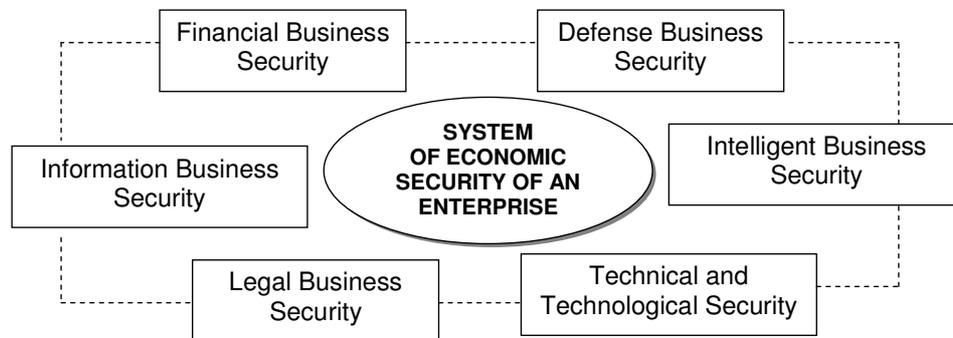
- to organize effectively the security of the personnel at an enterprise, also of its capital and property, and its commercial interests [4].

According to the chief and functional targets, the system of the economic security should include the following components: intelligent, information, technical and technological, financial, political and legal, ecological, and defense securities of an enterprise. We shall examine in details each of the components in the below figure.

Financial business security regulates the issues of financial and economic capacity of an enterprise, resistance to bankruptcy, and the rate of competitive capacity and solvency.

Figure 1

**System of economic security of an enterprise**



The defense security of an enterprise deals with the regimes, physical defense of the objects and individual safeguard of top managers, resistance to criminality, interaction with law enforcement and state organs.

Information business security is based not only on the protection of internal information, including confidential, but also it includes business espionage, information and analytical work with external and internal subjects to avoid the detected drawbacks, getting complete and true information for making proper managerial decisions.

Technical and technological security implies the creation and utilization of technical base, equipment of means of production and business processes, which intensify the competitive capacity of an enterprise.

Legislative security consists in comprehensive juridical provision of business activity, legal work with contracting parties and governmental authorities, solution of other regulatory issues.

Intelligent security means professional improvement of employees, intensification of inventor and innovatory activity, advanced training of employees, etc.

We can assert that the effectiveness of an enterprise's functioning on the market depends upon its well organized system of the economic security. In connection with that, we consider that the enhancement of the economic security, specifically amid the crisis, demands from the business entity to build up new approaches towards the renewal of business management concept.

The priority among the management functions is accounting. In particular, it facilitates the prevention of such internal threats to the economic security of industrial enterprises as outright and veiled thievery, over-expenditure of resources, penalties, fines, etc. But that approach requires specification of goals and main objectives the accounting system faces, also determination of principles required for creation and functioning of accounting. Therefore, the business entities should focus their attention at the following actions:

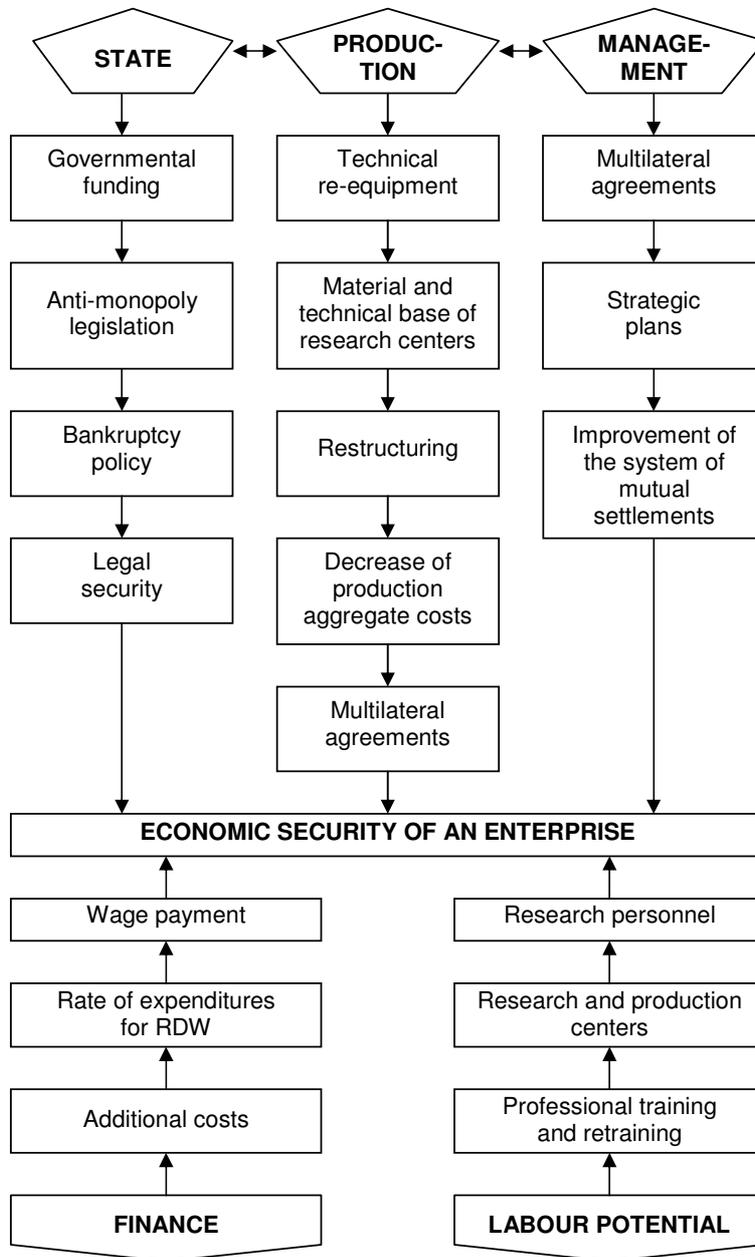
- to orient the accounting at the enhancement of the economic security of an enterprise;
- to substantiate the necessity of the organizational integration of the accounting into other functions of business management;
- to develop principally new approaches to the evaluation of the purposeful nature of the accounting system, and its adaptation to the goals of economic security;
- to concentrate the functions of planning, accounting, control, analysis, and regulation in the most problematic points of the economic security system of an enterprise.

While examining the microeconomic aspect of the enhancement of economic security of an enterprise, we find it necessary also to pay attention to macroeconomics, and to denote close interconnection between the economic security of an enterprise and state policy.

The State makes a great influence on the creation of the economic security of an enterprise, while the latter is the major structure creative element of national economy. Through direct and non-direct kinds of interventions the state regulates economic and social development of the country. Through the systems of taxes, subsidies, credits, prices and others, it implements its policy. It can either increase or decrease the total assessment of the economic security of an enterprise, and shows that the state rather defines the external economic security of an enterprise.

Figure 2

Interrelation Indices Chart Effecting the Level of the Economic Security of an Enterprise



It is worth admitting, that the interests of an enterprise and the state do not always coincide, therefore, the economic security is their common measurement. At that, it is important to keep to the principle: while building up the basis for the development of national economy not to harm the interests of an enterprise.

Analysis of literature sources in the economic security of an enterprise allows to emphasize a wide range of problems in that area, to systematize those problems, and to indicate a series of factors effecting the level of the economic security of an enterprise. The below chart shows those indicators.

Proceeding from the essence of the above indications, which reflect the production, managerial, and financial activity of an enterprise, also the personnel potential and the effects the state produces on the functioning of business entities we shall formulate a series of actions to enhance the economic security of Ukrainian enterprises, which include the following:

- to close down low profitable and losing enterprises;
- to change the wages of research personnel;
- to create new organizational and production structures;
- to use leasing;
- to improve the settlement system;
- to increase labor efficiency;
- to increase capital investments in resource saving;
- to promote the resource orientation of the RDW;
- to adhere to the principle of critical terms of crediting;
- to create the information center to be aware of the enterprise's debts, and to shut the channels of the information leakage;
- in the structure of the information centre to create a special group of financial experts to check the tax and other mandatory payments enabling to detect probable prepayments, and providing information about underused production capital funds for subsequent probable sale;
- to use new forms of partnership relations including franchising;
- to approach the wage rates to those in the developed countries;
- to involve the workers to managerial functions;
- to improve the qualification skills of the employees;
- to increase the interest of business administration';

- to increase the employees' material responsibility for the results of their labor, etc [5].

Consequently, in the period of the exacerbation of global economic crisis, the component part of the series of measures should become the action program directed at the creation of reliable economic security of an enterprise enabling to ensure the sustained functioning of an enterprise at the present time and to provide high potential of its development in future.

## Consequences

The necessity to enhance the economic security of an enterprise in the conditions of the global crisis exacerbation enabled us to formulate certain consequences, in particular the following:

1. At the moment, there does not exist the unique vision of the essence of the economic security of an enterprise. Therefore, we propose the following definition: the economic security of an enterprise is the provision of the business entity with the defense from internal and external factors, which enables to reach maximally effective employment of resources, and sustained functioning of an enterprise both, at the present time and in future.

2. In spite of significant scientific attainment of national and foreign economic scientists, there are many disputable questions which require further researches and deep study. Therefore, we consider that the issue of enhancing of the economic security of an enterprise should be the one of critical concern in the process of studying the theory of its organization and methods.

3. To build up the effective system of the economic security of an enterprise in modern conditions is a very important direction of national enterprises' theory, and their practical activity, since it will enable the following: first, to avoid unfair competition, second, to optimize the scope of price and increase the capital investments into the resource saving, third, to increase the labor efficiency and wages, as well as to increase the employees' material responsibility for the results of their labor, fourth, to facilitate the development of research and development, and design works, also the creation of new organization and production structures, etc. Therefore, in our opinion, theoretical researches should be corroborated by their practical application.

4. The effective functioning of an enterprise on the market depends upon its well established system of the economic security. In this connection, we think the enhancement of the economic security, especially in the crisis conditions demands from the business entity new approaches towards the concept renewal for the management of an enterprise which needs specifications of the objectives, main tasks, and principles the accounting system faces, as well as the required integration of the accountant into other managerial functions.

5. The necessity of continuous support of high level economic security of an enterprise is conditioned with the objectively existing for every business entity task to secure the stable functioning, and sustained development on the market according to the chosen mission, and reaching the set goals. In the period of the global crisis exacerbation, the component part of the series of actions directed at building up the reliable economic security of an enterprise should become the program of concrete actions including the series of tasks in the production, management, financial, and personnel areas, and which takes into account the influence of the state on the functioning of business entities.

6. The state produces great effect on the building up of the economic security of an enterprise, since an enterprise is the main structure creative element of national economy. The interests of an enterprise and the state do not always coincide; therefore, the economic security is their common measurement. At that, it is important to adhere to the principle, implying that while creating the basis for the national economic development not to harm the interests of an enterprise.

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