

SOCIAL ORIENTATION OF SECURITY OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE COUNTRIES OF THE CUSTOMS UNION (RUSSIA-KAZAKHSTAN-BELARUS)

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Abstract: *The following idea has been substantiated: the business activity of small and medium-sized enterprises should be socially oriented so as to be safe. It has been proved that when applying this approach the business activity is investigated as a social process. The meaning and attributes of the "second-tier" business have been analyzed as a social suppressor that tempers the impact of negative factors on the life of regional society in the countries of the Customs Union. In addition to the traditional criteria for determining the level of security of small and medium-sized enterprises (business solvency, profitability, organizational and technical conditions and staff), it has been proposed to use another criterion – social stability in the region. The significance of the chosen criteria has been determined by assigning them weight coefficients calculated by using the method of expert estimations. The integral estimation of security of the analyzed business structures has been given on the basis of selected indicators, set thresholds and weight categories. Based on the developed technique, three levels of security of Russian business structures have been specified. As a result of socio-diagnostics the direct and indirect social effects of security assurance for small and medium-sized enterprises in the countries of the Customs Union have been identified.*

Keywords: *business structure, security of small and medium-sized enterprises, social orientation of security assurance, effects of security assurance, business risks, criteria for determining the security level.*

1. INTRODUCTION

Constant attention of the governments of the Customs Union countries is paid to the development of small and medium-sized enterprises in the territory of the former Soviet Union. However, this process takes place in unfavorable and insecure conditions (insufficient knowledge of the social roots of small and medium-sized business entities, inadequacy and inconsistency of the legal framework regulating their activity;

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incompleteness of business cooperation that is adequate to the socially oriented market relations, the lack of qualified human resources for the provision of actual support for emerging business structures, etc.). Therefore, it is evident that the development of small and medium-sized business as a social institution is not generally possible without addressing issues related to the economic security [1].

At the present stage of market reformation, the problems of safe development of medium and small-sized business entities are in the list of top priorities of the Customs Union countries. The importance of their solution has substantially increased due to high sensitivity of business to the existing crises in the Common Free Market Zone. These crises are accompanied by well-known social tensions, significant structural changes, reduction in demand and investment amount. In addition, complexity of the interaction between the business environment factors and an increase in the uncertainty of the course of events of public life cause in the future additional difficulties for the selection of optimal directions of development of business structures, reduce their social efficiency, often lead to strategic mistakes and have a negative impact on performance. All this requires determining a social vector of security assurance for small and medium-sized business entities in the countries of the Customs Union [2-3].

2. METHODOLOGY

A variety of methods have been used in order to study the social orientation of security of small and medium-sized enterprises in the countries of the Customs Union (method of analysis and synthesis, analogy method, statistical method, expert evaluation method, questionnaires and interviews, etc.). More than 150 "second tier" business entities located in the Urals Federal District of Russia and Northern Kazakhstan have been assessed with the use of the above-mentioned methods.

3. DISCUSSION AND RESULTS

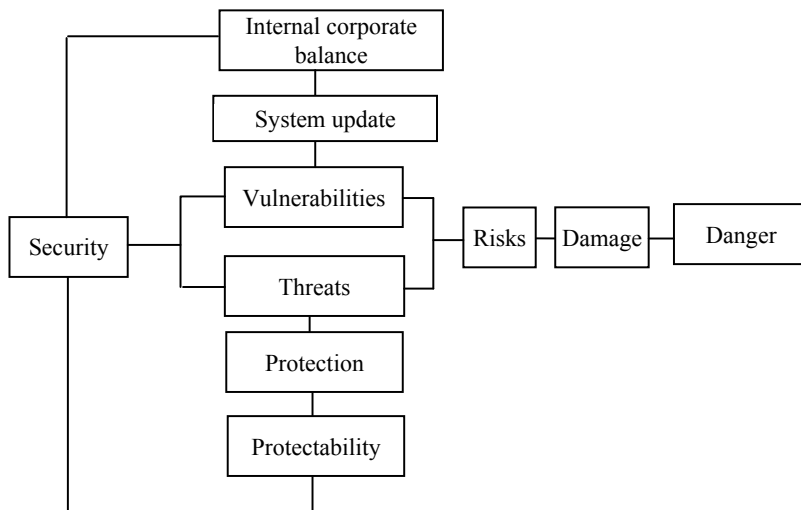
Three main directions can be distinguished in the definition of security of small and medium-sized enterprises. As for the first direction, security is determined based on a single, separate aspect of the business activity of small and medium-sized business entities (for example, business structures) [4]. As for another direction, security of the "second tier" business is regarded as a state of the business structure, when it can offset adverse external impacts [5]. Under the third direction, security is regarded as the process of ensuring the most effective use of resources of a small or medium-sized

enterprise in order to anticipate threats, detect vulnerabilities and ensure possible stability of its operation (a resource-functional direction) [6].

Despite existing differences, the identification of the two main components of security (development and stability) is a common key feature for all directions. It is obvious that if a small or medium-sized business structure does not develop, then its possibility to survive, resistance to threats, adaptability to external and internal changes are sharply reduced. Stability also reflects the strength and reliability of elements within this business structure, as well as its capability to take risks [7]. The more stable, durable and reliable the development of the business structure is, the higher volume and shorter time limits for achieving the desired result of the economic activity are. In this sense, security of a small and medium-sized business entity is a dynamically stable state, when nothing threatens the entity at the moment. Such a state does not mean quietness; it is rather a dynamic balance of the business activity as a system in which there are lower ("safety threshold") and upper ("potentially possible security") levels of security.

Taking into account its importance, these components of security of the "second tier" business do not give a complete and systematic presentation of the latter. To do this, it is necessary to show the role and place of the concept of security of the small and medium-sized business in the system of socio-economic categories: "threat", "vulnerability", "system update", "internal corporate balance", "risk", "protection", "protectability", "danger", and "damage" (Fig. 1) [8].

Figure 1: The system analysis of small and medium business security



Threats and vulnerabilities are considered as factors of external and internal business environment, which may affect the balance of economic activity or even disrupt it. This means that an economic entity loses its security and runs into danger, which, in practice, can be manifested by the loss of most part of assets, exit from the market, bankruptcy, economic ruin, etc. The factors of the business environment (threats) arising outside the medium and small business entities are as follows: unexpected changes in market conditions; the level of social tension in the region and in the republic as a whole; interaction with local authorities; unforeseen actions of the country's government in the sphere of antimonopoly, tax, monetary and foreign trade policy; interaction of small and medium business entities with regional society; unfair competition in the regional markets of the republic; dynamics of percentage of the economically active, unemployed and vulnerable population in the region; interrelation with subcontractors, raw material suppliers and resellers.

Under the influence of these factors, business entities are required to allocate a certain amount of funds on protection. This causes losses, but allows not to cross the "security threshold". From this perspective, the "second tier" business security can be regarded as a state of its security.

The following factors among the internal factors affecting the "second tier" business security level (vulnerabilities) should be noted: the financial "health" of a business structure; staff turnover; the quality of the employed labor force (vocational qualification staff); the availability and degree of family relationships within the business entity; job climate; the level of labor and performance discipline; availability of personnel reserve; a state of work organization and performance standards; depreciation and obsolescence of fixed capital; forms of social partnership in the business structure (organization of a trade union and various forms of social mutual assistance). In this case, even in the favorable external environment and in the absence of serious threats, the level of security of small and medium enterprises will steadily decrease, and their management will require to systemically update the business structure as a whole through the development and implementation of a set of measures to stabilize the situation. It ensures the internal corporate balance of material, labor, financial and information resources as a form of manifestation of security [9].

It should be noted that threat activities and vulnerabilities and bearing losses in this regard are inevitable in the course of business activities. However, in terms of security it is important to take into account the scope and size of the threat. Therefore, threats and vulnerabilities should be ranked

upon their scope and significance. It is economically feasible to anticipate those ones that cause major damage, moving a small or medium business structure to the "security threshold". Certainly, it may occur that over time a minor threat or vulnerability will grow into a large-scale threat and business entities will suffer heavy losses. Hence, it may be reasonable to accelerate the inevitable threat materializing, thus suffering less damage and maintaining security.

It also should be added that it is often unreasonable to spend funds on the means and measures for temporary suspension of threats and vulnerabilities. It may postpone their materializing only for a certain period and even increase their negative effect.

The existing definitions of small and medium business security as a condition of its protection against negative factors, ensuring its sustainable functioning and development, reflect only the economic side of this phenomenon, not directly concerning the social side of the latter.

However, the activity of small and medium-sized enterprises takes place in the particular social environment and at a specific time. It takes into account specific interests of regional society, actively cooperating with it as a representative of the state and society. The business activity of the "second tier" business structures should be socially oriented so as to be safe. In our opinion, the social content of public relations on small and medium business security means the implementation of this activity [10].

Behind the analyzed socially oriented activity as a social process there is a certain balance of interests of the "second tier" business and regional society. The "second tier" business entities are interested in the steady expansion of the labor supply, the quality of which is ensured by the state, the growth of incomes of the population as a potential consumer, the reduction of social tensions and creation of favorable conditions for the cultural development of the region. In turn, the regional society considers the "second tier" business as job security, avoiding unemployment and poverty, pumping up the regional budget with funds necessary for the implementation of social programs and solution of social problems.

The analysis of business activity as a social process has been made based on the study of works written by classical authors of economic and social sciences. In the study the meaning and attributes of social processes (statistical stability, large-scale participation, social content, independence of social actors, etc.) have been identified, as well as their classification has been reviewed. In the present study, the classification proposed by L. von Wiese

has been used. In our opinion, it gives the most detailed and complete description of the social processes that occur in the period of crisis and radical social changes [11]. The effect of social processes is reflected in the deep stratification of society, deprivation of the population, social insecurity, etc. [12]. The heterogeneity of the market environment suggests the variety of types of social processes. In the market economic system the socially oriented activity of "second tier" business structures is one of the most important social processes that contributes to overcoming the above mentioned negative social phenomena.

In the short term, small and medium-sized business entities pursue their own tactical targets. It is obvious that this activity is not a social process to the full extent, as in this case these entities only follow conjunctural trends in the external environment, trying not to approach the "security threshold". However, in the medium and long-term period the "second tier" economic entities express their strategic targets filled with social content. They can ensure the necessary level of their security due to this content. The strategic targets force regions to create all types of associations and business associations, conduct an active dialogue with the local authorities as the representatives of the interests of society in this territory, develop and take an active part in socially oriented programs, etc.

The availability of the resource base for their implementation provides small and medium business structures with the opportunity to influence on the social climate in the region and at the local level. It is carried out both directly – through the improvement of the situation on the labor market, joint participation with the authorities in implementing the full employment policy, charity, sponsorship, patronage, etc., and indirectly – through the formation of a profitable part of local budgets, allocated for solution of urgent social issues at the local level, the implementation of investment non-production projects, various forms of social partnership, etc. [13].

Focusing on ensuring their security, in modern conditions the "second tier" business plays the role of "a social suppressor" that tempers the impact of negative factors and processes on the public life through its high elasticity of its socially oriented activities. During the economic downturn it localizes a destructive impact of the reduction of the real gross output, the decline in business activity and wages on the living standards of the regional society through the above mentioned social compensators. In times of economic growth the small and medium business enhances the tendency of formation of the "middle class" in the region, makes available a significant number of goods and services for all population groups, smoothes differentiation of

incomes in various social strata, as evidenced by the decline in Gini and decile coefficients.

Determination of the level of security that allows to evaluate the current state of the corporation through the study of the absolute values of industrial, financial, labor and social indicators is an important practical problem of the "second tier" business development. In addition, it provides the information on the availability of reserves necessary for strengthening the business activity in the short and medium-term.

Determination of the level of security of small and medium-sized business entities is based on the complexity principle which requires:

- identification of the criteria of this determination;
- development of indicators and their grouping;
- detection of interrelations between groups of indicators of different criteria for determining the level of security of the "second tier" business;
- establishment of threshold values of the indicators [14].

It should be noted that methods for determining the level of security are enough developed in economics. Currently, there are several methods for determining the level of security of the business activity of small and medium business entities:

- a method of a generalizing indicator, which, according to its authors, is aimed at implementing the most significant areas of entrepreneurial activity;
- a method, by using which one generalizing performance indicator is selected as an integral one from among a number of such indicators;
- a method based on the use of a limited range of indicators, when non-compliance of one of the indicators with threshold values is indicative of the low level of security;
- a method based on the development of algorithms of computational procedures (on the multidimensional comparative analysis);
- a method of integral numerical scoring, based on the complexity principle [15].

At the same time, the issues of their advantages and disadvantages, substantiating the application of the method which is the most effective in relation to the sphere of the "second tier" business, remain disputable.

In economic practice, the method of integral numerical scoring has become widespread mainly in the determination of business solvency of small and medium enterprises. In particular, in their work L. Dontsova and N. Nikifirova proposed a system of indicators and their rating points. It should be noted that in this case categories of social environment and personnel were ignored [16].

In our opinion, the method of integral numerical scoring of security is optimal from the standpoint of its use in the "second tier" business. For application of this method, it is necessary not only to select a system of criteria and indicators and set threshold values for each of the latter (class limits), but also to calculate the weight of the indicators in total (significance of criteria).

The choice of a certain criterion and indicators of the level of security is conditioned by specific features of the "second tier" business structure and existing market trends in the sphere of its activity. Traditionally, these criteria include business solvency, profitability, organizational and technical condition and staff. In addition, for greater adaptation of the method of integral numerical scoring to the business environment it is important, along with the above-mentioned criteria, to include such criterion as the social stability in the region in the definition of the level of security. Scoring systems have been determined for each of them.

Thus, as for the criterion of social stability in the region, they were manifested by such indicators as inflation rate, the retail price index, the unemployment rate, the proportion of the employed population in the total population, the poverty rate, a Gini index, a decile coefficient, etc. [17].

As for the criteria of profitability and business solvency, a group of indicators, including return on sales, return on assets, return on equity, return on invested capital, and reflecting the different coverage of different types of sources (availability of working capital, long-term liabilities, short-term loans), indicators of the availability of stock and costs, as well as the sources of their formation (surpluses or shortages of working capital, surpluses and shortages of own and long-term outside formation sources of stocks and costs, surpluses or shortages of the total value of the main formation sources of stocks and costs) have been used.

As for the criterion of the organizational and technical condition, the shift index, capital/labor ratio, depreciation coefficient, coefficient of renewal, retirement and replacement, return on assets ratio, the level of computerization and other coefficients have been used in the study.

As for the final criterion (staff), such indicators as separation ratio, labor turnover, entry and retirement rates, staff constancy, the level of labor and performance discipline, the share of technical workers and administrative staff, the proportion of support and service personnel, return on labor ratio, labor requirement index, net profit ratio for one tenge of wages have been used among other indicators. With regard to the criterion of social stability, such classes include the phases of the state of regional society, as for profitability and business solvency – types of financial situations in which a business structure is situated, as for the criterion of organizational and technical condition – stages of life (operational) cycle of the fixed capital, etc.

The next step in creating a comprehensive system of integral numerical scoring was to determine the significance of the chosen criteria for the overall state of business security. Significance of criteria can be expressed by assigning weight coefficients to each of them. To determine the weight coefficients the method of expert assessment has been used. At the same time, weight coefficients were universal for all sectors and sub-sectors in which medium and small business structures operate.

The weight coefficient is determined based on the obtained values of the degree of significance of the criteria in the following way. Taking the sum of all weight coefficients equal to 10, the required weight coefficient of the criterion was calculated using the following formula:

$$C_i = \sum \frac{DS_i}{DS} * 10 \tag{1}$$

where *DS* is a degree of significance of criteria.

The following table (Table 1) was compiled on the basis of the chosen indicators, fixed thresholds and weight coefficients of each category.

Table 1.
Calculation table of the integral numerical scoring

Criteria	Weight coefficients	Number of points			
		From 8 to 10	From 5 to 8	From 2 to 5	From 0 to 2
Social stability	Css	Absolute	Normal	Unstable	Critical
Profitability, business solvency	Cp	High	Average	Satisfactory	Critical
Organizational-technical condition	Cotc	Recovery	Upturn	Depression	Crisis
Staff	Cs	High	Average	Satisfactory	Critical
IN TOTAL:	10				

In accordance with the actual level of indicators, a number of points for each of the criteria has been set, which was multiplied by the weight coefficient of the relevant category, after that the data of all categories were summarized. Thus, using these parameters, the total score has been calculated.

Finally, depending on the total score, it was determined which of the four classes of security this business structure belongs to (Table 2).

Table 2
Levels of security

<i>Class</i>	<i>Points</i>	<i>Comments</i>
1	80-100	Business structure with a high degree of security, resistant to possible crises.
2	50-79	Business structure with a normal degree of security; the effects of threats are significant, but can be eliminated.
3	20-49	Business structure with problematic security state. Crisis consequences could be catastrophic for existence.
4	0-19	Business structure with catastrophic risks, virtually bankrupt at the moment.

Then, based on the use of the principle of complexity of the method of integral numerical scoring, practical calculations of the level of security of three "second tier" business structures of the Tyumen region of the Russian Urals Federal District (BS-1, BS-2 and BS-3) have been made. Upon these calculations the total score of the first business structure (BS-1) is in the range of $50.0 < 65.7 < 79.0$. In accordance with the chosen classification, this ratio characterizes the level of its security as normal, when the existing threats are essential, but can be eliminated.

The total score of the other two analyzed business structures (BS-2 and BS-3) was equal to 31.4 and 33.9 points respectively. This gives reason to regard them as economic entities with security problems.

In accordance with the established degrees of significance, priority should be given to the criteria of social stability, staff and profitability of these small and medium business entities. In this case, control of a high level of security is a priority task in the directions of social stability and staff. Sources of information include the data of official statistics in the Ural Federal District, Russia and countries of the Customs Union as a whole, the results of the regional sociological studies, expert assessment, socio-diagnostics of cities and districts of the analyzed area conducted by the

"second tier" business structures [18-19]. The most significant indicators of the external social environment include:

- the dynamics of inflation rate in the region and their comparison with similar indicators of other near-border subjects of Russia and Kazakhstan (Kurgan, Chelyabinsk and Omsk regions of the Russian Federation, North Kazakhstan, Kostanai and Pavlodar regions of the Republic of Kazakhstan) and the Customs Union as a whole;
- the dynamics of the consumer price index (it is referred to the goods included in the consumer basket, in the first place, these are essential products) and the prices of basic services provided to the public;
- the dynamics of nominal and real incomes of the population of the region in the context of the social groups by using the Gini index and decile coefficients;
- changes in employment and unemployment rates in the last five years in the territory of the Tyumen region, the ratio between the economically active and economically inactive population of the region;
- cyclical fluctuations in the number of foreign workers coming from China, the countries of the Customs Union and the Central Asian republics, on the regional and local (including Tyumen, Tobolsk, Ishim, Yalutorovsk) labor markets;
- the dynamics of the level of natural and induced dependency in the analyzed region;
- the number of protests of representatives of the regional society of economic, social, political, confessional nature;
- the dynamics of indicators of the criminality level in the Tyumen region (corruption, theft, major and disorderly conduct, entrepreneurial racket, raiding, etc.);
- the dynamics of the percentage of the ethnic (diaspora) business in the total number of "second tier" business structures in the analyzed region, etc.

Modern "second tier" business development of the Tyumen region takes place under difficult conditions due to constant changes in all spheres of life of Russian society. The incompleteness of market reforms and the low level of management of economic processes have a great influence on it. In these difficult conditions small and medium -sized business entities are required to understand the totality of social relations, to reveal actual staffing

requirements in the context of professions and qualifications, to determine the necessary volume of foreign labor for each market segment, where the "second tier" business structures operate, to understand the importance of optimizing the employment and improving social protection of population of the region.

In order to improve the indicators of profitability and business solvency, it is reasonable to abandon the practice of short-term bank loans used to finance specific business projects, in favor of long-term loans, which can be used to finance several facilities, including both mandatory social facilities.

The level of security of the analyzed "second tier" business entities upon the criterion of organizational and technical condition can be currently characterized as an average one, but it can be reduced in the long term. In order to improve the economic condition of small and medium-sized business entities in the region upon this criterion a partial renewal of their fixed assets should be made.

In scientific literature there are many studies on the identification of the economic effects of improving the level of security of small and medium-sized business entities. Much less attention is paid to the social effects of ensuring their security. However, in our opinion, the consequences of the social effects are not only difficult to determine, they are more large-scale and long-term.

It seems appropriate to divide the social effects of security of small and medium-sized business entities of the countries of the Customs Union into direct and indirect ones. Upon the results of the socio-diagnostics of the Russian "second tier" business structures and representatives of local authorities, direct social effects (as to the percentage of respondents) caused the growth of employment and self-employment (32.3%), reduction of the level of institutional, structural and concealed unemployment (23.9%), the activization of the existing and the emergence of innovative forms of social partnership in the medium and small enterprises (19.2%), acceleration of processes of the slow development of charity, patronage and sponsorship organizations from the part of the "second tier" business in the preceding five years (13.1%), improvement of social wellbeing in the region (8.0%) and the others (3.5%).

In our view, the indirect social effects of ensuring security of small and medium-sized businesses of the countries of the Customs Union are no less

significant (as for the percentage of the respondents of the "second tier" business entities and representatives of local authorities) – the struggle against poverty jointly with the government (28.0%); the formation of the traditional (commerce, intrapreneurship, leasing, franchising, etc.) and the "new" middle class (computer technologies, nanotechnology, electronic, advertising and gambling business, consulting, venture capital, etc.) (26.7%) of the republic; the reduction of social dependence (23.1%); an increase in the living standards of older age social groups of the region (pensioners), their "binding" to small and medium business entities as regular consumers of goods and services of the latter (19.0%), and the others (3.2%).

4. CONCLUSION.

If the manifestation of direct social effects of security assurance in small and medium business entities in the countries of the Customs Union may be observed in the short term (usually during the financial year), the consequences of indirect social effects are more often manifested in the long term (three up to five years or even more). Under conditions of the existing crisis in the countries of the Customs Union, in particular Russia, and the Western economic sanctions, the economic and political stability in the entire post-Soviet space largely depends on the rate of occurrence and the extent of indirect social effects. Prolongation of these sanctions until 2018 and a sharp drop in revenues of large Russian companies operating in the global energy markets (oil and natural gas) inevitably increase the social responsibility of small and medium business structures, actualize their importance for the development of the regional space, but simultaneously hamper the process of social forecasting [20].

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