Competition management as an element of providing economic safety of enterprises in Ukraine

Zarządzanie konkurencyjnością jako element zapewnienia bezpieczeństwa ekonomicznego przedsiębiorstw na Ukrainie

Antonina Kalinichenko
Department of Process Engineering, University of Opole, Poland

Oleg Gorb
Department of Ecology, Environmental Protection and Sustainable Use of Natural Resources, Poltava State Agrarian Academy (PSAA), Ukraine

Ilona Yasnolob
Department of Entrepreneurship and Law, Poltava State Agrarian Academy, Ukraine

Abstract. The actual problems of competitiveness management as the component of providing economic safety of enterprise are studied in the article. On the basis of analysis of scientific approaches to the definition of the "economic safety" concept, its main local features have been determined. The structure and content of functional components of economic safety are analyzed and their value for providing effective work of Ukrainian enterprises is also justified. The classification of potential threats of different levels for Ukrainian enterprises has been developed.

The place of economic safety in the general strategy of enterprise operation is defined. Evaluation of presuppositions and current state of economic safety of enterprises is performed, and the strategic priorities and mechanisms of strengthening of economic safety in Ukraine are justified in this article.

Keywords: competitiveness • economic safety • threats • market • enterprise • system • principles

Streszczenie. W artykule omówiono aktualne problemy zarządzania konkurencyjnością przedsiębiorstw w celu zapewnienia ich bezpieczeństwa ekonomicznego. Przedstawiono
analizę naukowych podejść do definicji pojęcia "bezpieczeństwa ekonomicznego", określono jego główne cechy lokalne. Przeprowadzano analizę struktury i zawartości składników funkcjonalnych bezpieczeństwa ekonomicznego oraz uzasadniono ich rolę w zapewnieniu efektywnej pracy ukraińskich przedsiębiorstw. Opracowano klasyfikację różnych poziomów potencjalnych zagrożeń dla ukraińskich przedsiębiorstw.

Określono miejsce bezpieczeństwa ekonomicznego w ogólnej strategii funkcjonowania przedsiębiorstwa. Dokonano oceny założeń i aktualnego stanu bezpieczeństwa ekonomicznego przedsiębiorstw, uzasadniono strategiczne priorytety i mechanizmy jego wzmocnienia w ukraińskich warunkach.

**Słowa kluczowe:** konkurencyjność • bezpieczeństwo ekonomiczne • zagrożenia • rynek • przedsiębiorstwo • system • zasady

### Formulation of the problem

In conditions of integration of Ukrainian economy into the world economic area and considerable financial instability, effective management of enterprise implies the search and development of viable mechanisms of providing economic safety at sufficient level of its competitiveness (Ivanyuta and Zaichychsky, 2009; Vasyltsiv et al., 2012; Mokiy and Datsko, 2017).

This problem is particularly acute nowadays, when Ukrainian economy is undergoing the difficult period of its formation, which is characterized by unstable political and economic situations and transformational processes, which are connected with the overcoming of crisis phenomena in all spheres of life of society. All these things create certain threats, which may cause the loss of financial solvency, unprofitability or even bankruptcy of enterprises. Furthermore, the strengthening of competitive struggle, imperfection of the current legislation, low investment attractiveness, deficiency of financial resources, loss of market outlets (that is caused by the low competitiveness of products), requires of Ukrainian enterprises to significantly increase their economic safety.

### Analysis of the recent researches and publications

Economic safety of enterprise is the condition of protectability of its activity from the negative influence of external environment, and also the ability to quickly eliminate the threats, to adapt to the present conditions, which have negative influence on its activity. The content of this concept includes the system of the measures, which provide competitiveness and economic stability of enterprise, and also help to increase the level of prosperity of workers (Kuzenko, 2004; Vasyltsiv, 2008; Varnaliy, 2009; Kuczyńska-Cesarz, 2016; Makalyuk and Gavriloa, 2016; Markina and Potapiuk, 2017).

In confirmation of this thought, Fathurdinov (2006) point at the obvious connection between the economic safety of enterprise and its competitiveness. According to his opinion, high competitiveness of enterprise is the pledge of its strong economic
Competitiveness management as an element of providing economic safety of enterprises...

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safety. Other scientists consider competitiveness as the direct result of strong economic safety of enterprise, which is one of the significant factors of the steadfast stance of enterprise at the market that allows to hold it during the certain period of time (Gregorio and Guidotti, 1995; Mierzwa and Zimmer, 2016).

Casson (2000) notes that economic safety is one of characteristics of competitiveness of enterprise that guarantees the corresponding efficiency of functioning of business entity, which stipulates the safety of functioning of enterprises at the industry level, helps the optimum process of formation of indicators of assets, expenses, income and financial results.

Researches of Kadocsa and Francsovics (2011) prove that strategic economic safety defines the ability of enterprise to successfully develop, characterizes its competitiveness and economic potential, and also the presence of market opportunities and resources at disposal of enterprise, the use of the latest technologies and equipment in production, the possibility of access to the main raw material and energy resources, the presence of qualified personnel, etc (Gregorio and Guidotti, 1995).

Economic safety of enterprise, according to Metelev (2014), provides the sustainable development that is achieved due to the use of all types of resources and entrepreneurial opportunities, at which it is guaranteed their most effective use, prevention of internal and external negative impacts and threats. For example, Stennek and Verboven (2001) characterize competitiveness of enterprise as the mechanism of effective use of competitive advantages with the purpose of achievement the strategic goals of financial and economic activity and meeting the social and economic demands of consumers.

The category «economic safety» also closely correlates with the concept of competitiveness of enterprise. Thus, Inglehart and Abramson (1994), while justifying the essence of the concept of competitiveness of enterprise, proves the necessity to put into it the quantitative and qualitative characteristics of activity of the business entity, which are capable to provide the manufacture of competitive products. The author also suggests to combine in this category the concepts of productivity and effectiveness, as the ability of entity to form and use the knowledge system in real time and in the long term, running ahead of already existing and potential competitors. From the represented definition are really observed the similar characteristics between competitiveness and economic safety of enterprise. Moreover, it is possible to find out many identical approaches to justification of the essence of the analyzed concepts in the scientific works on the problems of competitiveness.

Despite the substantial reserve of the mentioned above scientists, the change of environmental conditions and the influence of internal and external threats amplify the expediency of improvement of management system of competitiveness as the element of state estimation and providing economic safety of enterprise. Precisely in this context, in our opinion, the problem of justification of interrelation between the economic safety and competitiveness of enterprise is not adequately investigated.

The purpose of the article is to determine the features of formation and improvement of management system of competitiveness as the basic element of providing economic safety of enterprise; establish favorable factors, challenges and threats; justify the mechanisms and methods of system management of its development.
Presenting of the main material

According to the authors, the successful development and functioning of any business entity considerably depends on the level of its competitiveness and the presence of its effectively operating management system, which, in turn, reflects the general condition of economic safety of enterprise. Lack of the single approach to management of economic safety in Ukraine causes the need to systematize and justify methodological principles of its complex analysis, form the system of indicators and choose the methods of estimation of economic safety of enterprise (Kuzenko, 2004; LIGA-zakon, 2007; Vasyltsiv, 2008; Makalyuk and Gavrilova, 2016).

In our research, we have studied the operation in the crisis period of 65 Ukrainian enterprises with different forms of ownership. The enterprises are located in the central-eastern part of Ukraine. It was noted that an enterprise with a well-balanced system of economic safety will allow not only to retain their own market share in crisis conditions, but also to get the advantage over competitors that will promote the formation of competitiveness of enterprise in general. This tendency is especially characteristic for small and medium-sized agrarian and processing enterprises.

In the modern market conditions, enterprises have a free hand, and they function as an open system. They autonomously form economic policy, organize the processes of manufacturing and sale of products, bear responsibility for results of their activity. However, during the process of carrying out of industrial and economic activity, enterprises are affected by environmental factors, which surround them. Quite often this influence has destabilizing character and hinders their development. This leads to decrease in volumes of products, weakens positions of enterprise at the market and lowers the level of efficiency of its functioning.

Negative action of factors of the economic environment in Ukraine is amplified amid the continuous changes of regulatory and legal framework, the low level of investment attractiveness and the increase of national and international competition. Such conditions induce manufacturers to search for new effective and viable mechanisms of protection of enterprises, increase of level of their competitiveness, minimization of risks and providing economic safety of their functioning. All these things, to the great extent, demand from the owners and heads of enterprises the application of complex measures, which are focused on providing economic safety of business and formation of complex system of economic safety at enterprise.

Generalizing the works on the problems of competitiveness, we come to conclusion that competitiveness, acting as the system and complex characteristic, nevertheless characterizes the current state of the business entity and its certain short-term prospects. At the same time, unlike the competitiveness, the category of economic safety of enterprise is much broader, because it includes not only the physical safety of the property and interests of enterprises, but also the ability to develop. Besides this, it is necessary to put into the basis of this concept the ability of enterprise to effectively and safely function not only today, but also in the future, in accordance with its mission, purposes and tasks.

Synthesizing from the above mentioned, it may be claimed that this economic category is rather complicated and connected with all indicators of estimation of
the state and operating efficiency of enterprise. It requires exceptionally systematic approach to its measurement, and also the detailed study of its interrelation with such integrated economic categories as competitiveness, potential, financial viability and risk tolerance of enterprise (Bashynska, 2014; Serebryakova et al., 2016).

It should be noted that in the modern economic literature, while justifying the essence of economic safety, the most commonly used is the resource-functional approach. Its supporters consider economic safety of enterprise as “...the state of the most effective use of corporate resources for prevention of threats and providing the steady functioning of enterprise at present and in the future”. This concept considers economic safety through the set of its components: financial, technical and technological, product, legal, power, information, personnel and ecological safety (Charnes et al., 1972; Varnaliy, 2009). Exactly because of this, for detailed consideration of interrelation between competitiveness and economic safety of enterprise, we suggest to consider the components of the last one, which are reflecting realities of the modern functioning of enterprise most fully (Tab. 1). For real providing of each component of economic safety, it is necessary to solve the problem of competitiveness, which is the ability of enterprise to effectively perform its functions in conditions of competitive environment, while assisting to satisfy the interests of the main concerned parties. This difficulty may be solved due to the use of the modern technologies and the process approach to the management of enterprise (Heyets et al., 2006; Markina and Potapiuk, 2017).

It is revealed that the use of the process approach to the management of competitiveness allows to develop the strategies, which are focused on providing the economic safety of enterprise. They are oriented either on prevention of threats, or on the counteraction to the threats of economic safety of enterprise. Such strategies are directed, first of all, on prevention of transformation of destabilizing factors into the threat to the safety of enterprise; putting out of action the already existing threats and restoration of the safe state of objects (by compensation of losses). Therefore, in our opinion, it is useful to consider the phenomenon of economic safety through the prism of threats, which are having the most exact impact on it.

Thus, economic safety is the condition of protectability of the vital interests of enterprise from real and potential sources of danger or economic threats. The enterprise’s economic security should be considered in the context of loss minimization and preservation of control over the property. As the way of providing economic safety of enterprise, it is offered such construction of the system of protection of its economic interests, in which main attention is paid to the questions of fight against unethical competition, providing of information safety and legal protection of intellectual property.

Definition and classification of threats of enterprise economic safety are useful by its levels – international, national, regional, local (Kuciński, 2015). On Figure 1 we systematized the most significant potential threats for Ukrainian enterprises on different levels (on the basis of Pashnyuk (2013), Loyko (2015), Kuznetsova and Kuehne (2015)). We are interested exactly in the last component, which allows to solve the problem of dependence of enterprise’s economic safety from its competitiveness. As the experience of the last years shows that not all Ukrainian enterprises are ready
to conduct the competitive struggle under uncertainty, unpredictability and riskiness (Nikolayuk and Nykyforchuk, 2005; Heyets et al., 2006, Muntiyan, 2009; Mokiy and Datsko, 2017). Because even the presence of competitive products does not allow for many of them to implement this advantage effectively.

**Table 1.** Structure and content of functional components of economic safety of enterprise

<table>
<thead>
<tr>
<th>Functional components</th>
<th>Content of the functional components of economic safety of enterprise</th>
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<tr>
<td>Financial and insurance</td>
<td>providing effective use of financial resources and minimization of risks due to insurance</td>
</tr>
<tr>
<td>Production and technological</td>
<td>providing the technological independence and achievement of high level of production potential, basically due to updating on the innovative and investment basis</td>
</tr>
<tr>
<td>Product</td>
<td>assumes the provision of appropriate level of quality and competitiveness of products</td>
</tr>
<tr>
<td>Management</td>
<td>achievement of high efficiency of management, optimum and effective organizational structure of enterprise management</td>
</tr>
<tr>
<td>Market</td>
<td>characterizes the quality of conformance of internal possibilities of development of enterprise to the external ones, which are generated by the market environment</td>
</tr>
<tr>
<td>Information and consulting</td>
<td>providing the information protection, effective level of information and analytical and consulting support</td>
</tr>
<tr>
<td>Logistic</td>
<td>formation of close bilateral interrelations, by putting into movement the material, financial and information flows on micro and macro-level</td>
</tr>
<tr>
<td>Intellectual and personnel</td>
<td>providing the safety of personnel, and also creation of conditions for providing the personnel skill level and its intellectual potential</td>
</tr>
<tr>
<td>Interface</td>
<td>it is connected with the non-productive positioning of enterprise in external environment</td>
</tr>
<tr>
<td>Ecological</td>
<td>assumes compliance with the environmental standards of technology and product release, minimization of expenses of enterprise on environmental pollution</td>
</tr>
<tr>
<td>Political and legal</td>
<td>characterizes the effective and universal legal groundwork of activity and the accurate observance of all aspects of existing legislation by enterprise and its employees</td>
</tr>
<tr>
<td>Power</td>
<td>characterizes the level of safety of enterprise on the part of security service and provision of the safety of commercial interests</td>
</tr>
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</table>

*Source:* Author’s study based on Dąbrowski (1989); Vasyltsiv et al. (2012), Pashnyuk (2013), Kamlyk (2005)

*Źródło:* autorów opracowanie własne na podstawie Dąbrowski (1989); Vasyltsiv et al. (2012), Pashnyuk (2015), Kamlyk (2005)
The weakening of competitive safety of Ukrainian enterprises is also indicated by: reduction of the market share, which enterprise is occupying; deterioration of the competitive positions and ability to counteract the competitive pressure; decrease of adaptive abilities of enterprise to the changes of market situation, underrun from the market requirements (Vasyltsiv, 2008; Varnaliy, 2009; Vasyltsiv et al., 2012; Mokiy and Datsko, 2017).

The most important factors, which have influence on the economic safety of enterprise in Ukraine, are the level of perfection of the legal framework, the tax level, the access to world market outlets, the investment attractiveness of the region, etc (Nikolayuk and Nykyforchuk, 2005; Muntiyan, 2009; Brzozowska Dacko, Kalinichenko, 2015). But, first of all, the safety of enterprise depends on the economic safety of the state, region, as

**Fig. 1.** Most significant potential threats for Ukrainian enterprises on different levels

**Ryc. 1.** Najważniejsze potencjalne zagrożenia dla ukraińskich przedsiębiorstw na różnych poziomach


it is based on their financial, raw materials and production potential and development prospects. And the presence of multilevel concept of development of economic safety of the business entities of all levels gives the opportunity to provide predictability of external threats by enterprises (Kalinichenko, Vakulenko, Galych, 2014).

At the transitional periods of development of the Ukraine’s economy, researches of macroeconomic aspects of economic safety of the country are dominating. Thus, the management decision making in the sphere of providing economic safety of enterprise is influenced by the changes in the system of management, particularly, by the legislative and legal framework, the socio-political situation in the country, relationships with other market entities, etc., and also by the number of factors of financial and economic, ecological, social and organizational character (Brzozowska, 2015). After all, economic safety of enterprise has the dual character: on the one hand, it provides an opportunity of its own functioning, on the other – it is the part (element) of economic safety of the system of the highest level and it is the entity, which provides the execution of functions by the region, state (Loyko, 2015; Heyets, et al., 2006; Kadocsa and Francsovics, 2011).

On the basis of the mentioned above, it is defined the place of competitiveness in providing economic safety of enterprise and in the general strategy of its functioning (Fig. 2).

Therefore, the competitiveness management in the system of providing economic safety of Ukrainian enterprises must be oriented on solution of the following tasks:

- improvement of the regulatory and legal framework of development of competitive environment;
- estimation of competitiveness of enterprise must be based on the fundamental principles of providing economic safety;
- development of consumer demand for products and services by introduction of innovative quality standards;
- estimation of competitiveness must be conducted on the basis of rating of economic indicators;
- encouragement of enterprises to develop the global strategy towards development prospects, enhancement of efficiency and competitiveness;
- level of competitiveness must be estimated in dynamics, which will provide the possibility to forecast the changes of economic safety formation in the future;
- while performing estimation, it is necessary to take into account the reasons of quantitative and qualitative changes in enterprise activity to provide the effective management decision making.

To achieve the long-term success, the work on providing competitiveness must be conducted in complex, with taking into account all spheres and aspects of enterprise activity. The enterprise must continuously conduct researches of the tastes and preferences of consumers, and also monitor successes of the most significant competitors, for adjustment of indicators of their own activity. At the entry of new competitors, at making decisions on expansion of production (or its curtailment), at investing into modernization of equipment (or updating of products), it is necessary to conduct the integrated assessment of enterprise, not only of the separate type of products.
Fig. 2. The place of competitiveness in the system of providing economic safety of enterprise and in the general strategy of its development

**Ryc. 2.** Miejsce konkurencyjności w systemie zapewniania bezpieczeństwa ekonomicznego przedsiębiorstwa oraz w ogólnej strategii jego rozwoju

Source: Author’s study based on Blank (2009), Hacker, Rehm, Schlesinger (2013), Law of Ukraine № 964-IV (2017), Makalyuk and Gavrilova (2016)

Improvement of position at the international market implies the essential enhancement of efficiency of economy on the basis of introduction of new technologies of manufacturing and management, which are focused on continuous updating of output products and substantial improvement of its quality. The defining factor of competitiveness of Ukrainian enterprises at the international market should become the presence of conditions for formation of their steady competitive positions in the rating of the world competitiveness of the companies. According to the Global review of competitiveness (Global Competitiveness Report) at 2014–2015 years, Ukraine takes the 84th place in the rating of competitiveness (Schwab, 2014).

For maintenance of the high international competitiveness of Ukrainian enterprises, it is necessary to use all resources of enterprise more productively, than its international competitors. It implies at the same time, that enterprise must occupy the steady place at the international market, and its production must be of steady demand for foreign consumers. For this purpose, the management of Ukrainian enterprises needs to pay more attention to the policy of economy management, to monitor the changes at the international markets in due time, to perform the corresponding transformations in the system of manufacturing and realization of goods.

Thus, having considered competitiveness management of Ukrainian enterprises at the international markets, it should be noted that the important background of its providing is the development of optimal management decisions for formation of positive image of enterprise at the international markets.

Conclusions

Summing up the mentioned above, it should be noted that the concept of economic safety is inextricably connected with the concepts of competitiveness of enterprise and competitiveness of products. As the competitive characteristics of products make the competitive advantages, and competitive advantages of enterprise, in return, determine the level of economic safety of enterprise. And in the modern conditions of economy of Ukraine, particularly topical becomes the question of the search of ways of providing the economic safety of enterprise, effective mechanisms of its management and methods of its evaluation.

The fundamental principles of providing economic safety of enterprise must be based on understanding of the essence of these economic categories, professional management and management decision making in due time, system monitoring and threat (negative factors of influence of external and internal environment) identification.

Also it should be noted that economic safety providing directly depends on effective interaction of each of the components: manufacturing, product, social, investment, external-economic, transport, energy, the main of which is the financial one. Not less important is the fact, that the problem of interrelation of the specified concepts is most fully disclosed through the use of modern methods of management at enterprise. In such way, the competitiveness of enterprise is the basis of providing economic safety and is the guarantee of its strong formation, which allows the enterprise to retain the steady positions at the market.
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