

# CONCEPTUAL MODEL OF ECONOMIC SECURITY FORMATION AND THE PLACE OF THE SECURITY PROCESS IN THIS MODEL

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**Abstract.** Military operations, the crisis in the country's economy, and other factors have negatively affected the economic security of all business entities in Ukraine and the country as a whole. This state of affairs requires a modernized approach to the formation of economic security. The purpose of the article is to develop a conceptual model of economic security formation and to distinguish the place of the security process in this model. The study applies general scientific theoretical methods – generalization, explanation, grouping – to analyzing economists' and practitioners' ideas about the object of the research and formulating conclusions of content analysis of primary sources, analysis and synthesis – to substantiating a new scientific approach to ensuring economic security. Based on a critical review of professional sources, the article differentiates three approaches to the formation of economic security. It is shown that the author adheres to the approach according to which the formation and ensuring of economic security are not identical. A three-component model of economic security formation is developed. The elements of the model are the decomposition of economic security, its provision and the creation of a special security unit. It is shown that at the country level such a unit should be included in the Ministry of Economy of Ukraine. An integrated approach to ensuring economic security has been improved. It is based on bringing the current parameters of the enterprise's activity into line with the future parameters of the internal and external environment. This takes into account three groups of processes: resource provision, interaction with stakeholders and value added. Each group of processes is contrasted with appropriate means of influence and security actions, which together help to ensure that the current parameters of activity are consistent with the forecasted changes in the environment. The peculiarity of this approach is its versatility: the possibility of using it to ensure the economic security of an individual business entity and the economic security of the State.

**Keywords:** formation of economic security, provision, measures, parameters, processes

**JEL Classification:** D81, H56, L83

**Formulas:** 0; **fig.:** 3; **tabl.:** 1; **bibl.:** 22

**Introduction.** Economic security itself is a rather complex category, and the processes of its formation cause even more debate. The controversial nature of key issues in the area of economic security formation (from terminology to specific measures) necessitates clarification and improvement of methodological and methodological aspects in this area. The predominant set of ways (directions) of strengthening economic security is identical in its content not only to the ways of ensuring it, but also to the ways (directions) of improving the financial and economic condition of an enterprise, managing competitiveness and economic sustainability, etc. On the one hand, this is explained by the multidirectional effect of each management decision, which has a response in different areas of the enterprise's activity. On the other hand, economic security is still a specific category that is broader than competitiveness and economic sustainability, and this should be taken into account when forming it.

**Literature review.** Economic scientists use the concepts of "mechanism of economic security formation", "mechanism of economic security provision" and "mechanism of economic security management", which are identified in the vast majority of scientific works [1, p.90-91]. In addition, the scientific literature uses separate concepts: "formation of economic security" and "formation of the economic security system". Summarizing the existing scientific opinions, N.O. Lysenko and N.V. Biloshkurska made an important conclusion that the purpose and goal of the mechanism of formation of economic security of an enterprise is to ensure it to achieve the tactical and strategic goals of the enterprise [2, p.28]. At the same time, the objects of the economic and organizational mechanism for the formation of economic security include completely different aspects, including types of operating activities, resources and various stakeholders. From our point of view, the definition of the mechanism of economic security formation provided by N.V. Biloshkurska is quite extensive: "a combination of goals, objectives, tasks, principles, methods, functions, means that allows to diagnose, predict and control the state of economic security to make adaptive decisions on the development of the enterprise" [2, p.28].

Traditionally, the factors of formation of economic security of an enterprise are divided into external and internal [3, p.79]. External factors include changes in international and foreign exchange markets, changes in legislation, socio-economic conditions of development at the macro- and meso- levels, demographic situation, state policy in various spheres of economic life, etc. Therefore, they do not directly depend on the activities of the enterprise itself, and therefore are uncontrollable and beyond its control. Internal factors of economic security deserve more attention. Thus, N.D. Belous divides internal factors into entrepreneurial and private ones, which relate to various manifestations of personnel development [3, p.79]. However, in our opinion, this approach is narrow and contradictory. The narrowness is due to the fact that financial, environmental and production factors are not taken into account. The contradiction is manifested in the coherence of the interests of owners and staff, since, as we and other scholars have repeatedly emphasized, in practice, there is a clear inconsistency of economic interests of the enterprise and its staff. Moreover, if we are talking about owners (shareholders), their economic interests may be inversely proportional to the interests of not only the staff, but also the enterprise itself.

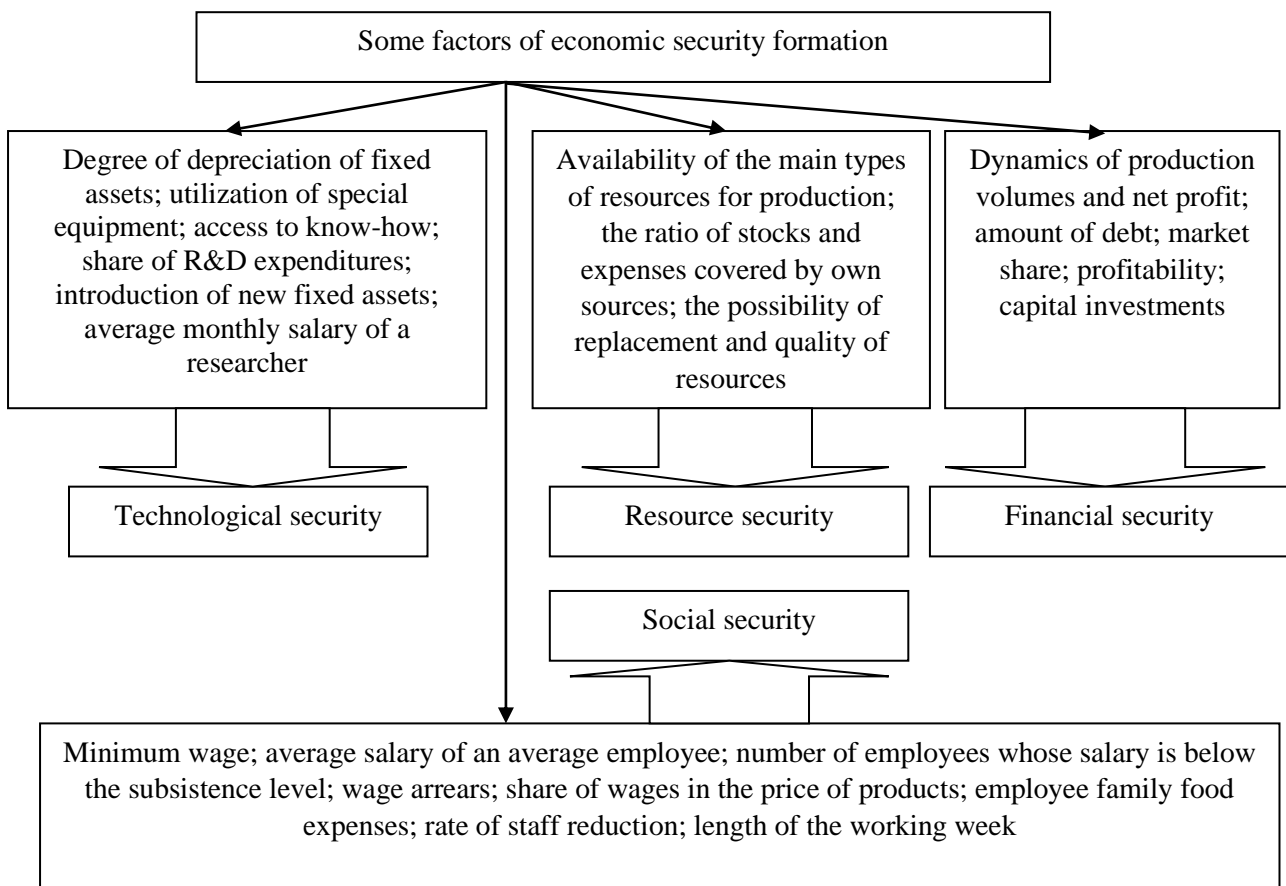
The professional literature identifies typical factors that affect the level of economic security of an enterprise, regardless of the form of ownership and industry [4, p.31-32]. Among these factors, in our opinion, special attention should be paid to production factors, stability of demand and supply, competition of export products, state regulation, which will contribute to the economic security of the enterprise to a greater extent [4, p. 32]. In addition to this generalized approach, the scientific literature also contains an approach based on the personalization of the factors of economic security formation in accordance with its components, among which are the representatives of the forging T. Hrynko and L. Lysenko (Fig. 1).

However, such a personalized approach raises a number of concerns, including: duplication of the above factors with traditional indicators of economic security itself, direct formation of some factors by others (e.g., net profit and profitability), presence

of both factors controlled and uncontrollable by the enterprise (e.g., salary and food expenses of the employee's family), etc.

As a result of the study, T.V. Hrynko and L.V. Lysenko concluded that there is no clear commonly used classification of factors of economic security formation, and most economists do not classify them according to certain features at all [5, p.90].

It is obvious, in our opinion, that in today's business environment, the greatest influence on the SE is exerted by its own employees, majority shareholders, competitors, contractors and the state. In this regard, the formation of the SE is influenced by the economic security of its personnel, owners, competitors, contractors and the state. It should be emphasized that the impact of economic security of different stakeholder groups will vary in strength, time, current and long-term consequences, and other indicators. At the same time, in different cases, depending not only on external conditions, but also on internal ones (for example, the financial and economic state of the enterprise), the level of this impact may vary even within the same group of stakeholders.



**Figure 1. An example of the list of factors of formation of economic security of an enterprise in accordance with the personalization of its components**

*Source: visualized by the author according to [5, p. 89]*

O.M. Lyashenko calls development the goal of ensuring the economic security of an enterprise, which he characterizes as one of the priority interests of the enterprise [6, p.93-94].

Of scientific interest is the explanation of economic security provided by P. Putsenteylo and O. Humeniuk as "maintaining a state of the enterprise in which the interests of the enterprise as a whole, as well as the owners, management, and employees of the enterprise are protected, resistance to internal and external threats is maintained, the ability to develop the enterprise is maintained, and the progressive development of employees' competencies and the use of enterprise resources is carried out" [7, p.40]. At the same time, according to these scholars, the system of economic security of an enterprise is a set of elements that protect a multi-level pyramid of economic security objects, the foundation of which is the material and technical base, personnel of the enterprise and resource provision [7, p.40].

For this study, it is important to note the statement put forward by scientists O. Kirichenko and O. Shikova that ensuring economic security is based on forecasting and predicting a large number of factors not only of the internal but also of the external environment of the enterprise [8, p. 36]. A similar opinion is traced in the definition of economic security by scientists O. Kovalenko and L. Lysenko [9] (Table 1).

**Table 1. Existing definitions of economic security**

Authors, source	Definition of economic security provision
O.V. Kovalenko, L.V. Lysenko [9]	A continuous, systematic process that involves diagnosing the external and internal environment of an enterprise, planning, organizing and implementing measures to support the stable functioning of the enterprise in accordance with its strategic, tactical and current goals, which is achieved primarily through the most rational allocation and use of resources.
I.P. Moiseenko [10, p. 142]	A set of activities aimed at obtaining the highest level of solvency, liquidity, efficient capital structure, improving the quality of planning, management of fixed and current assets of the enterprise, as well as its potential (technological, human, intellectual).
A.V. Cherep, O.V. Lyaskovets [11, p. 31]	It is a long, costly process that requires the development of protection measures, an effective system for diagnosing the level of economic security, and the formation of a relevant unit for effective management decision-making and optimal use of resources.
<b>The security mechanism</b>	
G.V. Kozachenko, V.P. Ponomarev, O.M. Lyashenko [12, p.106]	It is a set of managerial, economic, organizational, legal and motivational methods of harmonizing the interests of the enterprise with the interests of the external environment, which ensures the receipt of profit sufficient to ensure the economic security of the enterprise.
C.A. Lebedko [1, p. 92]	It is a component of the economic security system, a set of goals, objectives, methods, measures, the implementation of which makes it possible to achieve the target level of economic security.

*Source: systematized by the author based on the results of the analysis of works [1, p. 92; 9; 10, p. 142; 11, p. 31; 12, p. 106]*

The team of authors led by V.K. Vasenko made an apt statement about the economic security, specifying that it is determined by the state of its most vulnerable area [13, p.11]. However, this is a limited view, in our opinion, because it is important to take into account the opportunities presented by the external and internal environment of the enterprise.

The team of authors led by T. Momot sees the mechanism of ensuring economic security in the application of a set of certain methods that ensure stable profit and development of the enterprise [14, p.43]. However, the orientation of these methods

lies in the plane of the stakeholder-oriented approach, which, in our opinion, is an element of the harmonization approach (the criticism of which we have pointed out earlier) and, thus, shifts the focus from the operating activities of the enterprise, which is key to the functioning of the enterprise.

T. G. Vasylytsiv and co-authors call the policy of ensuring financial and economic security a set of economic and legal measures to maintain a safe state of viability of an enterprise, carried out in accordance with the strategic plan of its development [15, p. 35]. These scholars have a rather original but controversial view that only the financial and economic security of an enterprise is subject to both assessment and provision; all other security components, in their opinion, are the environment for developing operational goals of the policy of ensuring this security [15, p. 50].

Ensuring economic security is impossible without special means, among which Z. Zhyvko identifies technical, organizational, informational, financial, legal, personnel and intellectual ones. It is important that the scientist emphasizes their phased use [16, p.30]. The latter, in our opinion, seems contradictory given the need for simultaneous implementation of individual tools and their interdependence on each other.

There are two opposing views on how to compare the mechanisms of formation and provision of the UBE. According to the first one, these mechanisms differ from each other. Thus, the scientist S. A. Lebedko studied and systematized the existing definitions of the concepts of "mechanism of ensuring economic security" and "mechanism of forming economic security", which, in his opinion, define different types of mechanisms for managing economic security and established a conceptual essential difference between them: different purposes of their application [1, p.90-91]:

- when using the mechanism of ensuring economic security, the emphasis is on achieving its target level;

- when using the mechanism of formation - on creating safe conditions for the functioning of the enterprise [1, p.90-91].

Supporters of the second view, including N.O. Lysenko, N.V. Biloshkurska, stated that the mechanism of formation of economic security of an enterprise is identified with the mechanism of its ensuring. At the same time, scientists agree with the existing view that the mechanism of ensuring the economic security of the enterprise is characterized by the harmonization of its interests with the interests of external entities through the unity of managerial, economic, motivational, organizational directions; which is carried out with the aim of obtaining the necessary profit [2, p.27-28]. It is interesting that N. O. Lysenko and N. V. Biloshkurska indicated the latter as the goal for finding an enterprise in a state of economic security.

It is important that in scientific thought there is also a grouping of directions for strengthening the economic security of enterprises, which, according to M.P. Denysenko and P.T. Kolisnichenko, are represented by information and analytical, institutional and legal, and economic [17, p.35]. In addition, scientists propose measures not only to ensure the EBP, but also to increase, grow, and maintain it.

It should be emphasized that economic security management is a separate area of research. In this context, it is worth noting the work of scientists I. Mihus, L. Melko [18]. In it, in the modern business model of an enterprise, it is proposed to take into account the ability to predict the emergence, realization and impact of hazards, threats and risks, providing for the possibility of neutralizing catastrophic threats and eliminating material and intangible losses [18]. At the same time, all of these management actions are actively used in the formation of economic security.

**Aims.** The purpose of the article is to develop a conceptual model of economic security formation and to distinguish the place of the security process in this model.

**Methods.** The study applies general scientific theoretical methods – generalization, explanation, grouping – to analyzing economists’ and practitioners’ ideas about the object of the research and formulating conclusions of content analysis of primary sources, analysis and synthesis – to substantiating a new scientific approach to ensuring economic security.

**Result.** Thus, based on our analysis, we conclude that the formation of economic security is not identical to its maintenance. The latter is its separate significant component. For example, a customer (analogous to a business owner) wants to have a painting with a composition of fruit. To form an artistic composition (in our case, economic security), the elements of this composition - fruit (and for us, security components) - need to be structured in a certain way, paints, canvas, etc. need to be provided (ensuring economic security), and the artist (economic security structural unit) needs to be involved.

Therefore, in our opinion, the scientific approach to the formation of economic security of an enterprise is to synthesize its decomposition, provision and functioning of the economic security unit. Taken together, this combination will allow

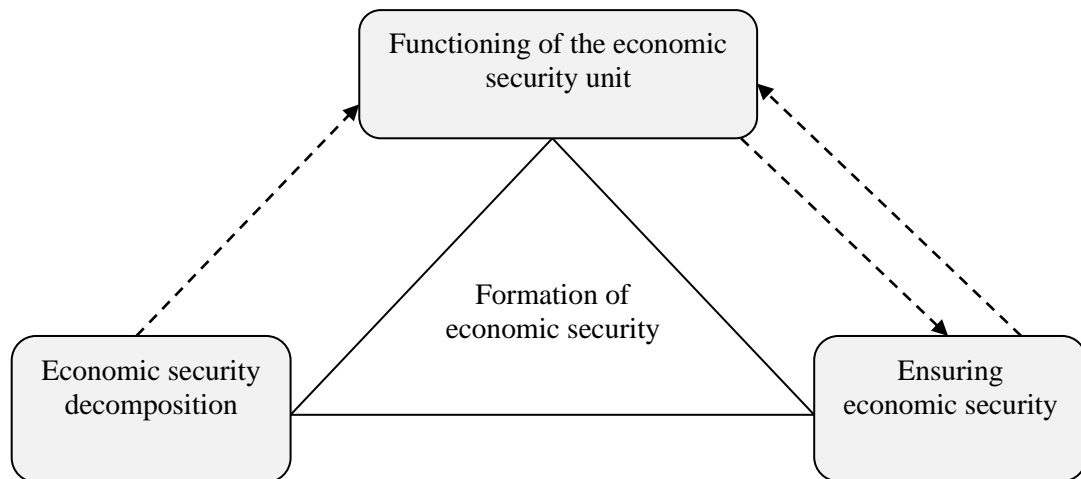
- to adequately assess the economic security itself and the degree of its provision. The latter is related to decomposition, since it is easier to assess individual security components separately than all at once;
- to provide economic security with a structure that will correlate with the economic interests of the enterprise and will contribute to quantitative certainty;
- improve the organizational structure of the entity whose economic security is being formed. Due to this, the formation process will have specific performers and those responsible for the result [19].

The proposed view is the basis for the three-component model of economic security formation developed by us, which is visualized in Fig. 2.

It is important to emphasize that the model we propose can be applied both at the level of an individual enterprise and at the level of the state. In other words, the three-component model is universal. Only instead of an economic security unit in the structure of the enterprise, it is advisable to create a corresponding unit under the Ministry of Economy of Ukraine to form the economic security of the state.

It is worth noting that economic security itself is a specific object of provision, as it belongs to the class of partially controlled systems. At the same time, the level of controllability is determined by the dynamism of the external environment and the influence of factors beyond the control of management. The nonlinearity of the relationship between the level of economic security and the state of provision

determines the objective need to substantiate the dynamic parameters that would, on the one hand, represent the internal properties of the economic system, and on the other - the external forms of their manifestation, which in their aggregate form the desired level of economic security. We consider the postulate of equality of efforts to ensure economic security with the level of security obtained to be an omission of the traditional understanding of economic security and its mechanism.



**Figure 2. Conceptual three-component model of economic security formation**

*Source: author's development*

The dynamic parameterization of the economic security of an enterprise as an object of provision is proposed to be carried out on the basis of internal properties - operational excellence and their external manifestations - market stability [20].

The set of dynamic parameters "operational excellence - market sustainability" allows us to reveal a complex system of interaction of various forces and factors that determine the prerequisites for achieving the desired level of economic security. We consider market sustainability in the generally accepted context as the position of an enterprise (state) in a particular sectoral market (the world market - for the economic security of the state), which ensures the expansion of activities and achievement of the desired socio-economic results in the dynamic conditions of the internal and external environment on the basis of the established competitive advantages. In general, the definition of "operational excellence" was proposed by M. Porter: performing similar actions better than competitors [21]. The specification of such a context at the enterprise level was carried out by scientists through the prism of the following aspects: technological leadership; business process excellence; conditions for achieving high product quality; continuity of improvements; speed of adding value to the product; cost minimization; economic sustainability of the operating system. In this study, we adhere to the view of scholars who define operational excellence as an element of organizational leadership, which manifests itself in achieving the desired state of the organization of business processes of the value chain and realization of its resource potential [22, p. 6].

Modern realities, supported by the evidence base of scholars, have shown that the formation and maintenance of economic security at all levels of its hierarchy

should accompany the entire life cycle of a product, an enterprise, and all cycles of regional and national development. At the same time, we believe it is important to emphasize the impact on economic security of the financial condition of its suppliers and consumers. However, we believe it is advisable to supplement this list of stakeholders with all their groups, both internal and external. Therefore, a fundamental element of the formation of economic security of an enterprise is to take into account the impact of the economic security of the enterprise's stakeholders, whose interests are directly related only to it, and the economic security of stakeholders whose economic interests are related to different enterprises. At the same time, it is obvious that it is competitors who, through their actions, influence the company's choice of markets, suppliers, intermediaries, the formation of the product range (goods, works, services), pricing and, ultimately, all types of activities.

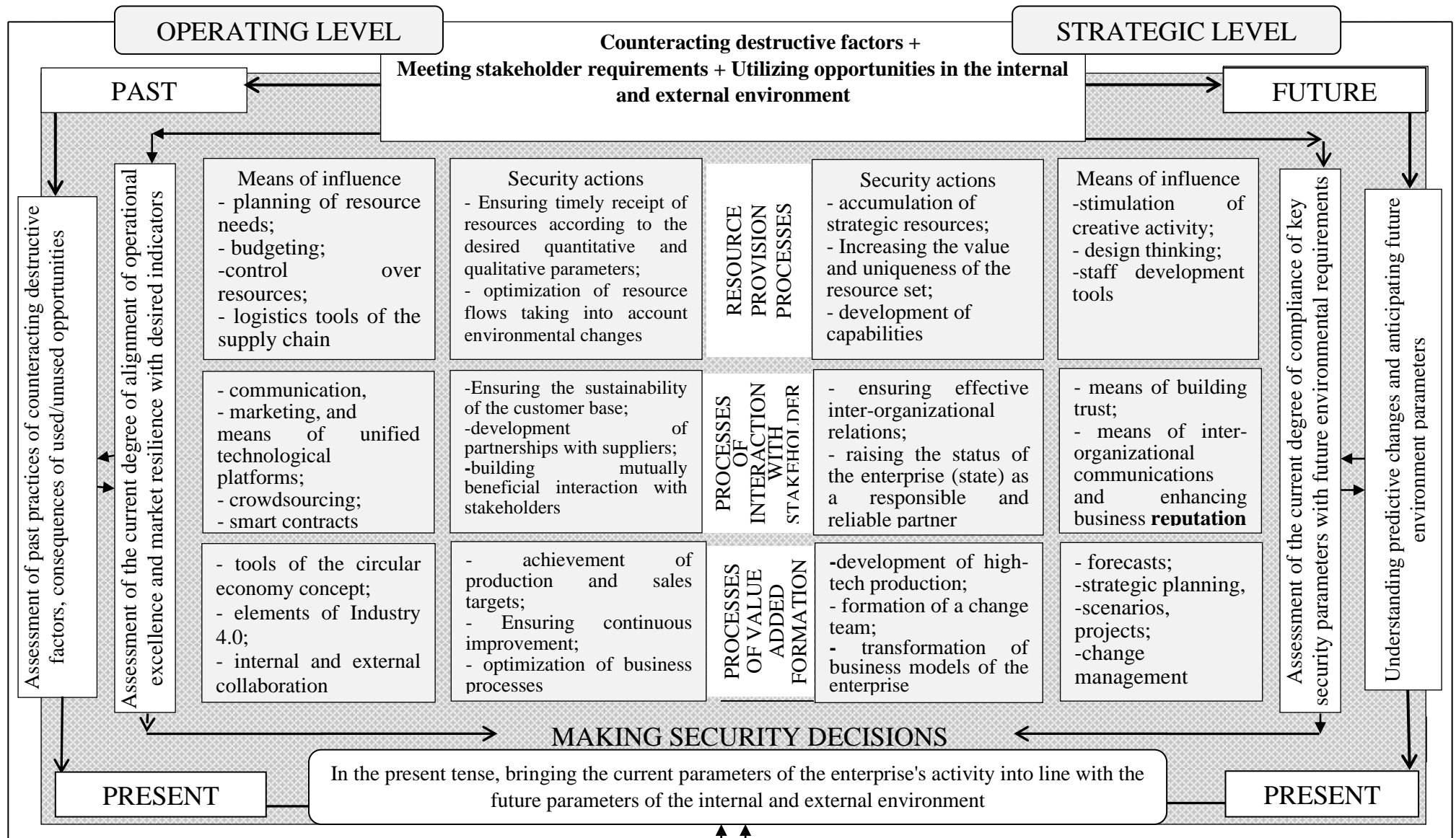
The generalization of the above provisions is the basis for the formation of an integrated approach to ensuring economic security (Fig. 3).

It is important to note that the proposed integrated approach to ensuring economic security is universal: it can be used both at the enterprise level and to ensure the economic security of the state.

**Conclusions.** Thus, based on a critical review of professional sources, three approaches to the formation of economic security are differentiated. According to the first of them, the formation of economic security is identical to its provision. According to the second approach, which is broader, scholars do not distinguish between not only the processes of formation and ensuring, but also strengthening economic security, its enhancement, maintenance at a given level, increase in level, improvement of the state, etc. The third approach involves distinguishing between these processes, including the separation of formation from provision. We adhere to the third approach. In our opinion, ensuring is one of the three elements of the three-component model of economic security formation. The other two are the decomposition of economic security and the creation of a special security unit.

The basis of the improved integrated approach to ensuring economic security is the synthesis of the past and future time, operational and strategic levels of security measures in one plane. The essence of this synthesis is that in the present time, the current parameters of the enterprise's activity are brought into line with the future parameters of the internal and external environment. At the same time, three groups of processes are taken into account: resource provision, interaction with stakeholders, and value added. Each group of processes is contrasted with appropriate means of influence and security actions, which together help to ensure that current performance parameters are consistent with forecasted changes in the environment.





**Figure. 3. A comprehensive approach to ensuring economic security**

*Source: author's development*

The peculiarity of the above approach is its versatility: the possibility of using it to ensure the economic security of an individual business entity and the economic security of the State. In this regard, the direction of future research is to develop specific management actions in the plane of "counteracting destructive factors + meeting stakeholder requirements + using the opportunities of the internal and external environment" to ensure the economic security of Ukraine in the postwar period.

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