Serhii Kocheharov, Postgraduate Student
Ukrainian State University of Science and Technologies
Dnipro, Ukraine

DOI: https://doi.org/10.30525/978-9934-26-717-8-12

INSTITUTIONAL MECHANISMS FOR ENSURING ECONOMIC SECURITY OF CONSTRUCTION ENTERPRISES IN THE CONTEXT OF POST-WAR RECOVERY

The scale of the reconstruction task facing Ukraine is now documented with reasonable precision. According to the fifth joint Rapid Damage and Needs Assessment, prepared by the Government of Ukraine with the World Bank Group, the European Commission and the United Nations, direct damage as of 31 December 2025 amounted to USD 195.1 billion, while the total cost of reconstruction and recovery over the following decade is estimated at almost USD 588 billion – approximately three times the nominal gross domestic product of Ukraine. Housing, transport and energy remain the most affected sectors; the volume of damaged or destroyed energy assets increased by about 21 per cent during 2025 alone [7]. In operational terms, reconstruction of this magnitude is a construction task, which places the industry at the centre of national economic recovery.

The industry has responded to the emerging demand. According to the State Statistics Service of Ukraine, the volume of construction works performed in 2025 reached UAH 258.1 billion – the highest level of the past decade – of which engineering structures accounted for UAH 137.5 billion, non-residential construction for UAH 86.1 billion and residential construction for UAH 34.5 billion. The rate of growth, however, is decelerating: 31.8 per cent in 2023, 17.8 per cent in 2024 and 11.3 per cent in 2025 [8]. The combination of expanding output with slowing growth suggests that the binding constraint is shifting from the demand side towards the internal capacity of enterprises – financial, personnel, energy and managerial – to absorb that demand without loss of stability.

This shift explains why the economic security of construction enterprises acquires strategic rather than auxiliary significance. High capital intensity, extended production cycles, dependence on investment inflows, on uninterrupted logistics, on energy supply and on the

regulatory environment convert almost any external shock into a direct threat to the continuity of production and to the financial position of the enterprise.

Management practice nevertheless remains predominantly reactive: enterprises respond to threats that have already materialised, applying local anti-crisis measures unconnected to strategic objectives. The institutional dimension of economic security – interaction with regulatory bodies, financial institutions, investors, donors and the participants of the electricity market – is treated as an external constraint rather than as a manageable resource. The result is a gap between the opportunities created by recovery programmes and the managerial instruments actually available to an enterprise.

The theoretical basis for closing this gap is provided by two research traditions that have so far been applied to enterprise security largely in isolation. Institutional economics interprets institutions as the rules that structure economic interaction and reduce uncertainty, and explains how the quality of the institutional environment determines transaction costs and the willingness of economic agents to undertake long-horizon investment [2; 3; 6]. Strategic management examines the capacity of an enterprise to set a direction of development, build competitive advantage and reconfigure its resource base in response to environmental change [1; 5]. An institutional analysis without a strategic component describes the environment but yields no managerial decisions; a strategic analysis without an institutional component overestimates enterprise autonomy where a substantial share of demand, financing and regulation is generated by the state and by international partners.

The synthesis of these approaches allows the economic security of a construction enterprise to be defined as its capacity to maintain continuity of activity, preserve and reproduce its resource potential and realise long-term development objectives through the coordinated use of institutional and strategic instruments under prolonged uncertainty. The emphasis thereby shifts from protection against threats to the anticipatory alignment of external institutional conditions with internal management processes.

On this basis an institutional-strategic mechanism for ensuring the economic security of construction enterprises is proposed. It is a multi-level system built on the interaction of two constituent blocks. The subject-institutional block defines the participants, their powers, responsibility and coordination procedures, embracing both the internal structure of the enterprise – top management, treasury, project office, production unit, compliance and risk management – and the external

environment: regulatory and permit-issuing authorities, financial institutions, investors and donors, local self-government, sectoral associations, clients and suppliers. The object-process block covers financial, material, energy and technological resources, the project and investment portfolio, human capital and the digital component.

The two blocks are connected by an institutional-strategic integration platform, which constitutes the central element of the mechanism. Its function is to convert the external institutional environment into internal managerial decisions. It comprises an institutional module (legal framework, permit and regulatory instruments, support and recovery programmes, partnership networks), a strategic module (the economic security strategy, development programmes, functional strategies and key performance indicators) and an instrumental and operational module (financial, personnel, risk-oriented, organisational and digital instruments). This distinguishes the proposed construction from conventional models: institutional conditions are treated not as a given background but as an input systematically translated into strategic priorities and operational procedures.

A distinctive functional element of the mechanism is the energy circuit. Its inclusion is justified by the energy intensity of construction production, by the share of electricity costs in the cost structure of construction and assembly works, and by the documented deterioration of energy infrastructure noted above. The circuit institutionalises interaction with generating companies, suppliers, system operators, energy traders and state auction platforms through long-term contracting, exchange instruments and competitive procurement, in order to diversify supply, reduce exposure to price volatility and improve the predictability of production costs. Under present conditions energy security ceases to be a technical question and becomes a component of enterprise economic security.

The functional block realises preventive, adaptive, stabilising, innovative and restorative functions; the result-oriented block specifies the expected outcomes: economic resilience, investment security, competitiveness, strategic adaptability and long-term development.

For assessment purposes the mechanism is decomposed into seven components – financial, institutional, strategic, risk-related, digitalisation, corporate governance and human capital. Their relative significance was established through expert evaluation with verification of the consistency of judgements, which confirmed the dominant position of the strategic and financial components, followed by digitalisation and human capital.

The comparatively low relative weight of the risk-related component should not be read as low importance: risk management is cross-cutting and is realised through the remaining components rather than alongside them.

The mechanism operates at the level of an individual enterprise and requires no change to the regulatory framework. Its practical value lies in a structured procedure for participating in publicly and internationally financed recovery programmes without accumulating unmanaged financial, energy and compliance risks [4; 7].

Further research should address empirical validation on a broader sample of enterprises, scenario forecasting of economic security under alternative reconstruction trajectories, and sectoral standards of institutional readiness for contractor selection.

References:

1. Ansoff I. (1965) *Corporate Strategy: An Analytic Approach to Business Policy for Growth and Expansion*. New York: McGraw-Hill, 241 p.

2. Anwar M. A., Usman M., Nasir M. (2021) Institutional reforms and their impact on economic growth and investment in developing countries. *Sustainability*, vol. 13, no. 21, 11687.

3. North D. C. (1990) *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press, 152 p.

4. OECD (2022) *Building for a Better Future: Regulatory Reforms in Construction*. Paris: OECD Publishing, 180 p.

5. Teece D., Peteraf M., Leih S. (2016) Dynamic capabilities and organizational agility: risk, uncertainty, and strategy in the innovation economy. *California Management Review*, vol. 58, no. 4, pp. 13–35.

6. Williamson O. E. (1985) *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*. New York: Free Press, 450 p.

7. World Bank Group, Government of Ukraine, European Commission, United Nations (2026) *Ukraine: Fifth Rapid Damage and Needs Assessment (RDNA5), February 2022 – December 2025*. Washington, D.C.: World Bank Group.

8. State Statistics Service of Ukraine (2026) *Construction: volume of construction works performed and indices of construction output*. Kyiv. Available at: https://ukrstat.gov.ua