

## SECURITY OF A COUNTRY'S PRIVATE MILITARY COMPANY: A NETWORK APPROACH TO ORGANIZATIONAL AND LEGAL CONTEXTS

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**Problem statement in general and its connection with important scientific or practical tasks.** During the war, practical experience has shown that in addition to regular armed groups, private military companies also take part. We draw your attention to the fact that in Ukraine very little attention is paid to private military companies. Based on research, it has been established that a private military company (PMC) is a commercial enterprise that offers specialized services related to the protection, defense (defense) of someone and something, often with the participation of in military conflicts, as well as intelligence gathering, strategic planning, logistics and consulting<sup>1</sup>. It is impossible to ignore the fact that in the domestic periodicals there is no legal support for this type of business. That is why the study of this problem is extremely important. In such conditions, it is necessary to build a system of protection that will allow a private military company to counteract the negative effects of internal and external threats. Thus, the practical effectiveness of the system of protection of financial interests of a private military company is achieved through an appropriate mechanism that should ensure effective operation and development in modern transformational conditions, which would neutralize external and internal threats, enable it to develop stably. Thus, this mechanism must take into account ever-changing conditions, the financial interests of the enterprise and, in general, optimally combine all its components, the definition of which should be given special attention.

**An analysis of recent research and publications that have begun to address this issue.** Research of scientific issues on the organizational and legal mechanism of financial security of the state and business structures are considered in the scientific works of Blank I.O., Vivchar O.I., Horyacheva K.S., Holovkova L.I., Hryniuk N.A., Kima Y.H., Krakosa Y.B., Lavrova Y.V., Franchuk V.I. and other researchers. However, today there is no single approach among the authors to ensure the financial security of a private military company, which leads to further research in this area.

**Highlighting previously unsolved parts of the general problem to which the article is devoted.** The aim of the article is to study the conceptual aspects of ensuring the financial security of a private military com-

pany, as well as to substantiate the identification of the impact of major threats based on a network approach and basic methods for assessing the level of security.

**Setting objectives.** To achieve this goal, the following scientific objectives have been identified: to explore the conceptual aspects of financial security of a private military company; to conduct network identification of the impact of major threats and tools of the mechanism of providing a private military company; to substantiate the effectiveness of the mechanism for ensuring the financial security of a private military company with the application of the regulatory framework.

**Presentation of the main research material with full justification of the obtained scientific results.** Based on the studied literature sources, it is established that the financial security of a private military company is a complex, dynamic phenomenon and, accordingly, requires the development of such a mechanism that would take into account all its characteristics and operating conditions of the entity. In our opinion, the financial security of a private military company should be understood as a system of protection of its financial interests from the constant destructive influence of internal and external factors, which allows it to develop effectively in the current and future period. Based on this, ensuring the financial security of a private military company should be considered as a process of implementing measures to prevent (prevent) possible financial losses in the current and future period.

The functioning of the mechanism for ensuring the financial security of a private military company should be aimed at achieving the following objectives: 1) determining the financial interests of a private military company that need protection; 2) detection in the early stages of threats, both internal and external, which do not allow to realize the financial interests of a private military company; 3) development and implementation of a system of measures to neutralize threats to the financial interests of a private military company and prevent possible financial losses<sup>2</sup>.

<sup>1</sup> Приватні військові компанії: що відомо про їх існування в Україні та світі URL:[https://24tv.ua/privatni\\_vijskovi\\_kompaniyi\\_shho\\_vidomo\\_pro\\_yih\\_isnuvannya\\_v\\_ukrayini\\_ta\\_sviti\\_n1235633](https://24tv.ua/privatni_vijskovi_kompaniyi_shho_vidomo_pro_yih_isnuvannya_v_ukrayini_ta_sviti_n1235633).

<sup>2</sup> Військовий навігатор України: незалежний мілітарний дайджес. Приватні військові компанії (ПВК) в Україні. URL: <https://milnavigator.com.ua/2019/09/16/%D0%BF%D1%80%D0%B8%D0%B2%D0%B0%D1%82%D0%BD%D1%96-%D0%B2%D1%96%D0%B9%D1%81%D1%8C%D0%BA%D0%BE%D0%B2%D1%96-%D0%BA%D0%BE%D0%BC%D0%BF%D0%B0%D0%BD%D1%96%D1%97-%D0%BF%D0%B2%D0%BA-%D0%B2-%D1%83%D0%BA%D1%80/>

It is impossible to ignore the fact that the activities of any business entity take place in a constantly changing environment, respectively, can not but be exposed to both internal and external threats. Delays in making management decisions to neutralize the negative impact of these threats will lead to unprofitable business activities, deterioration of solvency, business activity and inability to develop effectively in the long run. Therefore, timely identification and further elimination of threats is one of the priorities of financial management in order to protect the financial interests of a private military company. Timely and accurate identification of threats to the company's financial interests is a necessary prerequisite for creating an effective mechanism for ensuring its financial security.

It should be noted that today, in addition to financial, economic, political, social, man-made and other threats have a significant impact on the financial activities of a private military company. Traditionally, all threats that negatively affect the company's activities in the scientific literature are divided into internal (or endogenous, arising within the enterprise) and external (or exogenous, arising outside a private military company). Threats can also be divided into subjective and objective. Objective threats arise without the involvement of a private military company and cannot be influenced.

Objective threats include: force majeure (natural disasters, riots, wars), unpredictable changes in the economic situation in the country, unstable political and social situation, severe tax pressure, deteriorating investment climate, large losses of personnel and equipment during the operation combat operations, etc.). One way to minimize the losses from the negative impact of objective factors is to take these threats into account when concluding agreements with partners. Subjective threats are facilitated by inefficient work of the staff of a private military company, as well as intentional negative actions of third parties (competitors).

Internal subjective threats include ineffective: management of assets and sources of their formation; financial planning; organizational structure of a private military company; its product, market, price, personnel policy, etc. External subjective threats are manifested in the capture of the market by competitors, unfair competition, price manipulation, fraud, buying shares and other securities of the company by external investors, refusal of finished products by buyers or delays in payment, non-compliance with agreements, etc. To prevent the negative impact of subjective factors, it is necessary to create an effective analytical service that would quickly investigate the financial condition and competitiveness of a private military company, study competitors and forecast

their future activities, analyze the solvency of buyers of its services, reliability of weapons, equipment and material resources<sup>3</sup>.

Thus, based on the main purpose of a private military company, the main financial interest of the company is to maximize the profits of its owners. It should be noted that, above all, the financial interests of a private military company need protection, which directly affects the content of the mechanism of financial security<sup>4</sup>.

The system of priority financial interests of the enterprise is most fully reflected in the study of Blank I.O and it includes: 1) increasing the level of return on equity of the enterprise (the level of financial profitability); 2) the adequacy of financial resources formed at all stages of future development of the enterprise; 3) financial stability of the enterprise in the process of its development; 4) high level of investment activity and investment efficiency; 5) effective neutralization of financial risks; 6) high innovative level of financial activity; 7) quick and effective overcoming of financial crises that have arisen. It should be noted that the achievement of the above financial interests will allow a private military company to ensure the main goal – to maximize profits<sup>5</sup>.

Continuing the logic of our study, it should be noted that the mechanism of financial security of a private military company should be understood as a set of tools used for management decisions to protect its financial interests. The toolkit includes financial methods, methods of analysis, criteria and indicators, financial levers and financial instruments. An obligatory element in the structure of the mechanism of financial security of a private military company are financial methods as ways of influencing financial relations on the economic process. The most common methods are: investing, lending, taxation, rent, planning, forecasting, self-financing, payment system, insurance, factoring, financing and others.

It should also be noted that an equally important step in developing a mechanism for ensuring the financial security of a private military company is the choice of methods for assessing its level. Each of the scholars who studied the methodological apparatus for assessing the level of financial security, suggested using a wide range of methods. This is primarily due to the fact that the concept of «financial security» is a complex economic category and each of its components requires an individual approach.

<sup>3</sup> Вівчар О. І., Колесніков А. П. Соціальна безпека: навч. посіб. Тернопіль: ФО-П Шпак В. Б. 2015. 146 с.

<sup>4</sup> Вівчар О. І. Концептуалізація сучасних поглядів на поняття логістики. *Галицький економічний вісник*. 2008. № 2 (17). С. 106–111.

<sup>5</sup> Бланк И. А. Управление финансовой безопасностью предприятия: навч. посіб. К.: Эльга, Ника-Центр, 2004. 784 с.

The following list of methods for assessing the level of financial security is most often found in scientific works: 1) the method of observation is to calculate the financial performance of the enterprise and compare their values with standards, industry averages, data from previous years, targets etc); 2) method of expert assessment (based on the experience of leading experts); 3) the method of analysis and processing of scenarios (is to organize the interaction of specialists in various fields in the formulation and solution of complex financial problems using modern mathematical modeling); 4) optimization methods (used in the analytical description of the studied processes for the synthesis of any of the selected criteria of financial security); 5) theoretical and game methods (used for analysis of bilateral or multilateral conflict situations); 6) useful methods (allow you to operate with many indicators, both quantitative and qualitative); 7) methods of pattern recognition (consisting in the transformation of input information (parameters, features) output (conclusions about the attribution of the image to the component of financial security), 8) methods of fuzzy systems theory to natural for language specialists); 9) methods of multidimensional statistical analysis (consisting in the transition from the primary system of highly correlated financial indicators to new uncorrelated components or factors)<sup>6,7</sup>.

Please note that the above list can be expanded depending on the financial security needs of a private military company. The basis for assessing the level of threats and the extent of their negative impact are the criteria of financial security. The criterion of financial security of a private military company is understood as a certain feature (or set of features) on the basis of which the level of financial security is assessed. Criteria are determined by calculating a system of financial indicators, both relative and absolute. The effectiveness of financial security can be said if all indicators or indicators of financial security meet their threshold (normal) values. That is, the indicator is a certain indicator that demonstrates the quantitative and qualitative characteristics of financial security of economic entities.

Thus, from a practical point of view, it should be noted that the effectiveness of the mechanism of financial security of a private military company will depend on how wisely and prudently, these financial levers and tools will be used in the process of protecting their financial interests. One of the components

of the mechanism for ensuring the financial security of a private military company is the legal support of management decisions. Legal support includes Codes of Ukraine, Laws of Ukraine, Decrees of the President, Resolutions of the Cabinet of Ministers of Ukraine, Orders and Regulations of Ministries and Departments, statutory documents of enterprises. With their help, the state has the opportunity to regulate the financial and economic activities of economic entities. Regulatory support includes instructions, standards, guidelines and explanations, etc. It is impossible to ignore the fact that in Ukraine there is no legal support for the activities of private military companies. This issue needs to be studied and developed in order to meet world standards in connection with the ongoing integration processes.

Also, no less important element in the formation of the mechanism of financial security of a private military company is information support, consisting of statistical, economic, commercial, financial and other information. Sources of information are divided into internal and external. Internal sources include: indicators of financial accounting of the enterprise – data can be obtained from the balance sheet (form 1), statement of financial performance (form 2), statement of cash flows (form 3), statement of equity (form 4), notes to the financial reporting; indicators of management accounting – information about the financial and commercial activities of the enterprise (is a trade secret). External sources of information contain data on: the level of macroeconomic development of the country and the industry to which the company belongs; financial market conditions; activities of competitors and both existing and potential partners (suppliers, buyers, banks, insurers). After all, complete, timely and reliable information will allow to make effective decisions to prevent and overcome various threats to the financial interests of the business entity<sup>8</sup>.

## Conclusions

Summarizing the above, we note that the optimal construction of the organizational and legal mechanism to ensure the financial security of a private military company with the above elements will identify timely symptoms of network threats, take preventive measures to prevent them and restore financial stability. After all, at this stage of development there is no generally accepted mechanism for ensuring the financial security of a private military company, and existing developments need to be improved in modern conditions of operation of these companies, which are

<sup>6</sup> Коваленко Л. О. *Фінансовий менеджмент: навч. посіб. К.: Знання, 2008. 483 с.*

<sup>7</sup> *Основы экономической безопасности: государство, регион, предприятие, личность: монография / Под ред. Е.А. Олейникова. М.: ЗАО «Бизнес-школа «Интел-Синтез», 1997. 288 с.*

<sup>8</sup> Коваленко Л. О. *Фінансовий менеджмент: навч. посіб. К.: Знання, 2008. 483.*

constantly changing. The mechanism for ensuring the financial security of a private military company is quite complex and covers a wide range of elements, the most optimal combination of which will be able to identify any risk factors in a timely manner, while ensuring its sustainable development.

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