

Enterprise Economic Security: Scientific View and Business Reality

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Abstract— The article is devoted to a critical analysis of research on economic security of an enterprise. Comparing so called western research and Eastern European research in the area, we review main issues the researchers face while studying this concept from theoretical and practical point of view. Further, using strategy of exploratory research we analyze requirements to specialists in economic security of the enterprise on Ukrainian job market and juxtapose the findings to those driven from our analysis of definitions and elements of economic security suggested by scientific literature. The study allows formulating recommendations on possible ways to integrate scientific research in the area of the enterprise economic security into international scientific thought and suggests missing links in the triangle education-job market-science.

Keywords—*corporate security, enterprise economic security, business survival, Ukrainian business*

I. INTRODUCTION

The concept of enterprise economic security emerged in 90s on the territory of the post-Soviet countries in response on a growing number of frauds, corporate raiding, and professional misconduct in the workplace. During first years the concept remained neglected and gained its popularity only in 2000s and later, although, interpretation of its meaning moved from securitization of material assets of the company and physical protection of its owners and managers to a wider range or threats and risks from internal and external environment of a business organization.

While the scientists in the post-Soviet countries were actively discussing definitions, components and management of enterprise economic security, this concept remained unknown to western colleagues [1]. Abiding to the principle of succession in scientific research, western science continued to operate with commonly used and much better defined and tested concepts of competitiveness, business survival, bankruptcy, and corporate security. Even though some Ukrainian and Russian researchers have recently begun to publish results of their research on enterprise economic security in English, such research attracted attention mostly of Eastern European colleagues. The western science to a great extent represented by leading journals in business economics and management continues existing in a parallel scientific world in disregard of the efforts aimed at internationalization of the concept of enterprise economic security.

Interesting but some rare American sources used long time ago the term “economic security of the firm” [1]. However this term was not used later and was lost among other scientific trends dominating during different periods of time. As A. Buzan et al. [2] pointed out, we have an interesting situation today: we discuss economic security of an individual, family, region, state, while the organization or enterprise falls out of this chain.

The main difficulties of utilization of the term ‘economic security of the enterprise’ or ‘enterprise economic security’ are discussed in the research of Y. Shutyak [3] and Y. Shutyak, O. Danylenko. D. Van Caillie [1]. First, linguistics is important. The term economic security when applied to an enterprise may seem consonant with the financial term ‘securities’. In addition, there is the word ‘safety’ which has a different sense and is used in different context.

Second, as mentioned above, western business researchers operate more often with such concepts as competitiveness, survival, effectiveness and efficiency, etc. and may not see any special reason for a new concept. A good scientific research always takes into consideration results of previous research and opinion of peers. Even though scientific literature in the post-Soviet countries has already built a theoretical base for further studies on enterprise economic security, such research is very often disconnected from research of western colleagues. Those few papers recently published in English, e.g. [1], [4], [5], [6], [7], [8] in addition to some translated works or extended abstracts have not yet created a critical basis to attract attention of the world science.

Finally, there is a question about legitimacy asked by the well-known security researcher Buzan and his colleagues [9]. In their book, Buzan et al., adhering mainly to a neutral position, discuss the main problems related to the legitimacy of considering a firm as a security object, or rather, an object of economic security [9]. This clarification is very important because the economic aspect itself, in conjunction with security, has already a high degree of politicization, as Buzan asserts. It is necessary, of course, to make an amendment to the fact that Buzan mostly talked about the securitization of a firm from the state’s bell tower, while the majority, if not one hundred percent, of scientists who write on the economic security of the enterprise, position themselves at the level of enterprise management.

At the same time the researchers argue that organizational security cannot be compared to security of a state or an individual, since “firms rarely have a strong claim to a right of survival” [10, p. 38]. There are no existential threats in case of firm security. Even though one organization or enterprise disappears, the others will continue their operation and unemployed people can find jobs there.

One of the key arguments of Buzan’s critics is the instrumental nature of the firm [9]. Firms arise to help some people who create them to reach their goals. In the case of an individual, the importance of economic security seems much more obvious especially when it comes to meeting the vital need for food and ensuring basic physical survival. At the same time, it becomes more difficult to justify the importance of the same problem in a prosperous society, and in this case, the boundaries of the concept will expand to levels of more and more high human needs that can be achieved through the effective functioning of the economic system.

Simultaneously, Buzan et al. agree that good reasons for which a particular enterprise or organization can be considered an object of economic security may be, for example, the strategic importance of an enterprise, its city-forming function, or, as was the case with Privatbank in Ukraine, its weighty market share and the financial, economic and social risks associated with it. Again, Buzan et al. discussed a possibility to bring the issue of security of a separate enterprise for consideration by political leaders [9], his focus was from above rather than from inside of the enterprise.

A completely different picture is observed in the post-Soviet space, where scientists continue to offer more and more new definitions and components of economic security of the enterprise. It is ever possible to find any discussion about legitimacy of the concept since the focus is from inside of organization and all propositions assumed to be used by business managers.

Moreover, while the Western scientific world is still on the stage of legitimacy discussion, Eastern European enterprises are actively opening the positions of managers, specialists and directors of economic security. Nobody even doubts the need in such person. This situation creates interest in further analysis of the requirements the enterprises put forward to the specialists / managers of the departments of the economic security of the enterprise and comparison of this practice with the theoretical discussions.

It is difficult to argue about correctness of the position of one or another group of researchers. At the same time, we should admit that further research will bring additional light on important theoretical and practical considerations of the concept of enterprise economic security. When research of Y. Shutyak, O. Danylenko and D. Van Caillie focuses mostly on theoretical consideration of definitions without questioning the issue of legitimacy of the concept, we would like to explore a real world situation and expect to get some insights on question of legitimacy research on economic security of an enterprise.

We structure the paper in the following way. First, we explain our choice of research strategy and methods of data

collection and data analysis. Second, we critically discuss definitions of enterprise economic security and its components suggested by scientific literature. Third, we present findings of our exploratory analysis of job ads related to enterprise economic security roles. Finally, we compare the needs and requirements of business with propositions of scientific literature and formulate conclusions regarding the future of research in the area of enterprise economic security.

II. METHODS

This is an exploratory research which is based on qualitative analysis of secondary data. It means that we seek “illumination and understanding” and not “causal determination, prediction, [or] generalization” [11] as quantitative researchers do.

To understand how the interpretation of the concept of enterprise economic security corresponds to business reality, we decided to compare the main requirements to the managers and specialists in the area of economic security with theoretical developments. With this purpose, we collected 11 vacancy announcements on the rabota.ua website, a leading job market platform in Ukraine where companies publish their vacancies and job seekers can apply for a job. We found these announcements with the key words «економічна безпека» (ukr) and «экономическая безопасность» (rus) meaning «economic security. The web site allows selecting vacancies published during last 30 days maximum and filtered by a separate region or all Ukrainian regions. We chose the last option. Further, we focused only on commercial or manufacturing companies and excluded governmental, non-governmental organizations, and banks that have their own specifics. We summarize the main characteristics of the selected job ads in Table 1.

TABLE 1. CHARACTERISTICS OF SELECTED ADS RELATED TO ENTERPRISE ECONOMIC SECURITY ROLES^a

Ads	Position	Industry
1	Specialist in Economic Security	Construction of complexes for grain storage and processing
2	Specialist in Financial and Economic Security	Retail
3	Specialist in Economic Security	Distribution of food, and drinks
4	Specialist in Financial and Economic Security	Wholesale, distribution, import and export
5	Specialist in Economic Security	Import and sale of ceramics and sanitary ware
6	Specialist in Economic Security	Retail chain
7	Analyst of Security Department	Grocery retail chain
8	Manager, Economic Security	Production of bread and bakery products
9	Specialist in Corporate Investigations	Metallurgy
10	Analyst for Economic Security Department	Tube production
11	Head of Economic Security Unit	Pharmaceutical

^a. the table is built by the authors

The study includes several stages. First, we analyzed the components of enterprise economic security suggested by other researchers. Second, after having collected 11 vacancy announcements for managers or specialists in the field of enterprise economic security we analyzed these vacancies

against the components of enterprise economic security previously identified in the scientific literature. For this analysis, we reduced raw data have extracted information about company size, industry, title of the position and

Finally, we discuss the findings through the prism of the current theoretical development and business needs focusing on similarities and differences and arguing about the future of research in the area of enterprise economic security, main requirements to the candidates and main responsibilities. We excluded from our analysis data about work conditions that we find irrelevant to this research.

The analysis of vacancies for managers of economic security includes only 11 ads from one website and the analysed announcements exclude several industries and geographically limited only to Ukrainian regions without occupied territories. Moreover, theoretical considerations include mainly research of Ukrainian authors. The usage of all these filters may raise concerns about representativeness of the research results.

Indeed, to claim for representativeness we will probably need to modify research strategy by adding more statistical analysis and additional arguments. However, we would like to remind that this research is qualitative exploratory study that aims at formulating recommendations for further research in the field of enterprise economic security through comparison of theoretical propositions with business needs and requirements of job market in Ukraine. Therefore, the chosen research strategy and methods allows reaching the main goal of this research.

III. COMPONENTS OF ECONOMIC SECURITY OF ENTERPRISE

About five years ago Y. Shutyak, O. Danylenko and D. Van Caillie [1] conducted a detailed analysis of the definitions of the enterprise economic security proposed in dissertations of Ukrainian scientists. The results of this study demonstrated both discrepancies and similarities in the positions of Ukrainian scientists regarding what constitutes economic security of enterprise and what areas of the enterprise's activities it concerns.

The views on how to define economic security of the enterprise and what components to include differ among researchers [1], [8], [12] When the concept emerged, one of the dominant approaches was an approach that linked economic security with the physical safety of the tangible and intangible assets of the enterprise, and sometimes physical security of owners and managers of the enterprise. Also most often, scientists connect this concept with threats, performance, development, external environment, stability, interests, and achievement of goals, protection of resources and capital, reproduction, losses, adaptation and the system. Thus, some researchers adhere to a narrow profitability approach or reproduction approach where the main criterion of enterprise economic security is minimum profit sufficient for simple reproduction [1], [3], [4]. Others argue for importance of investments and innovations. And again another group of researchers focus on sustainability and social responsibility as the main criteria or condition of economic security of the enterprise.

In most cases, researchers often agree that economic security of the enterprise comprises several components.

Defining components of such abstract term as security allows researchers easier operationalization and consequently measurement of economic security of the enterprise. The list of such components has not changed much during last decade, and in addition to prevention of material losses, include financial, personnel, technical and / or technological, and information components. Some new research works propose more extended list of the components of enterprise economic security that reflect current trends and problems in business world. Thus Y. Yarova and P.Artemenko [13] support the idea that separate legal, energy, innovation, social, intellectual and non-productive components - market safety and interface security - should be included in the conceptual framework. Very similar but slightly shorter is the list of components in the work of O. Khryniuk and M. Korchovna [14], in which it is alleged that the components are personally allocated by the authors, but in fact the authors supported the tendencies in the development of the concept of the enterprise economic security that predominate now.

Some definitions of enterprise economic security are congruent with the definition of corporate security. M. Cabric in his recent book on corporate security management suggests several pillars of security that include physical, technical human, information, communication, procedures, management (control) [15]. Most of these pillars are identical to those discussed in research on economic security of the enterprise.

To conclude, the most common theoretical approach to interpretation of economic security of the enterprise is representation or operationalization of this concept by splitting it into several interrelated components that reflect the main functions within the enterprise, main sources of threats and/or ethical side of business operation.

IV. REQUIREMENTS OF JOB MARKET

While some Ukrainian universities had master degree program "Enterprise Economic Security" or Corporate Security, the requirements to the candidates on the roles of specialists in enterprise economic security include a wider list of possible education background that very often have in one line law, economics and/or management (including business economics or Economy of Enterprise), civil safety, or information security. At the same time, 11 analyzed vacancies clearly state that the candidates must have or would preferably have experience of work in state security or police services. Moreover, the requirement to have a good knowledge of Ukrainian criminal, administrative, commercial law obviously opens the door to the candidates rather with legal than economic background.

As the analysis of the selected vacancies shows, the main focus of enterprises is material security, protection of commercial secrets and business reputation. The activities of experts on economic or financial and economic security are primarily related to the prevention of threats from other stakeholders - employees, competitors, and other counterparties - which, in the first place, can deliberately damage the material and intangible assets of an enterprise. In other words, it is primarily about economic crimes.

One of the analyzed ads includes as the first responsibility "identification and study of real and potential

risks for economic, financial and material assets activities of the enterprise". The successful candidate will need to implement a risk monitoring system, develop plan of actions to eliminate threats, and assure protection of legal rights of the enterprise in relations with the state and business partners. In other words, the role comprises responsibilities of an economist, lawyer, and security officer.

Remarkably, none of the analyzed job vacancies mentions ecological dimension of economic security in the role description. It could be that "risk monitoring" or "threats elimination" may assume work with the state service responsible for ecological issues but the role descriptions do not include this information. The same comment is relevant to the issue of information security. Even though, specialists and managers in economic security are responsible for protection of business secrets, the main responsibility for cyber security and stable work of information systems is on IT specialists. Economic security department may cooperate with IT department but differs from it.

Predictably, business focuses less on philosophical aspects of security and more on actions that must be taken to assure stable work of the company.

V. DISCUSSIONS AND CONCLUSIONS

The research allows pointing out to several phenomena. Some components of enterprise economic security suggested by scientific literature indeed correspond to those responsibilities that are included in job ads in the field of enterprise economic security. Among these components, we should mention physical security, work with personnel, and work with partners and counterparts and prevention of potential or real threats originated internally or externally to the firm. At the same time, many studies on economic security focus more on the continuity or sustainability of the business. Notwithstanding a large spectrum of responsibilities of specialist or manager in economic security, continuity or sustainability of the business are not reflected in job ads and even if they are assumed, we would recommend to include additional explanation of these terms and expected activities with this regard. Neither Ukrainian researchers nor business managers discuss the question of legitimacy of the concept. At the same time, it seems to be natural for business managers to think about security of their business and a specific situation justifies need in securization of various dimensions of security.

Corporate security and economic security are terms that are very often used interchangeably by both business researchers and business managers. When some Ukrainian researchers tried to draw limits and find a difference between these terms, most researchers around the world do not use the term "economic security" and rather prefer to operate with "corporate security" when it comes to discussion of security through the lens of business management. In this situation, a

deep rigorous research would be valuable to bring additional strong arguments for or against legitimacy of utilization of the concept of economic security in relation to a business organization. Not to wait for result of such philosophical discussions, Ukrainian researchers can choose to abandon the concept "enterprise economic security" and switch instead to "corporate security" or "firm security" or other concepts that are well known to English-speaking scientific community. Someone can chose instead to elaborate further the concept of enterprise economic security; however, in this case, this researcher must be ready to justify a need in this concept and its research and practical advantages over existing concepts that is already a challenging task when economic nature is in the core of any business organization and any activity of this organization implies influence on organizational security or insecurity.

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