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FINANCIAL AND ECONOMIC SECURITY AS A MAIN FEATURE OF BUSINESS SYSTEM

Abstract. *In the current conditions of sharp fluctuations in the pace of the Ukrainian economy integration into the world economic space and significant political and financial instability, effective business management requires the creation of new effective mechanisms for ensuring economic security of business. Inefficient business management and imbalance of key indicators lead to a lack of financial resources, necessity of constant financial sources searching, creating new forms, ways and methods of limited resources rational using and other negative consequences. Effective economic security system creating and maintaining its desired level within the given limits enables the business not only to maintain its market share or achieve value growth, but also to gain competitive advantages, ensure survival and development opportunities. The presence of a reliable system of financial and economic security at the enterprise makes it possible to quickly identify and localize different threats of activities.*

The objectives of the article are the formalizing of financial and economic security of business concept and to develop a methodology for assessing the level of its security on the basis of function indicators set.

The following methods of theoretical and empirical research are applied in the article: logical generalization for substantiation of relevance of the topic, purpose and tasks of the research; analysis and synthesis to identify key elements of financial and economic security and their impact on business performance. Financial and economic security of a business determines its efficiency, stability and development opportunities, maintains its position in competitive markets and characterizes strength and economic potential, the ability to counteract the negative impact of the external and internal environment.

Keywords: *Financial and Economic Security, Business, Performance, Opportunities, Efficiency, Impact, Competitive Markets, Company Finance, Enterprise.*

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ФІНАНСОВА ТА ЕКОНОМІЧНА БЕЗПЕКА ЯК ОСНОВНИЙ ЕЛЕМЕНТ БІЗНЕС-СИСТЕМИ

Анотація. В сучасних умовах різких коливань темпів інтеграції економіки України до світового економічного простору і значної політичної та фінансової нестабільності ефективного управління бізнесом вимагає створення нових ефективних механізмів забезпечення фінансово-економічної безпеки бізнесу. Неefективне управління бізнесом і незбалансованість ключових показників призводять до нестачі фінансових ресурсів, необхідності постійного пошуку фінансових джерел, створення нових форм, способів і методів раціонального використання обмежених ресурсів та інших негативних наслідків. Ефективна система фінансово-економічної безпеки, що створює і підтримує бажаний рівень в заданих межах прибутковості, рентабельності, ресурсної ємності, дозволяє бізнесу не тільки зберегти частку ринку або досягти зростання вартості, а й отримати конкурентні переваги, забезпечити можливості виживання і розвитку. Наявність надійної системи фінансово-економічної безпеки на підприємстві дозволяє швидко виявляти і локалізувати різні загрози діяльності.

Цілями статті є формалізація концепції фінансово-економічної безпеки бізнесу і розробка методології оцінки рівня безпеки на основі набору функціональних показників.

У статті застосовуються такі методи теоретичного та емпіричного дослідження: логічне узагальнення для обґрунтування актуальності теми, мети і завдань дослідження; аналіз і узагальнення для виявлення ключових елементів фінансово-економічної безпеки і їх впливу на ефективність бізнесу. Фінансово-економічна безпека бізнесу визначає його ефективність, стабільність і можливість розвитку, дозволяє зберегти його положення на конкурентних ринках і характеризує силу і економічний потенціал, здатність протистояти негативному впливу зовнішнього і внутрішнього середовища.

Ключові слова: фінансово-економічна безпека, бізнес, продуктивність, можливість, ефективність, вплив, конкурентні ринки, фінанси, підприємство.

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ФИНАНСОВО-ЭКОНОМИЧЕСКАЯ БЕЗОПАСНОСТЬ КАК ОСНОВНОЙ ЭЛЕМЕНТ БИЗНЕС-СИСТЕМЫ

Аннотация. В современных условиях резких колебаний темпов интеграции экономики Украины в мировое экономическое пространство и значительной политической и финансовой нестабильности эффективное управление бизнесом требует создания новых эффективных механизмов обеспечения финансово-экономической безопасности бизнеса. Неefективное управление бизнесом и несбалансированность ключевых показателей приводят к нехватке финансовых ресурсов, необходимости постоянного поиска финансовых источников, созданию новых форм, способов и методов рационального использования ограниченных ресурсов и

другим негативним последствием. Эффективная система финансово-экономической безопасности, создающая и поддерживающая желаемый уровень в заданных пределах, позволяет бизнесу не только сохранить свою долю рынка или добиться роста стоимости, но и получить конкурентные преимущества, обеспечить возможности выживания и развития. Наличие надежной системы финансово-экономической безопасности на предприятии позволяет быстро выявлять и локализовать различные угрозы деятельности.

Целями статьи являются формализация концепции финансово-экономической безопасности бизнеса и разработка методологии оценки уровня безопасности на основе набора функциональных показателей.

В статье применяются следующие методы теоретического и эмпирического исследования: логическое обобщение для обоснования актуальности темы, цели и задач исследования; анализ и обобщение для выявления ключевых элементов финансово-экономической безопасности и их влияния на эффективность бизнеса. Финансово-экономическая безопасность бизнеса определяет его эффективность, стабильность и возможности развития, позволяет сохранить его положение на конкурентных рынках и характеризует силу и экономический потенциал, способность противостоять негативному влиянию внешней и внутренней среды.

Ключевые слова: финансово-экономическая безопасность, бизнес, производительность, возможности, эффективность, воздействие, конкурентные рынки, финансы, предприятие.

Problem statement. Objective prerequisites for ensuring business financial and economic security: complexity financial and economic environment of activity; inflationary processes and diminishing population purchasing ability; imperfect competitive environment with obstacles to access to resources and markets; unmanaged development processes in most areas and markets; excessive and imperfect business taxation; significant shadowing of the economy; lack of government agencies attention to the problem of financial and economic sustainability of business. The low business efficiency of the security management methods used confirms the need for improvement of economic-mathematical methods and models that allow to describe comprehensively all the components of the financial and economic security system and the relationship between them, determine an effec-

tive security system management strategy, predict the dynamics of the main performance indicators and financial and economic status of the enterprise.

A systematic approach to the business management mechanism requires clarification of the concept essence of «business financial and economic security», in particular, its interpretation as the level of business vitality during its life cycle while guaranteeing the fulfillment of the mission and goals; access to markets and resources; adequate financial and economic activity efficiency; develop ability; internal and external threats protection. The assessing methodology of business security needs improvement in the dominant areas.

Review of the last research and publications. The study of financial and economic security of enterprises is devoted to a large number of domestic and foreign scientists' articles. The ana-

lysis of the works showed the lack of a unified approach to understanding the essence of the concept and its evaluation. Some scholars distinguish between «economic security» and «financial security», but there are also opinions about the integrity of this concept as «financial and economic security», but at the same time all focus on such parameters as financial status, financial strategy, and financial losses protection.

In most scientific works, the concept of «economic security» is considered as the ability of a business to ensure its free and independent development, stability, as well as sufficient potential under adverse conditions and scenarios; the ability to protect economic interests from the effects of internal and external threats.

According to many scientists, in particular S. Tambovtsev [1], under the economic security of any system it is necessary to understand the set of properties of its production subsystem, which provides the opportunity to achieve the goals of the whole system. At the same time E. Buchwald, N. Golovatskaya, S. Lazurenko [2] propose to consider economic security as the most important qualitative characteristic of the economic system, its determining ability to maintain normal living conditions, sustainable provision of development resources.

Problems of ensuring the economic security of the enterprise dedicated to numerous works of domestic and foreign authors [3-6; 7; 12], but a single, well-established opinion has not yet been produced. Thus, in some works of domestic scientists, the concept of «economic security of the enterprise» is considered as providing the conditions

for maintaining commercial secrecy and other secrets of business entities. G. Demyanenko [4] defines the economic security of the enterprise as a system of measures for ensuring the stable development of the enterprise through creation of favorable conditions, as well as neutralization and elimination of external and internal threats.

According to the diversity of essence of economic security interpretations, there are number of views on the structural and functional set of its constituent elements, which, however, according to most researchers of economic security problems, provides the following elements: financial, intellectual, personnel, technical, information, political, legal, product, power and environmental [4; 7; 8].

In many articles, financial and economic security of a business is analyzed as a practical task or the result of other systems; there is no single approach of researchers to the essence of the concept of «financial and economic security of business» and an effective model for assessing its level or method of development.

Tasks of research. The aim of the work is to analyze existing concepts of economic and financial security, to assess the balance and the system of connection between economic and financial security, to develop a model of assessment financial security and to offer the real tools of building the business structures with integrated financial and economic security indicators.

The basic material of research. An integral part of the business functioning in any field is the presence of finance, which provides the process of production, economic activity, and acts simultaneously as the cause and effect of

its functioning. Creating or improving an enterprise business model involves defining the role, place, and opportunities for attracting finance, managing cash flows and risks. Let's depict a business model in the form of Canvas and determine the role and place of finance in it (figure 1). Business models provide a wide range of business opportunities to increase business performance. However, business model innovation goes beyond product and process innovation, as stated by Amit and Zott (2012). It well illustrates the benefits of the Business Model Survey presented by IBM in 2006, which showed that business-oriented innovation in business models produced significantly better results. This study showed that the business model is a tool used to reduce costs and increase strategic and financial flexibility. Some researchers also describe the importance of purposefully using business models and innovating a business model to gain competitive advantage.

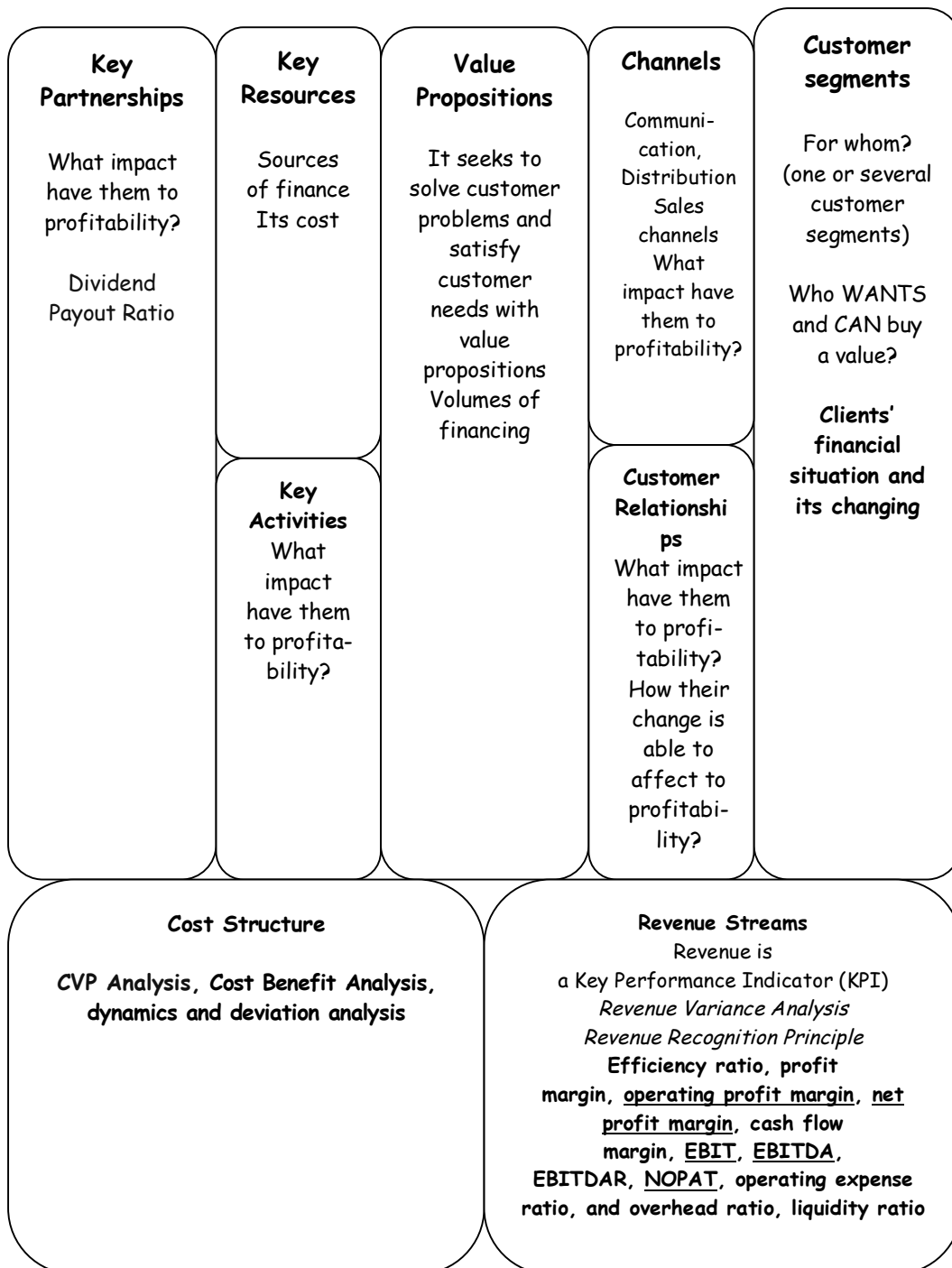
As we can see different financial questions arise in each sector of business model. So it is necessary to understand the role of finance and financial security not only on the side on financial analysis but on the side of efficiency, profitability and viability of business. That is, the development of the financial security system must be built and improved with the construction and development of the business model of the enterprise. Financial security assessment should not be limited to the calculation of financial soundness and solvency.

Therefore, an integral part of the enterprise operation is the financial flows that provide the production process, economic activity, and act simultaneously as the cause and effect of its functioning. The definitions of finance

used in the scientific literature include the following: business finance is the economic relationship associated with the movement of money, the formation of cash flows, the distribution and use of income and monetary assets of entities in the process of reproduction. Finance includes the following flow groups:

- formation of the authorized capital;
- formation and distribution of cash income: revenue, gross and net income, profits, monetary funds;
- tax and other payments to the budget and trust funds, budget financing, receiving subsidies;
- investing in securities and obtaining income from them, contributions and participating in the distribution of different activity profits, obtaining and paying penalties;
- obtaining and repaying loans, paying interest on credit and other types of services, obtaining interest on placement and storage of funds;
- due to the internal distribution of income.

Financial security is a necessary and essential component of the enterprise economic security, since finance is a measure of the enterprise efficiency. At the same time, the enterprise financial security should be considered as an independent object of study, taking into account the results of the enterprise. Financial security gets a special place in the economic security system, combining the characteristics of both economic security and enterprise finances, affecting absolutely all spheres of activity of the enterprise, as shown in Figure 1.



Source: Own elaboration

Fig.1. Financial Features of Business Model

Financial security is such a financial condition, characterized firstly by the balance and quality of the set of financial instruments, technologies and services used by the enterprise, secondly by resistance to internal and external threats, thirdly, the ability to finance this system of the enterprise to ensure the realization of its financial resources, fourthly, to ensure the development of this financial system.

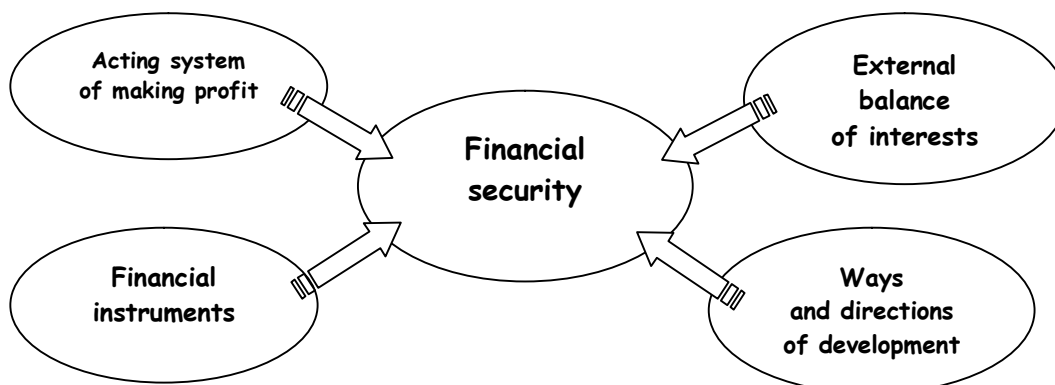
On the other hand, the financial security of an enterprise may be determined as the state of the most efficient use of corporate resources of the enterprise, which is reflected in high values of financial indicators of profitability and profitability of the business, its capital structure, rate of dividend payments on securities, and the exchange rate of its securities as a synthetic indicator of the current financial and economic condition of the enterprise and its prospects. But this definition does not take into account the existence of a system of protection against the negative effects of these factors too.

So, it is possible to distinguish the following components of the financial security of the enterprise (figure 2):

- reconciliation of the enterprise financial interests with the interests of other players;
- resilient system which is able to ensure the realization of financial interests, missions and tasks;
- balance and complexity of financial instruments;
- constant development of the enterprise financial system.

The level of financial security is characterized by the ability of a business to withstand external and internal threats or to eliminate losses from adverse effects. The threat to the business financial security is the potential or real actions of individuals or legal entities that violate the security of the business and may lead to the termination of its operations or to financial and other losses.

Threats reflect the external and internal environment in which the business is conducted, as well as the business interconnections with other players. The threat to financial security can be quantified as the amount of loss or other integral indicator that characterizes the degree of decline in the business economic potential.



Source: Own elaboration

Fig. 2. Components of Financial System in according to Business Model Process

Business financial security threats are different. They can be classified as follows (fig. 3). According to the source, all threats can be divided into external and internal. Among the external threats is theft of material assets and valuables, industrial espionage, illegal activities of competitors, speculative transactions with securities, price and other forms of competition, aggressive purchase of the company shares by an outside investor, competitors lobby and as a result a negative decisions of the authorities.

Internal threats include, but are not limited to, disclosure of confidential information by our own employees, low professional qualifications, ineffective work of the financial or economic security service and those responsible for audits, inefficient financial planning and asset management, ineffective management of the company stock market, errors in the choice of dividends policy.

The greatest danger is usually posed by external threats that are not detectable and predictable. At the same time, remedying internal threats is within the competence of management.

The entities of system include persons, departments, services, institutions, ministries and agencies that directly ensure the financial and economic security of business. Based on the number of analyzed system subjects, they can be divided into two groups: internal and external. The first group includes the entities that carry out the security functions directly (employees and other units that indirectly perform tasks related to the business security). These are planning, economic, financial and legal departments, internal audit service, human resources department and other.

External entities of business financial and economic security should include institutions that are in the external environment of the enterprise and create conditions for ensuring its security, in particular: 1) the legislative entities that create the legal basis for economic security; 2) executive management that carry out state security policy through the implementation of financial, tax, customs, currency-export and other types of control; 3) law enforcement agencies; 4) judicial offices ensuring the rights and legitimate interests of business entities and staff; 5) a system of educational and scientific institutions 6) a set of non-governmental security agencies; 7) insurance, guarantee, consulting institutions.

The Business Financial and Economic Security System (BFESS) can be summarized as follows:

$$BFESS = \{T, Tr, Tp, I, D, Ia, GI\}, \quad (1)$$

T – set of time periods;

Tr, Tp – set of internal and external real and potential treats;

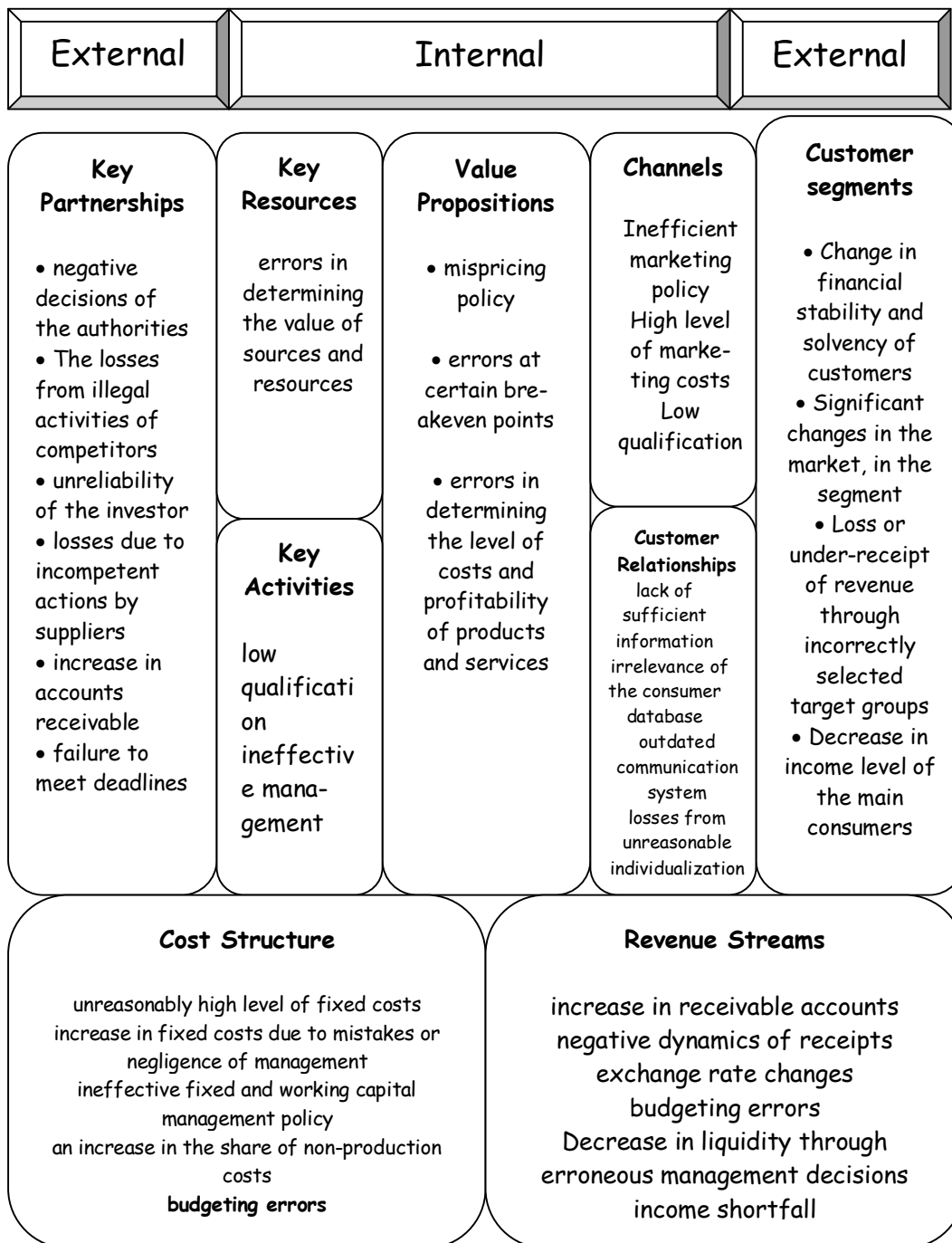
I – set of local indicators of business financial and economic security at time t;

D – sets as necessary and recommended management decisions to ensure an adequate level of financial and economic security;

Ia – set of activity indicators (at time);

GI – general security indicators (fig. 4).

There are peculiarities of assessing the business financial and economic security, indicators may vary depending on the type of activity.



Source: Own elaboration

Fig. 3. The Treats of the Business Financial Security in different Sectors of Business Model

For example, transport is characterized by: priority functional components are technical, technological, informational, investment, legal, intellectual personnel; the main indicators of security are liquidity, investment efficiency, capacity utilization rates, labor productivity, and information security; assessment of the level of quality and conformity of services to standards; cost of services; the specifics of the assessment are determined by determining the level of quality and compliance of the services with the standards and cost of services. Accordingly, management decisions should be limited to improving the quality of business processes and services to the level recognized by organizations for standardization and certification; modernization of the technological base (fig. 5).

If we consider the financial and economic security of business in the sectoral aspect, the important elements of the assessment are the stimulation of the increase in the volume of activity, the improvement of the institutional and legal support of economic security. Therefore, first of all, it is advisable to take care of the proper level of innovation, product, power, institutional, legal, information, logistics, and marketing components of security. The medium-sized enterprise sector is characterized by a moderate amount of financial and economic activity; it makes the efficient use of resources and guaranteeing the preservation of all types of resources (financial, labor, material, information) the most important. Therefore, it is advisable to ensure an adequate level of personnel, financial, marketing, institutional and legal functional components of se-

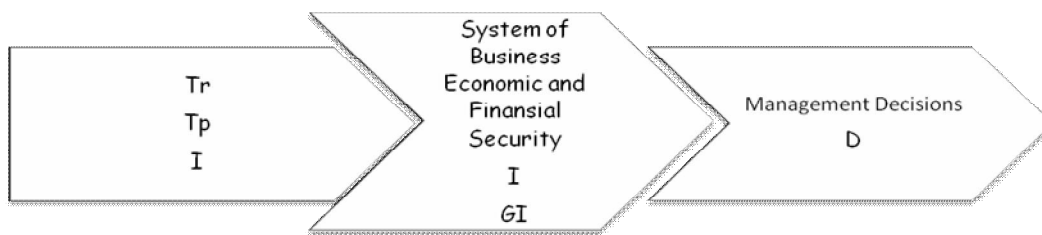
curity, which can be done by stimulating an increase in economic activity, achieving positive dynamics of sales volumes.

Small business is a vulnerable sector of the national economy. Important characteristics of economic security for enterprises in this sector are monitoring the level of deviation of the actual values of their activities from the planned ones. Therefore, detailed planning of the life cycle stages, gradual increase of economic and resource potential, search and use of integration forms with medium and large enterprises, justification of horizontal integration mechanisms and cooperation in small business are prerequisites for strengthening the security of small businesses (fig. 6).

Conclusions. The process of creating a business financial and economic security system can be considered as a process of preventing possible losses from negative impacts on the security system in various aspects of its financial and economic activities.

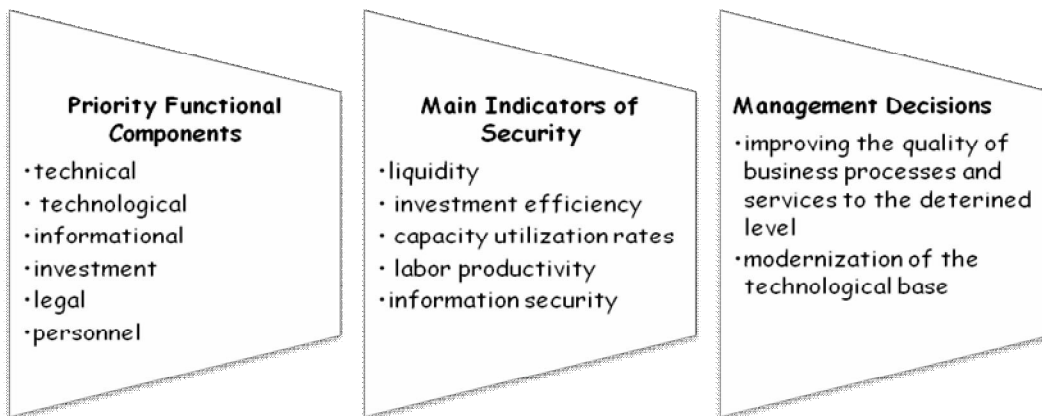
Depending on the scale of business, specific threats and factors of financial and economic security are characterized the enterprise. At the same time, within different types of enterprises, there may be the same factors, which are determined by the state of the economy (consumer demand, financial and credit sector, etc.). However, the impact of these common factors on each type of business will be different.

The system of financial and economic security of the business should be built in accordance with the policies (concepts) and security strategies implemented at the enterprise.



Source: Own elaboration

Fig. 4. Principal model of the business financial and economic security system



Source: Own elaboration

Fig. 5. The Process of building the business financial and economic security system for transport business

Security policy is a system of views, decisions and actions in the field of security that create the conditions for achieving business goals.

In the sustainable mode, the business focuses on maintaining a normal rhythm of production and sale of products, preventing material and financial damage, preventing unauthorized access to business information and destroying computer databases, combating unfair competition and criminal activities. At the same time special attention should be paid to ensuring sufficient liquidity of the enterprise, preventing its bankruptcy, maintaining a positive level of profitability and so on.

It is worth noting that the financial security threat size depends on many factors that arise due to the uncertainty of the economic entity environment. Depending on the degree of response to a potential or real financial security threat, their manifestation may result in termination of financial and economic activity, bankruptcy, or liquidation. In this case, economic danger is seen as a manifestation of threats to the financial security of business in the absence of a leading influence on these threats or the implementation of inadequate measures to neutralize the effects of these threats.

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