



# STRATEGIC MANAGEMENT IN ENSURING ECONOMIC SECURITY IN THE DIGITAL ECONOMY AND THE VUCA WORLD

**Nataliia Zachosova**

Bohdan Khmelnytsky National University of Cherkasy, Cherkasy, Ukraine  
<http://orcid.org/0000-0001-8469-3681>

**Oleksii Koval**

Bohdan Khmelnytsky National University of Cherkasy, Cherkasy, Ukraine

©MESTE

JEL Category: **G21, G22, G23**

## **Abstract**

*The importance of strategic management and strategy development for determining the benchmarks of functioning and development of the economic security system is substantiated. This article describes the role of strategic management in ensuring the economic security of the business entity. The peculiarities of the organization of security-oriented company strategic management in the conditions of the expansion of the digital economy, Industry 4.0, as well as the peculiarities of functioning in the VUCA World have been determined. The paper proposes the use and formalization of the main characteristics of the strategy of security-oriented digital development and the strategy of personnel potential development with a focus on economic security. The proposals are based on the strategy of security-oriented digital development to lay the need for business transition to the digital plane, and digitalization of business processes with awareness and anticipation of all the risks that will accompany such transformations. To protect companies from reputational risks and with the awareness that the organization of effective risk management is impossible without the participation of persons, specialists, experts, etc., a paper proposed a strategy for human resources with a focus on economic security. The algorithm of its implementation involves the determination of the skills and competencies that staff will need in a few years in the context of continuing instability and uncertainty in the company environment and taking measures for their formation and development.*

**Keywords:** corporate security, business performance management, business strategy, risk, top management.

*Address of the corresponding author:*

**Nataliia Zachosova**

[✉ natazachosova@gmail.com](mailto:natazachosova@gmail.com)

## **1 INTRODUCTION**

The economic environment in which modern businesses operate is constantly changing and transforming following the needs of the time. Such trends in the modern world, such as volatility,



uncertainty, complexity, and ambiguity have formed the concept of the VUCA World, which is a complex character of modern life in economic, social, and other manifestations, which we can now observe. For the business sector, these features are even more inherent and tangible. And since all four of these signs of the world in which companies currently operate have negative content, it is necessary to talk about the feasibility of top management to take measures to ensure their economic security. Additional risk factors that can also have negative consequences on the performance of economic structures are the automation and digitalization of business processes. Industry 4.0 radically changes the algorithms of many classic productions, trade, and financial investment operations, and makes their effectiveness dependent on automatic start-up, uninterrupted power supply, and Internet, assigns staff, formerly the center of economic activity, mediation, assistance in the digital economic space. Managers involved in strategic planning processes are needed more and more specific knowledge and skills to anticipate future changes in technique, technology, and customer preferences. Any change is always a risk factor, so for strategic management of the enterprise generally, and for its economic security particularly, it becomes a difficult but very important management task. Now the realization of this fact has come to the scientific community and has become a catalyst for the emergence of numerous studies on the issue of economic security management (Zachosova, N., Babina, N., & Zanora, V., 2018). The focus of a few scientific pieces of research was the issues of strategic management of financial security of banks (Vysotska, I., Savina, S., Mazur, K., Nahirna, M., & Dorosh I., 2021) and of economic entities of other economic activities (Kolenda, N., Matviichuk, N., Cherchyk, L., Nakonechna, G., & Amit, K., 2020 (as well as strategic guidelines for the economic security of industrial enterprises, weighted by the interests of their stakeholders, current challenges and risks (Kutsenko, D.M., 2019). Some scholars suggest instead of allocating strategic management of economic security in a separate management area, carrying out strategic management of the enterprise from the standpoint of economic security (Derevyanko, B.V., Rozhenko, O.V., Khailova, T.V., Hrudnytskyi, V.M., & Podskrebko, O.S., 2021).

Interesting in the context of this study is the approach to strategic risk management and determining its impact on the economic security of business structures (Lavrentieva, L., & Anisimova, O., 2018). It is also worthy to note that there are methodologically correct assumptions about the need to develop a mechanism for strategic management of the enterprise's economic security. (Vdovychenko, L. Yu., & Volosiuk, M. V., 2020). Threats to normal and continuous business operations caused by the COVID-19 pandemic reflect in professional publications on strategic security management. (Suglobov, A.E., Kuzmina, T.I., Bessonova, E.A., Bank, S.V., & Nabiyeva, A.R., 2021) In the context of the digital economy, an important managerial aspect is the ability to analyze information resources and be able to use them correctly to ensure the economic security of the enterprise (Vasylyshyn, S., Ulyanchenko, O., Bochulia, T. Herasymenko, Y., Gorokh, O., 2021), both in the tactical and strategic dimensions.

Thus, we can state the fact that there is diverse research on the specifics of economic security management of economic entities, including strategic security-oriented management. However, the task of formalizing specific strategies for managing the economic security of economic entities developed considering the conditions of business within the digital economy in the VUCA World remains relevant.

## **2 THE ROLE OF STRATEGIC MANAGEMENT IN ENSURING THE ECONOMIC SECURITY OF THE BUSINESS ENTITY**

In foreign countries, management experts have long recognized the need for strategic management. In Ukraine, not every business entity has a general strategy of functioning and development, not to mention specific strategies in the areas of economic activity – personnel strategy, financial strategy, innovation strategy, economic security strategy, etc.

The lack of strategic management or its low level of efficiency in Ukrainian enterprises is explained by the following circumstances:

- it is difficult to predict the conditions of enterprise development in the long run, given

- the instability of the economic and political situation in the country.
- there is a lack of resources needed for the organization and implementation of strategic management – owners and top management of domestic enterprises prefer to use limited resources for current needs, rather than directing them to develop documents and create reserves to prevent events that may not occur;
  - there is a lack of specialists in the staff of enterprises with the appropriate qualifications to develop realistic strategies with goals in line with the SMART concept;
  - there is a lack of mandatory requirements for strategic management of the enterprise. The strategy is not one of the documents required by government agencies when registering or auditing the business entity, and what is not mandatory may be neglected by business representatives for resource savings;
  - there is a lack of a culture of strategic management, that is, a lack of awareness of its importance at the level of top management or the level of staff, and underdeveloped strategic management practices, which would form effective scientific, methodological, and applied tools for implementing this area of management.

However, the importance of strategic management, in managing financial and economic security, cannot be denied. The task of forecasting and preventing the impact of threats and risks on the state of corporate resources of enterprises and the course of their business processes, which is one of the priorities for integrated economic security systems, provided there are strategic guidelines for long-term business. The strategy gives managers clues as to where to look for potential and existing risks. Strategic management allows for foresight and forecast of the effects of certain factors that exist in the environment of the enterprise and prepares staff for the need to take measures to counteract their negative impact. Having a strategy allows you to clearly understand what resources are not enough for further development and what it threatens the future. Most modern strategies have a separate section on risks in their structure, which makes it possible to use strategic documents as part of information and analytical support of the economic

security system. Having clearly defined business goals for several years to come allows financial and economic security professionals to develop response plans in case such goals need to be transformed, adjusted, or require more resources than originally expected. Goal setting has a positive effect on the state of economic security, as it reduces the level of unpredictability of certain events and minimizes the resources that have to be spent on rapid response to the threat. The existence of a strategy allows you to measure and balance the costs that are necessary to achieve the long-term desired performance of the entity with losses and losses that may arise during the efforts to obtain them.

Strategic management assumes that the company is focused on a long stay in the market, has a competitive advantage, and is ready to fight for consumers and customers. This position corresponds to the general purpose of the economic security system – to ensure the ability of the business entity to continue its activities until the goal of creation. Although the presence of modern business structures in VUCA World, in a situation of uncertainty and ambiguity, does not contribute to effective strategic management due to difficulties in predicting trends in the external and internal environment of companies, institutions, and organizations, it has a long-term plan of action and response to possible events and for doing business (even when it is necessary continuously adapt it), it is better than chaotic adaptation to new challenges and business circumstances. Such an adjustment affects the economic security of the company destructively. It diverts resources from the key business processes.

## 2.1 Security-oriented digital development strategy

For the ideas and developments of the theoretical and methodological plane to be applicable in practice, a rational step within this study will be developing the basics of several specific strategies for economic structures. That will help maintain market position, potential, and security during the spread of the digital economy. Given the accelerated development of digitalization of business processes of economic entities and the emergence of risks of information corruption in the digital space, data theft and financial assets of

companies, distortion of information, paralysis due to cyber attacks, phishing, vishing, etc., we believe that in the management arsenal of the company should be a strategy of security-oriented digital development. That we can explain by several significant assumptions:

- any business structure needs to adapt to work in the digital environment, and its management – to be ready for a partial, and in the long run – for a full transition to business process management through the use of digital technologies; it is advisable to make every effort to ensure that this process is as safe as possible for corporate resources and business processes of the enterprise;
- the amount of information that the company must take into account in its activities, and management – to find, analyze, evaluate and apply for management decisions – is rapidly growing; for its processing and storage it is necessary to start actively using special software products; their integration into the functional subsystems of the company's economic security system – first of all, information-analytical and technical-technological – is a factor of additional risks that need to be identified in advance and, if possible, prevented;
- the staff of the enterprise may not be ready for total digitalization, which will cause errors in the performance of professional functions and tasks; therefore, the top management of companies needs to plan measures to promote the digital literacy of employees and at the same time to develop a personnel security policy that would include a component of intellectual security in the context of digitalization;
- stable operation of the enterprise, without qualitative changes, technological transformations, and adjustment of the general vision of business following the needs of customers, partners, and other categories of stakeholders and maintaining its market position in VUCA World is impossible; therefore, management needs to develop a strategic vision of enterprise development – capacity building: information, personnel, technical and technological, material – and not

so much in absolute terms, but more in terms of improving its quality characteristics.

The strategy of security-oriented digital development in its content should specify a set of measures that must be taken to achieve the ambitious goal – the qualitative transformation of business processes to meet business practices to the demands of the digital economy. Also, in its documentary form, part of such a strategy should outline the strategy implementation of available resources, the resources needed to perform all defined tasks, and company-specific risks at the beginning of the most valuable strategic goals, as well as risks that may arise during strategic goals realization, and in case of unsuccessful or wrong strategic decisions. Traditionally, the results of strategy completion are planned in three scenarios: optimistic – when all goals are achieved and plans are fulfilled or exceeded; realistic, which allows small deviations in the achievement of targets, and pessimistic, which demonstrates the result of the failure of the strategy for most pre-formalized expectations. In the preparatory phase of the strategy, management should assess the technical and technological equipment of the enterprise, determine where can involve digital content in the algorithms and protocols of business processes or how to optimize this process so it becomes automatic or be performed in the digital space. The introduction or improvement of digital document management is a critical component of this strategy. The secretary's collection of signatures and endorsement of documents in paper form is a rudiment in a modern enterprise whose management staff knows the basics of time management has no right to keep.

The second crucial stage is the maximum level of customer involvement in the process of formalizing the order, however, in a way convenient for him. All applications, intentions to purchase a product or receive a service, the client fills in personally, in digital form, ideally – in a special system, application, or software product, which has a field for prompt entry of all necessary data or expressions of wishes. The task of the company's staff is to check, clarify, fulfill the order or transfer it to the executors. Communication and mediation are the key competencies that a modern worker must have. However, in addition to

digital development, the proposed strategy also aims to ensure economic security in this process. Thus, a significant element is an awareness and active counteraction to the risks of digitalization. First of all, it saves the company's human resources, as technological re-equipment and renewal of business processes in the direction of their full automation often lead to the dismissal of some employees who were involved in performing functions that have become automatic. Any dismissal of staff is a risk to the company's reputation, claims to its social responsibility in business, and so on. However, since staff optimization will be inevitable in the context of security-oriented digital development, top management of companies must take measures to minimize reputational risk. That can be achieved through:

- an active outreach through HR and social networks,
- diversification of business activities to create new jobs for staff transfer,
- organization of training in new skills and abilities,
- retraining of employees to work in new conditions,
- finding optimal options for people who will lose their positions as compensation payments, assistance in finding a new job, recommendations, inclusion in the personnel reserve, remote part-time employment, etc.

Within the framework of the proposed strategy of company management, it is advisable to resort to the practice of compiling risk catalogs, developing risk maps, and ranking them. Such actions will identify minor risks that may be noticeable at the tactical level, but strategic planning does not require much attention and resource costs. Risk management should become a crucial component of the strategic management of the entity and one of the vectors of managing its economic security.

## 2.2 The strategy of personnel potential development with a focus on economic security

Given that the role of personnel in the context of total digitalization of business is changing significantly, and Industry 4.0 requires automation of most business processes, which also

transforms the role of the employee in the enterprise, we consider it appropriate to propose for modern business structures to ensure economic security. Because the threat and risk assessment depend on the expert's opinions of top-management and financial and economic security management professionals, the process of economic security management, at the present state of security-oriented methodological framework and approaches to the formation of economic security system, can not be automated. Thus, it is advisable to consistently and dynamically take measures for the formation and development of human resources adapted to the needs of the enterprise, which seeks to achieve its strategic goals in the digital space. The characteristics of the proposed strategy will be:

- using of all available resources to organize staff work in a remote format with taking into account personnel risks, violation of deadlines, reduced discipline, inefficient distribution of working time, neglect of safety rules, etc.
- formation of a culture of online employment in compliance with the rules of information security and cybersecurity (to implement this task it is necessary to make changes to the personnel policy of the company).
- execution of part of business processes in the outline of project management with the involvement of remote teams.
- promotion of lifelong learning for all categories of workers, and creating and constantly updating the personnel reserve.
- cooperation with higher education institutions and participation of top management of companies in the development of educational and professional programs in the role of stakeholders, potential employers, and practice leaders.

One of the objectives of the proposed strategy is delegating some of the functions to its employees to ensure the entity's economic security. Working in the digital space implies that the responsibility for the business process security lies partly on the employee because he works over the Internet with all the accompanying risks and threats, and uses personal gadgets to perform professional tasks. While working, he supports or destroys the company's reputation on social networks since he is its representative. The basis of the personnel

potential development strategy, with a focus on economic security, is the training and retention of employees who understand that their actions and/or inaction – are a threat to the company, its corporate resources, business processes, and ultimately – to the possibility to achieve strategic goals. Such a strategy cannot use a rigid authoritarian style of governance, preference should be given to a partnership, dialogue, and communication. The peculiarity of the strategy is that the focus of top management, in the long run, is not on the total automation of business processes, without human participation in them, but on the moderate involvement of staff that passed specific training and has a high level of skills, hard and soft, as well as the ability to adapt to new challenges and circumstances. When hiring new employees, HR managers need to pay attention to diagnosing candidates' ability for effective self-management and time management. In the digital economy, the ability to self-organize and speed of decision-making help to fight for customers, gain a competitive advantage and prevent losses. They are urgent tasks in the process of ensuring the company's economic security. Therefore, within the framework of the proposed strategy, management staff must successfully and balanced combine automation with personalization, and provide opportunities to counter risks, dangers, and threats by using high-quality human resources.

### 3 FEATURES OF STRATEGIC MANAGEMENT OF ECONOMIC SECURITY IN THE CONDITION OF DIGITAL ECONOMY AND VUCA WORLD

Instability, uncertainty, complexity, and ambiguity as characteristics of the economic environment in which enterprises operate, complicate the tasks of strategic management of their economic security and highlight certain features of this process:

- there is a need to:
  - increase the frequency of review of strategic guidelines for the operation of the enterprise and
  - ensure its economic security, given the variability of the economic situation.

- there is a need to automate some of the processes of economic security management, translating them into digital space.
- there is a need to redistribute the budget for economic security in favor of counteracting significant strategic risks and leaving the minimum amount of funding for rapid response to current threats.
- it becomes noticeable to increase the role of planning and forecasting and to minimize the control function, which should ideally be automated.
- communication of those responsible for the state of economic security becomes important, which should take place constantly with the use of all available techniques and tools.
- there is a need to develop alternative management solutions both to maintain the level of economic security and in other areas of economic activity of enterprises, given the uncertainty and ambiguity of events that may occur. In the conditions of the VUCA World, the protocols of reactions to certain events should not remain static. A preference should be given to the development of flexible algorithms for the implementation of management decisions.
- the strategy of economic security management should provide for the continuous development and training of the staff without taking a course to increase staff.
- the possibility of remote management of economic security and full-fledged work of those responsible for its state in the online form, should be provided.

### 4 CONCLUSIONS

In conditions of economic activity characterized by volatility, uncertainty, complexity, and ambiguity, the lack of strategic vision of enterprise development can mean a fatal loss of competitive advantage due to:

- inefficient allocation of resources,
- neglecting existing and potential risks and their likely consequences for their and involved assets,
- ignoring the need for the long-term vision of customer needs and establishing mechanisms for timely response to them to

maximize their satisfaction in the shortest possible time, etc.

Currently, business structures face one of the biggest challenges – a need for the complete transformation of business processes to ensure the possibility of a full cycle of their implementation in the digital space. The digital economy is no longer a myth or an assumption, it is a reality for which a large number of enterprises in Ukraine are not ready precisely because of the lack of strategic vision of their prospects and neglect of the need for effective strategic management. Modern top management needs to understand that prompt response to risks and threats, which were noticed only because their negative impact on the performance of the entity has become noticeable and obvious, does not provide the long-term benefits needed to win the competition. Moreover, such a short-sighted management approach leads to significantly higher costs than those that would

cost to implement and establish effective strategic management.

To provide the enterprise's economic security strategic management plays a significant role as it outlines the long-term goals of its operation and allows you to predict what dangers and threats to management staff will have to deal with on the way to achieve them. The strategy indicates which components of a comprehensive economic security system will need the most attention and focus on key resources. In the context of the spread of Industry 4.0 and VUCA World, these components are undoubtedly the technical-technological, information-analytical, and intellectual-personnel security. It is on their stabilization and development and aimed at our two proposed strategies of enterprises – the strategy for security-oriented digital development and the strategy for personnel-potential development with a focus on the economic security of the business entity.

## WORKS CITED

- Derevyanko, B.V. & Rozhenko, O.V. & Khailova, T.V. & Hrudnytskyi, V.M. & Podskrebko, O.S. (2021). Strategic enterprise management based on the modeling of its economic security. *Naukovyi Visnyk Natsionalnoho Hirnychoho Universytetu*, (1), 171–176.
- Kolenda, N. & Matviichuk, N. & Cherchyk, L. & Nakonechna, G. & Amit, K. (2020). Strategic approach to the management of financial security of an enterprise. *Financial and Credit Activity: Problems of Theory and Practice*, 4(35). 79–86.
- Kutsenko, D. M. (2019). Orienteers of strategic management of financial and economic security of enterprises: interests, challenges, risks. *Cherkasy university bulletin. Economics sciences*, (2), 50-58.
- Lavrentieva, L. & Anisimova, O. (2018). Strategic approaches to risk management and their Influence on the economic security of the enterprise. *Journal of Modern Science*. 37(2), 127-144 (in Ukrainian).
- Suglobov, A.E. & Kuzmina, T.I. & Bessonova, E.A. & Bank, S.V. & Nabiyeva, A.R. (2021). Economic security strategy for managing and supporting businesses in the context of the covid-19 pandemic. *Academy of Strategic Management Journal*, 20(6), 1-8.
- Vasylyshyn, S. & Ulyanchenko, O. & Bochulia, T. & Herasymenko, Y. & Gorokh, O. (2021). Improvement of analytical support of economic security management of the agricultural enterprises. *Agricultural and Resource Economics: International Scientific E-Journal*, 7(3), 123-141.
- Vdovychenko, L. Yu., & Volosiuk, M. V. (2020). The theoretical and methodological aspects of the formation of the mechanism of strategic management of the economic security of the enterprise. *Business Inform*, (10), 469–477.

Vysotska, I. & Savina, S. & Mazur, K. & Nahirna, M. & Dorosh I. (2021). Justification of bank financial security management strategy. *Financial and Credit Activity: Problems of Theory and Practice*, (4), 58-65.

Zachosova, N. & Babina, N. & Zanora, V. (2018). Research and methodological framework for managing the economic security of financial intermediaries in Ukraine. *Banks and Bank Systems*, 13(4), 119-130.

Zachosova, N. & Babina, N. (2018). Identification of Threats to Financial Institutions Economic Security as an Element of the State Financial Security Regulation. *Baltic Journal of Economic Studies*, 4(3), 80-87.

Received for publication: 25.01.2022

Revision received: 06.02.2022

Accepted for publication: 26.06.2022

#### **How to cite this article?**

##### **Style – APA Sixth Edition:**

Zachosova, N., & Koval, O. (2022, 07 15). Strategic management in ensuring economic security in the digital economy and the VUCA world. (Z. Cekerevac, Ed.) *MEST Journal*, 10(2), 217-224. doi:10.12709/mest.10.10.02.21

##### **Style – Chicago Sixteenth Edition:**

Zachosova, Nataliia, and Oleksii Koval. " Strategic management in ensuring economic security in the digital economy and the VUCA world." Edited by Zoran Cekerevac. *MEST Journal* (MESTE) 10, no. 2 (07 2022): 217-224.

##### **Style – GOST Name Sort:**

**Zachosova Nataliia and Koval Oleksii** Strategic management in ensuring economic security in the digital economy and the VUCA world [Journal] // *MEST Journal* / ed. Cekerevac Zoran. - Belgrade – Toronto : MESTE, 07 15, 2022. - 2 : Vol. 10. - pp. 217-224.

##### **Style – Harvard Anglia:**

Zachosova, N. & Koval, O., 2022. Strategic management in ensuring economic security in the digital economy and the VUCA world. *MEST Journal*, 15 07, 10(2), pp. 217-224.

##### **Style – ISO 690 Numerical Reference:**

*Strategic management in ensuring economic security in the digital economy and the VUCA world.*

**Zachosova, Nataliia and Koval, Oleksii.** [ed.] Zoran Cekerevac. 2, Belgrade – Toronto : MESTE, 07 15, 2022, *MEST Journal*, Vol. 10, pp. 217-224.