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# AN EVOLUTIONARY APPROACH TO THE INTERPRETATION OF THE TERM «ECONOMIC SECURITY OF ENTERPRISES»

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## ABSTRACT

The article examines the evolutionary development of the concepts «security», «economic security» and «economic security of the enterprise». The types of internal and external threats are analyzed. The evolution and definition of the concept are considered, the components of economic security, risks and main goals of economic security of enterprises are derived.

It was determined that the concept of «economic security» allows us to understand that modern enterprises, being in various situations, are forced to make risky decisions to prevent threats and dangers.

The concept of «economic security of the enterprise» is characterized. It was determined that the economic security of the enterprise is an extremely deep concept. In the most general form, it can be characterized as the absence of various dangers and threats, which, obviously, is hardly possible in the world.

The concept of economic security of enterprises is generalized and a more precise definition is given, where it is indicated that the economic security of an enterprise is a system that provides the possibility of preventing various threats and as a result of neutralizing these threats, it protects the economic interests of the enterprise and prevents losses above the critical limit.

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## Introduction.

In modern conditions, the concept of economic security acquires special significance, which is defined as the need to ensure the security of an individual business structure, as well as the entire state.

The concept of «security» in relation to the enterprise is very broad, i.e. generic, as it summarizes many types of security. Specific concepts of the generic concept of «security» in relation to an enterprise are economic, ecological, financial, technological, and informational security of the

enterprise. Among the various concepts of «security» in relation to an enterprise, an important place belongs to its economic security. The economic security of the enterprise, together with personnel, knowledge, and competitiveness, has become the most important condition for its activity and effective development, and its provision is the goal of the enterprise's security activities.

Moreover, now the management of enterprises should be carried out through the prism of their economic security, that is, the management of enterprise» should become security-oriented.

### **Research purpose.**

The main purpose of the research is comprehensive approaches to the study of the concepts of «security», «economic security» and «economic security of the enterprise» for the correct organization of economic security management at the enterprise as a result of neutralizing certain threats.

### **Research materials and methods.**

The article applies the dialectical method of cognition and the method of a systemic approach to the analysis of the conceptual apparatus of economic security of the enterprise. The analytical evaluation method was used for such components, where it is possible to apply the ranges of possible threats (risks) and evaluate the probability and consequences of their implementation.

### **Results.**

In this study, we are interested in the concept of «economic security of enterprise», but before considering the essence and content of this concept, let's turn to its components.

First, it is «security». The term «security» has been used in various interpretations since the beginning of human existence on Earth. Most of the provisions of the modern theory of economic security originated in the Ancient East and developed in Ancient Greece, Europe, and other centers of economic activity of those times. A characteristic feature of these provisions was their focus on protecting the interests of the ruling elite. It is dated that the term «security» appeared in use in the 12th century. It meant a calm state of mind of a person who considered himself protected from any danger.

Initially, the term «security» covered a fairly narrow spectrum, it was limited to physical protection against external invasions by foreign armed forces. And only since the 18th century, in European countries, the security of the state began to be considered from the point of view of economic stability, development of production, trade, etc. The term «security» developed thanks to the works of outstanding philosophers of those times, in particular, J. Lокк, T. Hobbs, Zh. Zh. Russo [1].

The term «national security» was introduced into the political lexicon in 1904 by USA President F. Rusvelt.

In the 19th century, the German economist F. List founded the scientific theory of protectionism, accordingly becoming the author of the concept of «economic nationalism». As part of his theoretical work, the expediency of establishing customs barriers to neutralize economic expansion by foreign manufacturers is discussed [2].

At first glance, the meaning of this concept seems simple and certain, but it has a wider range of meanings. Thus, domestic and foreign researchers who studied and are studying the problems of ensuring economic security interpret this concept quite widely and ambiguously.

V. I. Dal puts the concept of «safety» in the concept of «absence of danger, safety, reliability», and in the public electronic dictionary of the Ukrainian language, safety is defined as a state when nothing threatens anyone or anything [3].

American political scientist A. Volfers wrote: «Security, objectively, involves the absence of threats to acquired values, subjectively — the absence of fear that these values may be harmed». It follows from this definition that security is a necessary condition for the accumulation of values, and therefore it is one of the conditions of management. In the UN, the report «The concept of international economic security» was published, in this concept it was noted that the term «security» is usually defined as the absence of danger, fear or threat [4].

The term «security» became widespread in the USA in the 1940's and 1950's in the context of military-civilian studies of strategy, technology, and arms control in the context of the Cold War. In 1947, the US Congress passed the «National Security» Act of 1947 [5].

In order to understand and realize the meaning of the concept of «economic security», it is necessary to give an essential characteristic of the special category of «security». In the Law of

Ukraine «On the National Security of Ukraine», it is defined as «the protection of the interests, rights and freedoms of a person and a citizen vital to society and the individual, the provision of which is a priority task of the security forces and other state bodies». According to this definition, ensuring the national security of Ukraine is the activity of the state, the entire society, and each citizen individually, aimed at protecting state sovereignty, territorial integrity, the democratic constitutional order, and other national interests of Ukraine from real and potential threats [6].

Secondly, the concept of «economic security», the meaning of which is also revealed in different ways in the scientific literature.

The first references to the basic principles of economic security can be found in the «Instructions of the King of Heraklion to his son», the observance of which laid the foundation for the state's prosperity. In ancient Babylon, the «Code of Laws of Hammurabi» was developed, which contained provisions on the regulation of economic relations in order to protect the socio-economic system formed at that time.

In ancient China, issues of economic security can be traced back to the ideas of Confucius. The issue of strengthening and improving the economic condition of the people on the basis of ensuring the economic security of the individual and ensuring the social stability of society is considered in another famous treatise of ancient China — «Guan Tzu». The treatise includes recommendations on price regulation for goods of social importance, creation of state reserves, preferential lending to landowners, introduction of indirect taxes, and others. Prominent philosophers Plato and Aristotle invested in the development of the concept of «economic security» work related to the protection of the state from external aggression. In his works, Niccolo Machiavelli proved the fact that if the economic threat is not neutralized in time, it will definitely increase in scale and lead to the emergence of new threats [7].

The problem of ensuring economic security attracted the attention of researchers in the past, but more often they spoke and wrote about security in general, about national security, and about economic only as a component of the overall problem of national security. Only in the 1970's, the concept of «economic security» began to be considered as one of the key components of national security. Later, this term spread widely among developed countries. It was then, advocating a realistic assessment of the current international situation, the representatives, first of all, of the countries of Western Europe advocated the wide use of economic methods in ensuring national security.

The term «economic security» at the state level was introduced by the President of the USA F. Rusevelt in 1934 during the creation of a special Federal Committee of Economic Security, the main tasks of which included the resolution of issues of normalization and stabilization of the social situation in the country, development of the legislative framework on issues of state pension provision and social insurance for the unemployed. In the «new course» of Franklin Rusevelt's economic policy to bring the country out of the crisis, emphasis was placed on ensuring «the economic security of the individual as the basis of the economic security of the state and society as a whole».

The study of scientific problems of ensuring economic security was the business of a very narrow, almost closed circle of scientists working in special departments. A broad scientific discussion of the problems of ensuring economic security was prohibited during the Soviet period. Law enforcement agencies ensured secrecy and stopped attempts to steal state property, to which all the property of enterprises belonged, and other encroachments on the operation of industrial facilities.

The definition of «economic security» comes from the concept of «national security». O. Makara notes that from the standpoint of the horizontal structure, state security and national security are one-order concepts, and in the vertical structure, state security acts as one of the levels of national security [8].

With the transition to market relations and a change in the forms of ownership, the functions of state structures to ensure the security of economic entities that have become economically independent have significantly narrowed. Enterprises and organizations found themselves in a position of independent choice in relation with numerous subjects of the market environment, in the face of social cataclysms and man-made dangers, criminal threats both from the inside and from the outside.

Gradually, the concept of economic security entered normative documents, it took an important place in parliamentary discussions on economic issues.

Let's turn to various interpretations of the concept of «economic security». The concept of economic security in the sense of the word means the state of protection of the vital interests of the

individual, our society and the state from internal and external threats. We also agree that the concept of economic security applies to various subjects, namely: individual citizens, private entrepreneurship, state enterprises, the national economy and the state as a whole. Indeed, each of them has relative independence.

Regarding the fact that, on the one hand, the security of our society and the state always consists of private, on the other hand, the security of an individual member of society is determined by the successes or, on the contrary, the shortcomings of the economy of this society, the economic system in which it is constantly located, that is, lives. Let's consider different interpretations of economic security from the point of view of domestic scientists, which are given in Table 1.

Table 1. Interpretation of economic security by domestic scientists

Author	The concept of «economic security» was defined by a scientist
Z. Varnaliy	Economic security of the state — covers the security of the entire system of economic relations, which determine the progressive development of the country's economic potential and ensure the improvement of the level of well-being of all members of society, its individual social groups, and also form the basis of the country's defense capability, protection from dangers and threats, the source of which there are internal and external contradictions.
V. Muntiyan	Economic security of the state is a national complex of measures aimed at the permanent and stable development of the state's economy and includes a mechanism for countering internal and external threats.
V. Vorobyov	Economic security of the state is the state of economic provision of the national security of the state, a nationwide complex of measures aimed at the permanent, balanced and stable development of the economic system of the state, ensuring self-sufficiency and stability of the system, which includes a mechanism for countering internal and external forces.
M. Yermoshenko	Economic security of the state is such a state of the country's economic mechanism, which is characterized by balance and resistance to the negative impact of internal and external threats, its ability to ensure, on the basis of the realization of national economic interests, the stable and effective development of the domestic economy and social sphere.

*Source: compiled by the author on the basis [9, 10, 11, 12]*

Thus, in a broad sense, economic security is a system that provides the possibility of prevention and, as a result of the neutralization of various threats, that protects the economic interests of the enterprise and does not allow losses in amounts higher than the critical limit. In a narrow, more specific sense, the economic security of an enterprise is one of the most important characteristics of a business entity, which indicates the level of use of all enterprise resources from the point of view of preventing, weakening, or protecting it from existing dangers, threats, or other unforeseen circumstances. This understanding of economic security allows us to show that the company, being in a situation of uncertainty, unpredictability, and changes in internal and external economic conditions, is forced to make risky decisions [13]. At the same time, it should strive to prevent, weaken or protect against existing or projected dangers and threats.

Thirdly, let's consider the concept of «economic security of the enterprise». The concept of «economic security of the enterprise» quite rightly belongs to scientific economic categories. The main reason for the introduction of this term is that its use gives the investigated problem a tone of priority. Let's turn to the content of the concept of «economic security of the enterprise», which is also defined differently by different authors [14].

Scientists associate economic security with the ability to use available resources. The economic security of the enterprise is a state of the most efficient use of resources.

The economic security of an enterprise is its ability to develop and work in the conditions of a constantly changing internal and external environment, which characterizes its stability [15]. In other words, the term «economic security of an enterprise» means the state of protection of its important interests from internal and external threats to ensure stability and progress in the present and future.

Economic security of the enterprise is a state of protection against various threats, the types of which are shown in Table 2.

Table 2. Types of threats

<b>Types of threats</b>	
accidental and intentional	management
targeted against property	informative
those coming from the enterprise personnel	structural and functional
directed against the personnel of the enterprise	credit and financial
administrative and criminal	technical and technological
image	goods and administrative
	ecological

*Source: compiled by the author on the basis [16]*

The economic security of enterprises (organizations) means the protection of scientific, technical, technological, production, and personnel potential from external and internal economic threats and the ability to reproduce with the effective use of all its resources.

Economic security is one of the components of corporate security, which is a state of legal, financial, and industrial relations, organizational ties, material and intellectual resources, which ensures normal industrial development and financial and commercial success of the enterprise.

The economic security of an enterprise is an extremely deep concept. In the most general form, it can be characterized as the absence of various dangers and threats, which, obviously, is hardly possible in the world.

A more precise definition of the concept of «economic security of enterprises» is a system that provides the possibility of prevention and, as a result, neutralization of various threats, which protects the economic interests of the enterprise and prevents losses above the critical limit. There is no doubt that the creation of such a system, which ensures the solution of the tasks listed above, requires painstaking daily work of the personnel of the relevant services. Only in this case, it is possible to ensure the unprofitable operation of the enterprise, the preservation of its property, the prevention of disclosure of secrets, the cessation of violent crimes, the preservation of intellectual property, etc. [17].

If we consider the entire set of presented definitions, it will become obvious that, in general, economic security is a system that has its own target settings (detection, leveling, or permanent prevention of emerging threats). Undoubtedly, this corresponds to the general principles of the methodology of science, however, in relation to this study, it requires clarifications and additions [18].

This understanding of economic security allows us to show that the company, being in a situation of uncertainty, unpredictability, and changes in both internal business conditions and external (political, macroeconomic, ecological, legal, etc.), makes risk decisions in conditions of fierce competition, seeks to prevent mitigating or protecting against existing or projected hazards and threats, ensuring the achievement of business objectives. At the same time, the enterprise resources (land, capital, personnel potential, entrepreneurial abilities of managers, information, intellectual property, technology, etc.) are used not only to prevent dangers and threats but primarily to achieve the main goals of the business.

Thus, the economic security of the enterprise is considered in studies from different points of view:

- the presence of competitive advantages caused by the compliance of the material, financial, personnel, technical and technological potentials and organizational structure of the enterprise with its strategic goals and objectives;
- the state of the most effective use of corporate resources to prevent threats and to ensure the stable operation of the enterprise now and in the future;
- the state of protection of its vital interests in the financial-economic, production-economic, and technological spheres from various threats, primarily of the socio-economic plan, which occurs thanks to the systems of measures of a legal, organizational, socio-economic and engineering-technical nature;
- the state of the enterprise, which ensures the stability of its operation, financial balance, and regular withdrawal of profit, the ability to fulfill the set goals and objectives, the ability for further development and improvement;
- the state of the most effective use of all types of resources in order to prevent (neutralize, eliminate) threats and ensure the stable functioning of the enterprise in the conditions of a market economy;

- a state in which its stability under the influence of various threats is ensured, as well as its development and ability to self-preservation and natural reproduction, are guaranteed;
- protection of its scientific and technical, technological, production, and personnel potential from direct (active) or indirect (passive) economic threats [19].

### **Conclusions.**

Thus, during the comprehensive study of this concept, we can conclude that «economic security» is an important component of management activities at the enterprise.

Despite such a comprehensive consideration of the content of this concept, it reflects only the internal component.

When applying a comprehensive approach to the study of the content of the concept of «economic security of the enterprise», it should be interpreted as the absence at the present time and a low probability in the near future of the occurrence of changes in the enterprise's activities of a negative nature, which are a consequence of the realization of threats and may cause a deterioration of the conditions and results of the enterprise's activities, inhibit its development, encourage spending significant resources to overcome or eliminate these negative changes.

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