

CHAPTER I.

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF ENTERPRISES' TRANSITION TO INNOVATIVE DEVELOPMENT.

1.1. ECONOMIC SECURITY AT THE UKRAINIAN AND MOLDOVAN ENTERPRISES

Introduction. In the conditions of financial and economic crisis during a pandemic in the world. Ukrainian and Moldovan enterprises operate in conditions of uncertain and incomprehensible changes in a competitive market, as well, as under imperfect financial, economic and organizational and legal mechanisms for providing funding security. Business entities interact with numerous counterparties, who pursue their own interests and create obstacles and threats environment. Ways to ensure the economic security of the enterprises must be formed and implemented by solving complex problems, which are related to the difficulties of control and worldview today.

The environment in the system of economic security of the enterprise, for comparison of changes in dynamics, assessment of the state, quickly makes making management decisions depending on the field of activity. Achieve a high level of economic security as an element of the state economic security is to combat fraud, corruption and abuse of office. Ensuring the economic security of an individual helps strengthening economic security in the country as a whole and counteract various types of economic fraud.

According to ACFE data, approximately 5% of company income is lost as a result of fraud cases, in Ukraine, according to Kreston GCG, this figure makes up 5-15%. According to the KPMG research data, Ukraine occupies the 6th place in the field of robbery and fraud operations committed by the company employees. The annual loss of the income because of illegal action may constitute 7%. Almost 80 % of the losses in Ukrainian companies are the deliberate actions or those neglecting the official duties by a certain number of the employees. In the course of the

research, it was found that 56% of the companies pointed to the fact that they don't have a legal system to counteract economic and financial fraud, 37% of the companies recognize the formal scheme to counteract the fraud. About 80% of the losses are done by the staff of the company themselves. Only 20% of the computer hacking comes from outside. All in all, these problems may cost the company from 6 to 9% of the income. [1, p. 248-249]

The economic security of the enterprise significantly affects the dynamics of the national economy as a whole. In modern conditions, companies are forced to produce less. Demand has declined significantly, and many contracts with foreign partners have been terminated. The population consumes less impulsive goods, invests less in deposits, are unable to repay loans and mortgages. Moldova has a small and open, cash-based economy and remains one of the poorest countries on the European continent. The agricultural sector of the economy is development in Ukraine and Moldova.

Materials and methods. The methodological basis of the study are general scientific methods, namely: the method of logical generalization, dialectical method, tabular method, graphical method, synthesis, induction, deduction. The information base of the research when writing the article were, in particular, the following sources: textbooks, scientific professional articles, materials of dissertation research.

Analysis of recent research and publications. Issues of economic security of the enterprise were studied by: E.V. Aref'eva [5], V.G. Al'kema [11], I.V. Bol'botenko [17], G.V. Blakita [19], G.A. Zhitar [22], M.O. Ivashchenko [9], L.O. Korchevs'ka [14], L.S. Kozak [13], V.V. Krutov [4], A.V. Sitnik [18], O.O. Sosnovs'ka [22], M.B. Tumar [7], O.V. Fedoruk [13], K.S. Fen' [1], L.G. Shemaeva [6], O.S. Shnipko [7], O.F. Yaroshenko [9] and others.

The lay out of the contents and giving grounds of the research. The economic security of an enterprise is derived from the more general concept of "security", which is of Greek origin and means "to own the situation" [2, p. 19].

Determining the economic security of the enterprise, to better understand, we will explore the views of economists (Table 1.)

Table 1- The economic security definitions

<i>Author</i>	<i>Approach</i>
V.V. Krutov [3, p. 50]	state of protection from the negative impact of external and internal threats, destabilizing factors, which ensures the sustainable implementation of the main commercial interests and goals of the statutory activities of the enterprise
E.V. Arefieva, E.YU. Litovchinko [4, p. 96]	protection from the negative impact of external and internal threats of the enterprise
L.G. Shemaeva [5, p. 32]	interest`s consistency of enterprise`s cooperating, taking into account the position of all stakeholders, prevention of interest`s conflict
M.B. Tumar [6, p. 14]	ensuring the economic stability of the enterprise, its ability to live in difficult competitive conditions of a market economy
G.A. Ivashchenko, O.F. Yaroshenko [7, p. 130]	resource efficiency, production system, economic development
V.G. Al'kema [8, p. 9]	the state of protection of interests, rights, resources and other tangible and intangible objects that are valuable to the subjects of economic security of the enterprise, from internal and external threats
L.S. Kozak, O.V. Fedoruk [9, p. 72]	the state of the most efficient use of economic resources to prevent threats and ensure the stable functioning of the microeconomic system
L.O. Korchevs'ka [10, p. 44]	complex system that interacts with the external environment and is in constant

	development using an interactive method of system analysis
I.V. Bol'botenko [11, p. 152]	search for optimal management decisions aimed at reducing the tax liability within the law
Author's approach	the process of enterprise`s development in the presence of production resources, sufficient structure of assets and capital, which is provided at all stages of production and economic activity, taking into account external and internal threats and factors that has negatively affect the protection of its potential.

These approaches of economists give the opportunity to understand the different views of the problem of economic security of the enterprise. Sytnyk A.V. analyzes the socio-economic situation in Ukraine in order to assess the implementation process of economic part of the National Security Strategy of Ukraine [12, c.24-37]. That is, this approach reflects the impact of social and economic situation in the country on the economic security of the enterprise and, conversely, the development of an individual enterprise affects the national security of the country.

A similar view is held by G.V. Blakita, T.V. Ganushchak believing that the economic security of the enterprise has a set of economic relations in order to ensure permanent, well-balanced interests of the enterprise and the state, taking into account internal and external factors of influence and time [1, c.24-37]. To comply with the principles of economic security of the enterprise it is necessary to understand the favorable and unfavorable prerequisites for strengthening the economic security of the enterprise. (Table 2.)

Table 2 - Prerequisites for strengthening the economic security of entrepreneurship

<i>Favorable</i>	<i>Adverse</i>
<ul style="list-style-type: none"> - development of entrepreneurial activity of society; - expansion of the middle class and increasing the level of democratization of society; - development programming and business support by public administration bodies at all levels; - mitigation of administrative barriers to access to entrepreneurship; - high level of infrastructure development to maintain and ensure economic security of business activities; - developed system of self-organization of business entities. 	<ul style="list-style-type: none"> - significant negative trends in entrepreneurship and resource efficiency, low investment activity of enterprises; - inefficiency and declarative nature of state and legal regulation and support of entrepreneurship; - financial and resource constraints of local governments; - systemic problems of entrepreneurship development; - imperfection of legislation in the field of business protection

The source: worked out by the authors on the basis of [13, c. 327-347]

Increasing the negative impact of factors on the economic security of entrepreneurship leads to:

- ✓ negative socio-economic consequences (reduction of production (services); deterioration of the competitive environment and rising prices; increasing unemployment and weakening the social security of citizens;
- ✓ reduction of tax revenues to the budget;
- ✓ reduction of the level of democratization of society, entrepreneurial activity and deterioration of public attitude to the policy of public administration, etc.). [13, c. 327-347]

In order to understand the level of dangers on the way to strengthening the economic security of the enterprise, it is necessary to identify favorable and unfavorable factors to strengthen the economic security of the enterprise. (Table 3.)

Table 3 - Factors to strengthen the economic security of entrepreneurship

<i>Factors to strengthen the economic security of entrepreneurship</i>	
<i>Favorable</i>	<i>Adverse</i>
<ul style="list-style-type: none"> - increasing the level of availability of financial and credit resources for enterprises; - reducing the level of energy and resource intensity of domestic production, increasing the level of competitiveness of enterprises; - popularization of products of enterprises in foreign markets; - development of investment activity of enterprises; - development of quality management systems of enterprises; - strengthening the security and protection of enterprises, their staff, trade secrets of enterprises; - improvement of the property protection system. 	<ul style="list-style-type: none"> loss of market position and reduction of the number of operating enterprises in the context of the country's European integration; - increase in resource intensity of production due to rising energy prices; - elimination of the advantages of the subjects of the small business sector provided by the simplified system of taxation, reporting and accounting; -growth of the shadow sector of the economy; -reduction of the level of competitiveness of the economy due to improper innovation activity of national enterprises.

Source: worked out by the authors on the basis of [13, p. 327-347]

To clearly understand the sequence of actions in the dangerous activities of the enterprise, we present an algorithm for ensuring the economic security of the enterprise (Figure1). In

Figure 1 the authors present an algorithm for ensuring the economic activity of the enterprise.

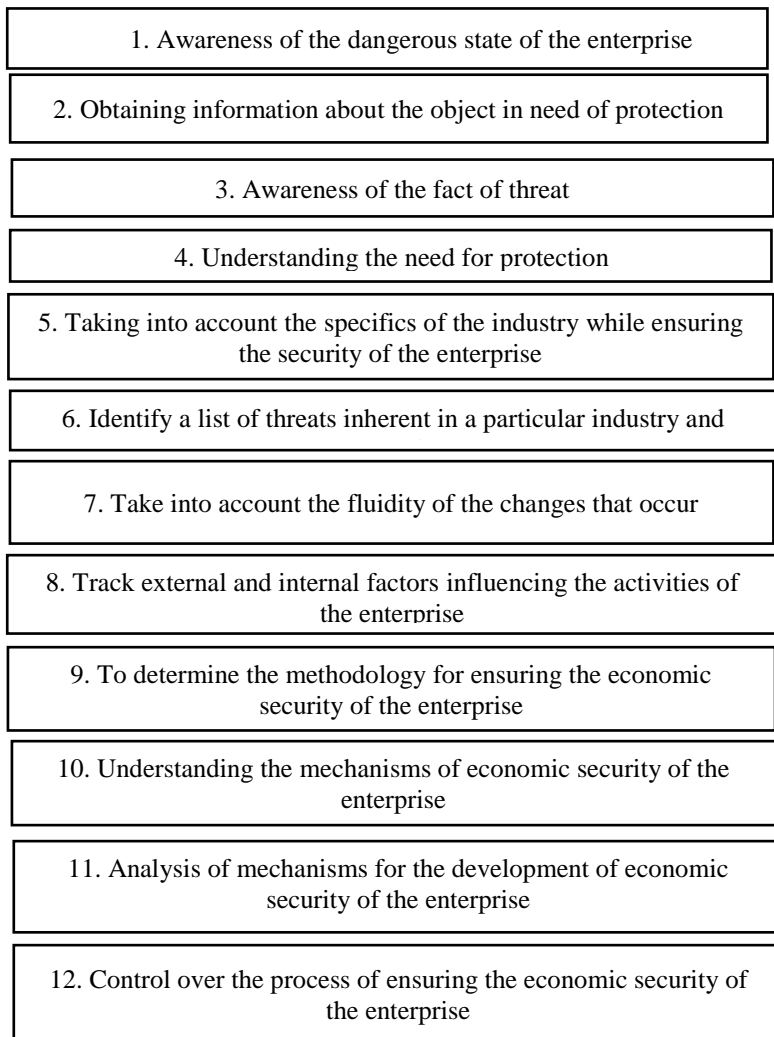


Figure 1. Algorithm for ensuring the economic security.
Source: worked out by the authors

This is a clear sequence of actions that will allow entrepreneurs in the process of the enterprise to ensure a continuous process of dangerous activities with minimal time. This model

makes it possible to accelerate the process of ensuring economic security, taking into account a clear algorithm, mechanism of provision and management. According to the authors, a vulnerable place for economic security of enterprises is the growth of globalization. They make the country's economy vulnerable, dependent and open to dangerous manifestations. The current situation makes it possible to move away from existing rules of conduct, to promote the development of domestic production.

Thus, Sosnovska O.O., Zhytar M.O. believe that today globalization is a very important challenge to the economic security of any country that is to some extent integrated into the economic space – because it violates economic borders and makes the national economy more open to the negative trends of today. Accordingly, if a country does not have an effective mechanism to counteract the negative impact of processes taking place in a changing and interconnected economic space, it becomes vulnerable to the threats of the globalization world. [14, c. 327-347]

Authorities largely recognize the risk of corruption in Moldova. The National Strategy for integrity and anticorruption (2017-2020) analyses in detail the corruption phenomena in Moldova, and builds up a set of actions structured on seven integrity pillars: the parliament; the government, the public sector and local public administration; the Central Election Commission and the political parties; the Court of Accounts; the Ombudsman; and the private sector. However, despite the efforts placed in the fight against corruption, the ranking of the Corruption Perception Index (CPI) did not improve in the recent years.

Table 4 - Corruption Perception Index in Moldova (2014 - 2018)

<i>Year</i>	<i>CPI (0 = high, 100 = low corruption level)</i>	<i>Rank (out of 180)</i>
2014	35	122
2015	33	123
2016	30	102
2017	31	103
2018	33	117

Source: [15]

Having considered table 1. data it is clear to see that the Corruption Perception Index in 2018. Compared to 2014, which is a positive trend for the state. Moldova ranks 103rd out of 174 countries in Transparency International`s perception of corruption.

The 2018 index, with a score of 35 on a scale from 0 (very corrupt) to 100 (very clean). It is reported that the level of bribery in the country remains relatively high – an average of 29 percent through eight public services, while the judiciary, political parties and parliament are perceived as such sectors most affected by corruption Ineffective inspections of power, impunity civil servants on misconduct and government interference in the provision of civilian. It is believed that criminal justice is one of the reasons why the level of corruption in Moldova remains high.

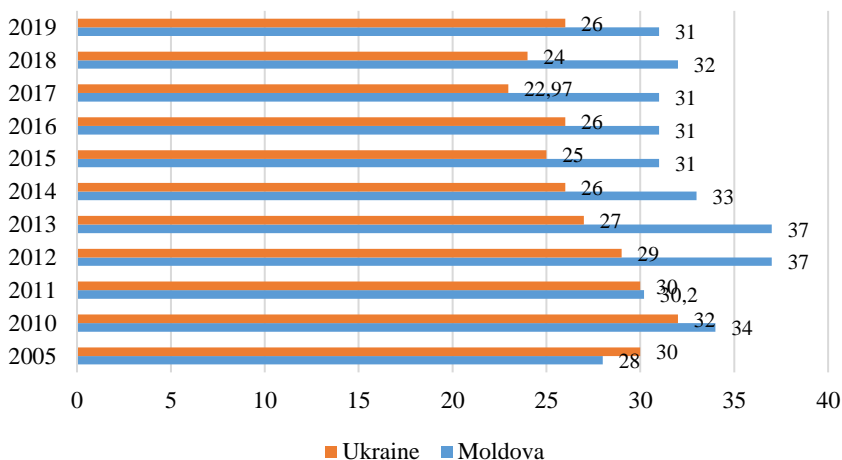


Figure 1. Comparative characteristics of corruption indices of Ukraine and Moldova for 2005-2019

Source: worked out by the author on the basis of [17]

There are a number of anti-corruption laws and policies in place to fight corruption a consistent national law on the disclosure of assets by civil servants was introduced strategies to prevent and combat corruption, conflict of interest law, code of conduct for civil servants, the law on transparency of the decision-making process, the law on national integrity Commissions and tightening sanctions for corruption and illicit enrichment.

Despite these many initiatives, most of the new rules remain largely ineffective due to the lack of clear sanctions for non-compliance or due to limited political will to ensure them. According to Transparency International’s Corruption Perceptions Index 2018, under the previous regime, Ukraine ranked 142 out of 174 countries, with a score of 26 on a scale from 0 (highly corrupt) to 100 (very clean), making it the worst performer of the countries assessed in this report [16].

Table 2 - Political rights and civil liberties in Ukraine and Moldova in 2020

<i>Country</i>	<i>Political Rights</i>	<i>Civil Liberties</i>
Moldova	26	34
Ukraine	27	35

Source: [18]

According to the International Ranking of Countries, Ukraine ranks 127th and Moldova 120th in the terms of corruption. Given the data to figure 1., the level of corruption in Ukraine is higher than in Moldova. Having considered Table 2. Data it is clear to see that Ukraine has higher rates of Political rights and civil liberties compared to Moldova in 2020.

Conclusions:

1. Economic security of the enterprise is a set of economic relations that arise in order to ensure stability, balance of enterprise’s interests with the interests of the external environment.
2. Ensuring the economic security of the enterprise is complicated by the lack of a single scientific system approach, taking into account the specifics of the industry.
3. Moldova and Ukraine should ensure that their business is prioritized threats and vulnerabilities, and take other appropriate risk mitigation measures given the identified risks. Enterprises of Ukraine and Moldova must be provided with sufficient resources and opportunities for more efficient use (financial experts, forensic accountants, information technology (IT) hardware) and IT software). More efforts should be made to increase the efficiency

of asset recovery. Thematic control in the area of anti-money laundering and terrorist financing should focus more on those areas of major importance as a reformed reporting system. The result is proportional and convincing sanctions should be applied by all business leaders.

4. The author presents an algorithm for ensuring the economic activity of the enterprise, which will provide a clear, consistent process of dangerous activities with minimal time. In our opinion, it is necessary: to realize the fact of a dangerous condition of the enterprise; get information about the object that needs protection; determine the specifics of the enterprise; realize the fact of threat; understanding the need for protection; determine the list of threats inherent in a particular industry, individual enterprise; take into account the flow of time; track external and internal factors influencing the activities of the enterprise; to determine the methodology for ensuring the economic security of the enterprise; understanding the mechanisms of economic security of the enterprise; analysis of mechanisms for the development of economic security of the enterprise; control over the process of ensuring the economic security of the enterprise.

5. In addition to the coordinated work of enterprises, local governments and the state, it is necessary to establish a corporate culture from within, starting with a careful selection of staff and a system of employee motivation.

6. According to the authors, the economic danger of the enterprise in the context of strengthening the national economy develops in the absence of systematic, coordinated activities of enterprises, local governments and the state.

7. The authors proposed the following methods to fight corruption in Ukraine and Moldova:

1). Governments and business entities must do more to encourage free speech, independent media, political dissent and an open and engaged civil society.

2). Governments should promote and implement laws that focus on access to information. This access will help to enhance transparency and accountability of company's financial reports.

3). Governments and business entities should take advantage of the momentum generated by the United Nations Sustainable Development Goals (SDGs) to advocate and push for reforms at the national and global level.

4). Governments and businesses should proactively disclose relevant public interest information in open data formats, including disclosure of government budgets, company ownership, public procurement, etc.

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1.2. DIRECTIONS OF IMPROVEMENT OF MOTIVATIONAL MANAGEMENT OF ENTERPRISES BASED ON MOTIVATIONAL AUDIT

Modern enterprises operate in an era of change, characterized by a change of priorities, stagnant rules, and conditions of existence. The emphasis shifts towards the "humanization" of business and society as a whole. The consequence of this is new methods of working with personnel, changing the management style, transforming management functions. Motivation as a function aimed at encouraging staff to act in the new conditions is also undergoing significant changes. The abilities, qualities, worldview of the organization's employees have changed significantly to date, therefore, the ways of influence and motivation to achieve goals must also be transformed.