

# Organizational and Economic Mechanism of Economic Security Management in Foreign Economic Activity of the Enterprise

Ievgen BALATSKYI<sup>1</sup>, Marharyta ONISHCHENKO<sup>2</sup>, Oleh DUTCHENKO<sup>3</sup>, Olena DUTCHENKO<sup>4\*</sup>

<sup>1</sup>Doctor of Economics, Associate Professor, Department of Finance, Banking and Insurance,

Sumy State University, 2, Rymkogo-Korsakova st., 40007 Sumy, Ukraine; E-mail: y.balatskyi@uabs.sumdu.edu.ua

<sup>2</sup>PhD (Economics), Associate Professor, Department of Management, Sumy State University, 2, Rymkogo-Korsakova st., 40007 Sumy, Ukraine; E-mail: m.honcharova@uabs.sumdu.edu.ua

<sup>3</sup>PhD (Economics), Associate Professor, Department of Economics, Entrepreneurship and Business Administration, Sumy State University, 2, Rymkogo-Korsakova st., 40007 Sumy, Ukraine; E-mail: o.dutchenko@uabs.sumdu.edu.ua

<sup>4</sup>PhD (Economics), Senior Lecturer, Department of Accounting and Taxation, Sumy State University, 2, Rymkogo-Korsakova st., 40007 Sumy, Ukraine; E-mail: e.dutchenko@uabs.sumdu.edu.ua

\*Corresponding author

## Abstract

*The article deals with the organizational and economic mechanism of economic security management in foreign economic activity of the enterprise, namely, the principles, methods and stages of economic security management in foreign economic activity of the enterprise.*

*The authors of the article emphasize and consider applying an optimization models in the process of managing of economic security in the foreign economic activity of the enterprise as reasonable. By considering of different criteria and certain limiting conditions can be taken the most appropriate solution in the number of cases.*

*The integrated structure of the mechanism of economic security management in foreign economic activity is developed.*

*The process of economic security managing in foreign economic activity is based on the development of alternative management decisions, its detailed analysis and implementation of the most optimal of them.*

**Keywords:** *economic security; mechanism of economic security management; foreign economic activity; enterprise, optimization model.*

## 1. Introduction

As of today, the issue dealing with expanding business ties towards the international direction is very relevant for enterprises. This is due to a number of reasons, both internal (the economic situation of the country, the development of scientific and technological potential), and external (world integration and globalization processes). The strategy of entering international markets, no doubt, contains a number of advantages, but at the same time, it also involves certain risks. The issue of developing a holistic system of managing the economic security of foreign economic activity of enterprises is becoming increasingly important due to the necessity to implement an integrated approach to the protection of business entities interests.

## 2. Problem setting

The issue of the organization and management of the economic security system of foreign economic activity of the enterprises, defining their basic principles and stages require

closer study. The aim of the research is to study the organizational and economic mechanism for managing the economic security of foreign economic activity of the enterprise.

## 3. The results of the research

Ensuring sustainable development of enterprises and achieving their goals are impossible without the use of an effective system of economic security. Despite the significantly close relationship between the economic security of the enterprise and its activities, most scientists investigate these issues separately, and today there is no single definition of the concept of "economic security of foreign economic activity".

The Law of Ukraine "On Foreign Economic Activity" defines that foreign economic activity of business entities of Ukraine and foreign business entities is built on the relationship between them and takes place both on the territory of Ukraine and abroad [6].

The concept of "economic security" does not have a single definition and scientists interpret it differently (table 1).

Author	Definition
Lynnyk O. I. [2]	A stable condition of an enterprise protection from the negative impact of external and Internal threats, destabilizing factors, which ensures stable Implementation of the basic commercial interests and goals of the statutory activity
Cherchyk A. O. [3]	Condition of an enterprise, when it has sufficient resources, access to the markets, competitive advantages for achieving the set development goals, fulfilling the mission and ensuring competitiveness in the long term.
Skrynkovskiy R. M. [4]	A specially built system of protective measures, the main purpose of which is the purposeful and day-to-day ensuring the uninterrupted and, at the same time, cost-effective and effective performance of the enterprise by combating various kinds of causes and factors that have a negative impact on this activity.

# GENERAL MANAGEMENT

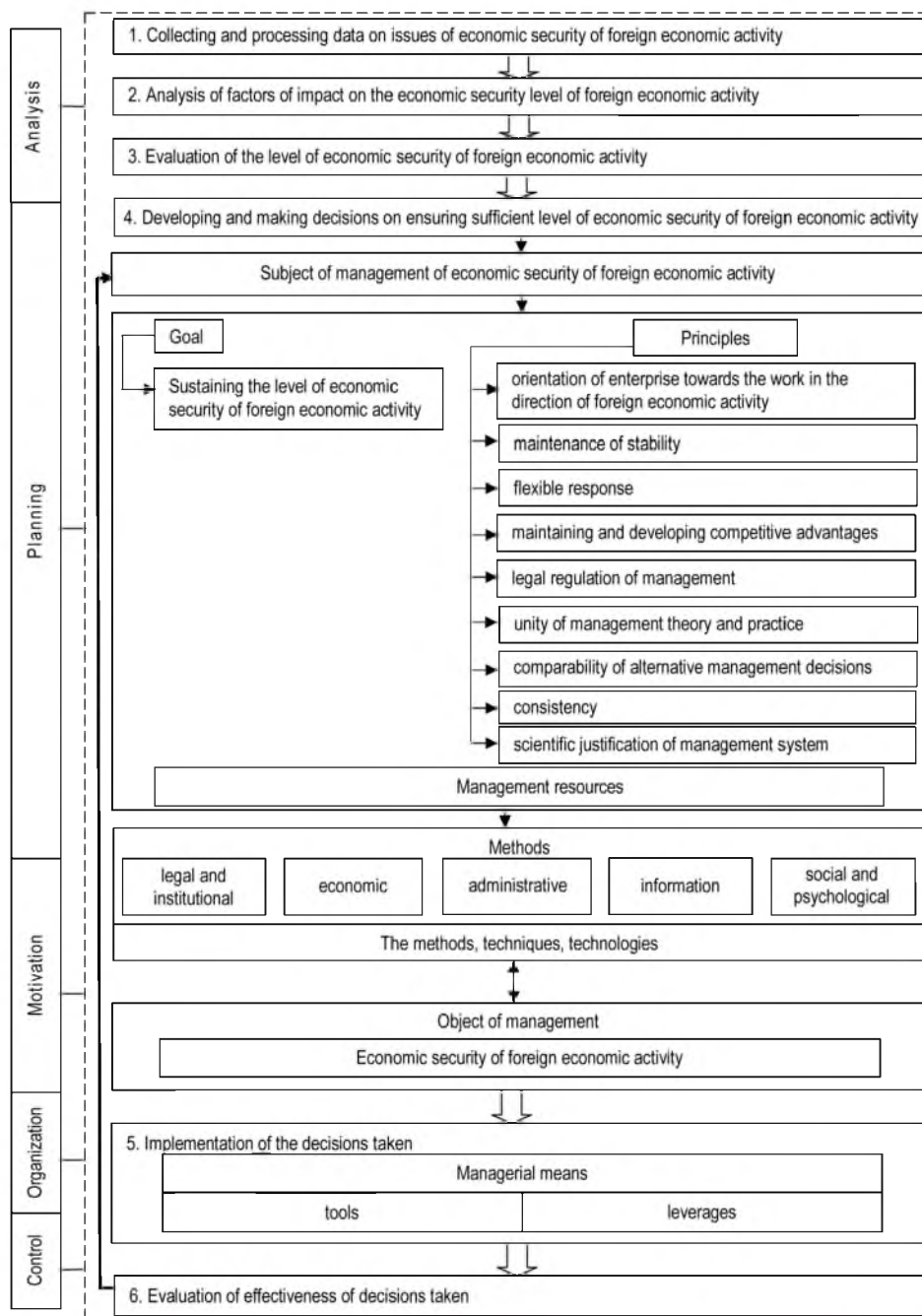
Author	Definition
Shumilo O. S. [5]	The condition of enterprise economic development is characterized by the maximum achievement of the basic goals of the enterprise operation in the current and future periods, and its ability to adapt to the changing external and internal environment.
Hapak N. M. [7]	A comprehensive characteristic, which is considered as a level of protection of all types of enterprise potential from internal and external threats, which ensures stable operation and effective development and requires management provided by top management of the enterprise.
Bilousov Ye. M. [8]	This is the condition of the safety of the resource potential, when the enterprise can withstand the effects of external and internal threats, maintain and improve sustainable development by the principal directions, give effect to its own economic interests and ensure economic independence from attracting funds for operation.
Falchenko O. O. [9]	The condition of safety of the enterprise from the negative impact of destabilizing factors, which ensures its stable operation, implementation of basic commercial interests, at the present moment and in the future.

*Table 1. Approaches to the defining the concept of “economic security”*

The definitions given in the table confirm the difference in the approaches to defining the concept of “economic security”. However, the common thing for them is the condition of safety, independence in terms of the impact of certain external or internal negative factors, and orientation toward the achievement

of key factors for the enterprise success.

It should be noted that the foreign economic activity of enterprises is carried out in a changing political and economic environment, fierce competition that cause risk for financial and economic situation of enterprises [10]. Management of



*Figure 1. Integrated structure for managing economic security of foreign economic activity mechanism*  
 Source: Compiled by the authors according to [1, 11, 12]

economic security of the enterprise foreign economic activity should extend to fields of activity related to the movement of resources, goods, services and labor across the national borders.

Thus, the economic security of foreign economic activity is considered as ability of an enterprise to make the most efficient use of available resources (key success factors) to ensure the stable operation of enterprises both on the territory of the country and abroad in the context of achieving harmonization of economic interests of enterprises involved in foreign economic activity.

Based on the abovementioned, it is advisable to consider the economic security of foreign economic activity of the enterprise as a set of measures aimed at protecting the enterprise from the negative impact of external and internal environment factors. In conditions of variability of external environment, the use of the organizational and economic mechanism for managing the economic security of foreign economic activity is of particular importance. The integrated structure of the mechanism for managing economic security of foreign economic activity is presented in Figure 1.

The process of managing economic security of foreign economic activity of the enterprise should be considered as a sequence of interconnected stages.

The first stage is characterized by collecting and processing data on issues of economic security of the enterprise foreign economic activity. The obtained information should be reliable and timely. Examples of such information are data on the financial solvency of enterprises, the economic situation in the country, the state of the market, the presence of risks, sales conditions. Such information can be formed on the basis of analysis of past work experience, expert opinions, etc.

The stage of analysis of the factors of impact on the economic security level involves identifying the causes of the economic security condition violation and the factors that have influenced it (organizational and legal, political conditions, force majeure, etc.).

The next stage is the developing and making decisions to ensure a sufficient level of economic security of foreign economic activity. At this stage, the subject of management, based on certain principles and goals of management, develops several alternative scenarios for the development of events and calculates the value of the aggregate criterion of economic security for each of them. After selecting the best option based on the results of calculations and analyzing the options, the remaining ones develop operational recommendations for the current management of economic security of enterprise foreign economic activity.

After making the most appropriate decision, the management calculates the needs for each of the available types of resources and forms a strategic set of necessary ones to achieve the set goals. To implement the set tasks, various methods of management, techniques and technologies are used [13].

The next stage is the implementation of the decision taken. It involves its implementation by using selected tools and control levers that correspond to the above mentioned management methods.

The last stage is the evaluation of the effectiveness of the activity after a certain period. During the process of foreign economic activity of enterprise there appears the information to analyze the condition of its economic security. Based on this information, the functional and aggregate criteria of economic security, their deviations from the planned values are evaluated and the causes of such deviations are analyzed. After that, the guidelines are developed on adjusting the set of resources, systems for strategic and current planning of enterprise foreign economic activity, as well as its operational management system.

While managing the economic security of enterprise foreign economic activity, it is advisable to use optimization models taking into account the fact that there are many situations when more profitable decision must be made with taking into account various criteria and certain limiting conditions. In general, the optimization model of an agreement (transaction) in enterprise foreign economic activity may be represented as follows:

$$E_{fea} = IIP_{fea} - BP_{fea} \rightarrow \max, \quad (1)$$

where:

$E_{fea}$  – the economic effect of the transaction of foreign economic activity of enterprise;

$P_{fea}$  – proceeds of a transaction (agreement, contract) of foreign economic activity of enterprise.

The task of maximizing proceeds of a transaction (agreement, contract) of foreign economic activity of enterprise can be presented as follows:

$$P_{fea} = \sum p_i Q_i - C_k \rightarrow \max, \quad (2)$$

where:

$p_i$  – selling price of the  $i$ -th type of goods;

$Q_i$  – sales volume of the  $i$ -th type of goods;

$C_k$  – costs of enterprise of a transaction (agreement, contract) on goods delivery.

One of the difficult tasks in managing the economic security of foreign economic activity of enterprise is to minimize the risks. Minimizing risks in foreign economic activity is a process of implementing a set of measures aimed at reducing the probability of negative events leading to an unforeseen increase in expenses on foreign trade operations and a decrease in proceeds that leads to losses.

$$Rl_{fea} = \sum l_i \rightarrow \min, \quad (3)$$

where:

$Rl_{fea}$  – risk losses;

$l_i$  – losses caused by  $i$ -th type of risk (worsening of customs conditions by the countries of the subjects of foreign economic activity, change in the price of goods after contract signing or non-payment for goods, change in the exchange rate, loss or damage of goods during transportation, etc.).

It should be noted that the adjustments can also be made to the economic security planning system. In this case, it is advisable to use the above mentioned methods for planning the economic security of foreign economic activity and make appropriate changes to the plans of the enterprise and the system for their implementation.

## 4. Conclusions

Summing up the abovementioned, we note that enterprise economic security of the foreign economic activity is the key object of the organizational and economic management mechanism in the context under study. The paper describes the basic characteristics of this mechanism: its definition, principles, methods and implementation procedure. The attention should be drawn to the necessity for high-quality processing of information on the economic security of foreign economic activity, analysis of factors that have a significant impact on it while a reliable evaluating its level. The process of managing economic security of foreign economic activity is based on the development of alternative managerial decisions, their detailed analysis and implementation of the most appropriate of them.

The above mentioned stages of managing the economic security of foreign economic activity should contribute to more effective actions in the direction of ensuring and maintaining the chosen strategy of the specified direction of the enterprise. The results of the research can be used in further developments aimed at evaluating the level of economic security of foreign economic activity of enterprise.

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