

JEL Classification: M21; L20; G30

DOI: https://doi.org/10.31521/modecon.V27(2021)-24

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Concept and Essence of the Enterprise as a Socio-economic Institution

Abstract. Introduction. The article is devoted to the study of the essence of the concept of "enterprise" as a socio-economic and legal institution that has a set of economic, organizational and legal features. The article describes the category of "enterprise" as a complex, dynamic, open system in terms of different approaches, industries and areas of activity.

Purpose. The purpose of this article is to determine the role of the enterprise, its function and consider its integration into the economic system of the highest level - the region and the country.

Results. The author presents the definition of the concept of enterprise from the point of view of the legislation of different countries of the world and gives the characteristic of development of domestic enterprises. It is found that the enterprise as a socio-economic and legal institution has a certain set of economic, organizational and legal characteristics, which qualify it as a business entity and a subject of law. With the help of these features, we can unify the legal status of enterprises of all forms of ownership and branches of the national economy. Characteristics of development of domestic enterprises are also presented in the article. It is established that today in Ukraine there are more medium and small enterprises than large ones.

The driving force of the creation, operation and development of the enterprise is the activity that is always related to the interests, the coordination degree of which forms its economic freedom, reaching a certain level of economic security. In the broadest sense, the concept of economic activity is used in relation to enterprises, which means any activity, including entrepreneurial, related to the production and exchange of tangible and intangible goods.

Conclusions. It is determined that the activity of the enterprise can be diversified by types and it is concluded that the enterprise is a statutory economic entity, which is a complex, dynamic, open system, the functioning of which is probable. The obtained results and their practical significance lie in the fact that they can become the theoretical basis for further research of the activity and functioning of Ukrainian enterprises.

Keywords: enterprise; security; economic security; management; enterprise management.

УДК 65.658.1

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Поняття та сутність підприємства як соціально-економічного інституту

Анотація. Дана стаття присвячена визначенню сутності поняття «підприємство» як соціально-економічного та правового інституту, що має певну сукупність як економічних, так і організаційних та юридичних ознак з метою розкриття цієї категорії як складної, динамічної, відкритої системи з точки зору різних підходів, галузей та сфер діяльності. Метою даної статті є розкриття ролі підприємства, його функції та розглядання його інтегрованості до економічної системи вищого рівня – регіону та країни. У статті представлено визначення поняття підприємства з точки зору законодавства різних країн світу, а також надано характеристику розвитку вітчизняних підприємств. Встановлено, що підприємство як соціально-економічний і правовий інститут має певну сукупність економічних, організаційних і юридичних ознак, за якими кваліфікується як господарюючий суб'єкт і суб'єкт права. За допомогою цих ознак уніфіковано визначається правове положення підприємств усіх форм власності і галузей народного господарства. Надано характеристики розвитку вітчизняних підприємств, та встановлено, що в Україні існує більше підприємств середнього та малого бізнесу. Встановлено, що рушійною силою створення, функціонування та розвитку підприємства є діяльність, що завжди пов'язана з інтересами, міра узгодження яких і формує його економічну свободу, досягаючи того чи іншого рівня економічної безпеки. У найбільш широкому розумінні стосовно підприємств застосовується поняття господарська діяльність, під якою розуміється будь-яка діяльність, у тому числі підприємницька, пов'язана з виробництвом та обміном матеріальних і нематеріальних благ, що виступають у формі товару. Визначено, що діяльність підприємства підлягає урізноманітненню за видами та підсумовано, що підприємство – це статутний господарюючий суб'єкт, що є складною, динамічною, відкритою системою, функціонування якої носить ймовірний характер. Отримані результати та їх практична значущість полягає в тому, що вони можуть стати теоретичною основою для подальших досліджень діяльності та функціонування підприємств України.

Ключові слова: підприємство; безпека; економічна безпека; управління; управління підприємством.

Formulation of the problem. In modern economic science, there are many different classifiers of enterprises, based on which certain characteristics of enterprises are singled out as a criterion for grouping. The concept of

Стаття надійшла до редакції: 24.05.2021

Received: 24 May 2021

"enterprise" is generalized, or prefabricated. Firstly, it defines enterprises as business entities for all forms and types of property in Ukraine (organizational forms and types of enterprises). Secondly, this concept is generally industry-wide, that is, it generally determines the type of activity (factories, mines), construction, transport, agricultural, trade and other enterprises. Most often, enterprises and institutions are identified as organizations that perform economic, socio-cultural, administrative, political and other functions in order to meet the material, spiritual and other needs of citizens, society and the state. They differ from each other in content, result and purpose of the main activity.

The enterprise as a socio-economic and legal institution has a certain set of economic, organizational and legal characteristics, according to which it is qualified as a business entity and subject of law. With the help of these features, the legal position of enterprises of all forms of ownership and sectors of the national economy is determined.

Analysis of recent research and publications.

Reflection of the essence of this definition found justification in the works of S. Hafarov [4], V. Hrynychutskiy [6], V. Velychka, V. Siduna, J. Petrovich, S. Patron, B. Pogrishchuk, E. Karapetyan, A. Chuzhmarov [3], L. Shvaba and other scientists [1; 2]. Hrynychutskiy V. [6] defines the enterprise as a subject of production and economic activity, which at its own risk carries out independent activities aimed at systematically profiting from the use of property, sale of goods, performance of works or provision of services, and which is registered in this quality according to the procedure established by law.

Most economists consider the enterprise as a priori, defined in advance object of research. There are many different theories, which include the concept of "enterprise": theory of organizations, legal theory, economic theory, management theory, production theory, theory of activity, etc.). In addition, there are many approaches to its definition: as a form of labor organization, as an agent of transformation of resources in the economy, as a generalized form of expression of interests and results of work of a certain group of people, etc. First, it is necessary, to find out what should be understood by the enterprise, what is its essence, role and functions.

Formulation of research goals. The purpose is to reveal the essence of the concept of enterprise as a complex, dynamic, open system in terms of different approaches, industries and areas of activity. Identify its role, functions and consider its integration into the economic system of the highest level - the region and the country.

Outline of the main research material. In Ukraine, enterprises of the following types can operate:

- private enterprise based on the property of an individual;
- collective enterprise based on the ownership of the labor collective of the enterprise;

- business entity;
- enterprise, which is based on the property of citizens' association;
- municipal enterprise based on the property of the respective territorial community;
- state-owned enterprise.

The enterprise is an independent business entity. Independence in making economic decisions is one of the main and necessary conditions of the enterprise as a commodity producer. The legal aspect of this definition is that the company in the implementation of its economic activity "has the right on its own initiative to make any decisions that do not contradict the legislation of Ukraine" [16].

Finally, the enterprise is a statutory business entity. The charter of the enterprise as a local act of economic legislation normatively determines the goals and subject of activity of a separate enterprise, which are prohibited to deviate from them without changing the charter of the enterprise. The Charter also defines the limits of the special legal capacity of the enterprise as a legal entity.

The enterprise has the property necessary for the business entity - the main and circulating means, other values with which it owns, uses and disposes of on a certain legal title (on the rights of property, full economic management or operational management). As a rule, this property is legally separated from the property of the owner of the enterprise and is assigned to the enterprise as a subject of law.

Let's consider the interpretation of the "enterprise" concept in terms of different areas (fig. 1).

In the legislation of some countries, the enterprise is recognized as a subject of civil and trade law (for example, the company acts in circulation as an independent entity in Panama, Costa Rica and some other Latin American states). Significantly influenced the right of African countries (Angola, Mozambique, Guinea-Bissau, etc.) that resigned, the Trade Code of Portugal (Article 230), in which the enterprise is recognized as a business entity. In some countries, the enterprise in local legislation appears in a dual sense. Thus, in China, the enterprise is considered as "an organizational form of management and as a business entity."

In foreign countries, the term "enterprise" most often belongs to an individual property complex belonging to an entrepreneur who is the object of law. This property complex is owned and managed by an entrepreneur, individual or combined with other entrepreneurs in a trading company. Thus, according to the law of France of March 17, 1909 on the purchase and sale and pledge of trade enterprises, the enterprise is defined as a separate property complex "owned by a merchant (individual or trading company), consists of material and intangible elements used for entrepreneurial activity, and one that is an integral object of legal relations".

Legislation of foreign countries differently establishes a list of types of property, which are included in the concept of "enterprise". Italian law covers all property of

the enterprise; French and Belgian law allows the establishment of a mortgage on a trading fund – a certain part of the company's property, which includes only assets, except for real estate and the rights of requirements for third parties. German and Swiss law (§ 25 GTU and Article 18 of the GCC) [9] provides for the acquisition of all its assets and liabilities, i.e. both claims and debts.

In the United States, an enterprise (establishment) is considered as a located in one place, a physically

personified institution in which some entrepreneurial activity is carried out, services are provided or production operations are performed. A farm or company is an organization consisting of one or more enterprises (branches, departments or polling stations) located in the same area (district, settlement) that are in the same property or under general control. For those companies that have only one branch (enterprise, department or district), there is a definition, which coincides with the concepts of the enterprise and branch [12].

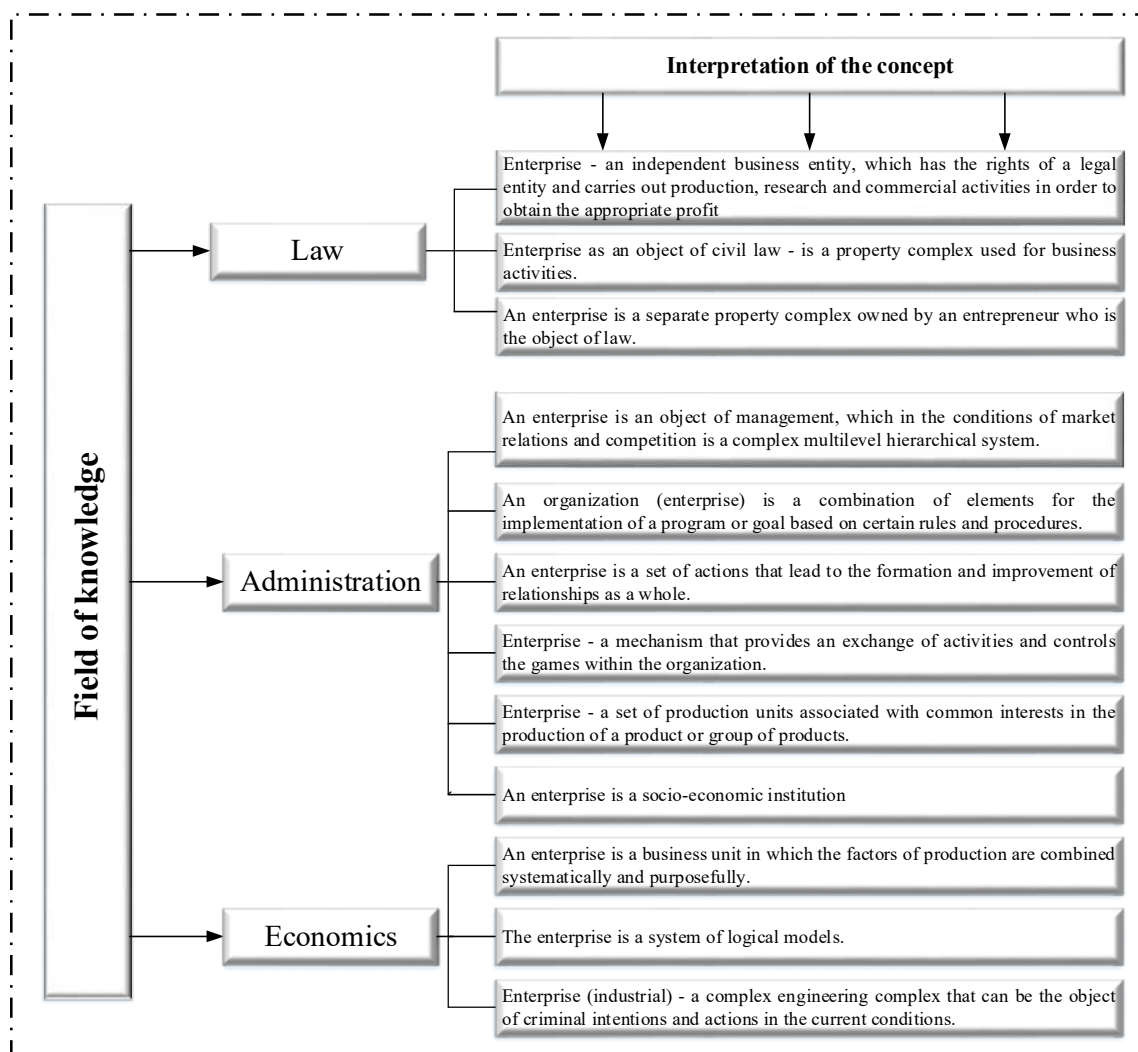


Figure 1 - Interpretation of the concept of "enterprise" in different spheres.

Source: based on [5; 9; 14; 17; 18]

Considering the enterprise from the point of view of the economic field of knowledge, it is impossible not to touch on the issues of its integration into the economic system of the highest level – the region and the country. From this point of view, special attention should be paid to hail-forming enterprises, which means a production enterprise, which employs a significant or even the main part of the working citizens of the city or town, and therefore it decisively affects the employment of the population, its infrastructure and the solution of social

problems [7]. In the Soviet Union, the share of cities and towns fully focused on servicing one production was almost 30-40% [11].

In Ukrainian legislation, the issues of hail-forming enterprises are practically not considered, but de facto, such enterprises play a significant role in the economy of the regions of Ukraine.

The study of this dependence can be useful in a detailed study of the hierarchical relationships of the vertical economic security. Instead, it should be noted

that recently there have been significant changes in the role of hail-forming enterprises of large and medium-sized cities of Ukraine, namely: none of the large industrial enterprises, even former monopolists on the scale of the

former post-Soviet space, today cannot claim the status of grading due to certain changes in the structure of enterprises in their size (table 1).

Table 1. **Characteristics of development of Ukrainian enterprises, 2019**

Indicators	Enterprises, total	including		
		Large Enterprises	Medium Enterprises	Small Enterprises
Quantity, units	25051	20	1282	23749
Specific weight, %	100	0,1	5,1	94,8
Average annual number employed workers, thousand persons	6407,5	1608,3	3052,6	1746,6
Volume of products, works and services sold (excluding VAT and excise duty), million UAH.	9639730,6	3631415,3	4168728,3	1839587,0
Share of products, works and services sold, %	100	37,7	43,2	19,1

Source: [15]

Characteristics of the development of Ukrainian enterprises given in Table. 1, is proof of moving the "center of gravity" towards medium and small businesses.

Given the fact that the number of industrial enterprises in Ukraine is also rather big, it is necessary to consider the understanding of such enterprises. Thus, A.I. Alienov [3] considers the industrial enterprise quite specifically from an economic point of view.

Emphasizing that the industrial enterprise is a complex engineering and technical complex, which can act as the object of criminal intentions and actions, in modern conditions, and terrorism, harassment of criminal structures, unscrupulous competitors, raiders, the author notes that industrial enterprises are also owners of technical and commercial information, intellectual property, trademark, unauthorized use of which carries a financial threat, that will not hesitate to affect one or another component of the economic security of the region's industry. Such a remark is extremely important, especially when it comes to an industrial enterprise or a set of such enterprises located in the industrialized regions of the country, which, for example, is the Kharkiv region.

From the point of view of the PDM (Product Data Management) concept, i.e. production information management system, as one of the concepts of management, an enterprise is a set of production units related to the general interests of manufacturing a product or group of products. The enterprise as a system of production information, from the point of view of this concept, may include a network of contractors or suppliers involved in the process of creating or general supporting the product [8; 13].

The driving force for the creation, operation and development of the enterprise is activities that are always associated with interests, the measure of coordination of which forms its economic freedom, reaching one or another level of economic security. Dictionaries interpret activity as work, the actions of people in any field, the application of labor to anything; functioning, deeds of

organs of a living organism, organization, institution, machine, etc.; detecting the force, energy of anything

In the broadest sense, the concept of economic activity is used in relation to enterprises, which refers to any activity, including entrepreneurial, associated with the production and exchange of material and intangible goods that act as goods. In the Commercial Code of Ukraine, economic activity means the activities of business entities in the field of public production, aimed at the manufacture and sale of products, performance of works or the provision of value services with price certainty [16].

The activity of the enterprise is subject to diversity by type. In turn, the type of activity takes place when resources (equipment, labor, technological means, raw materials and materials) are combined to create the production of specific products and provide services. Thus, the type of activity is characterized by the use of resources, production process, production and the provision of services. A special place among the activities is economic. The National Classifier of Economic Activities interprets economic activity as a process of combining actions that lead to obtaining an appropriate set of products or services [10]. The National Classifier also establishes rules according to which business entities can distinguish between basic, secondary and auxiliary types of economic activity.

Regarding the objectives of the study conducted by S.K. Hafarov [4], the following large areas of activity are allocated, immanent to industrial enterprises: supply; production; marketing and sales. Of course, this large classification of the activities of industrial enterprises is conditional because the company must be provided with labor, implement investment activities, master innovations, etc. However, despite the consolidation of this classification, at the same time it should be considered detailed.

Microeconomics takes the technological concept of the enterprise as a basis and considers it as an integral object that uses source resources and converts them into

finished products as one of the most important varieties of microsystems. The enterprise is a complex, dynamic, open system, the functioning of which is probable. Different models can describe the production processes carried out by it. The basic ones usually include canonical, cybernetic, hierarchical, network models, while they can be presented both in statics and in dynamics. The basis of the microeconomic model of the enterprise is the canonical static production model.

According to the terms of the general theory of systems, the enterprise as a market-production system has input, processor and output. At the entrance of the enterprise - the so-called simple elements of the production process (production factors): means of labor, energy, information, etc. Processor is the transformation of production factors into finished products, that is, the production process. In order for the production process to take place, knowledge is needed on how best to combine production factors, what methods to produce and manage it, that is, you need to perform a set of technological, organizational and managerial solutions. Output is the results of production: products intended for

sale. At the same time, the term "products" understand all the benefits that are the result of the production process: products, works, services, etc.

Conclusions. As a result of the research, the essence of the enterprise from the standpoint of various branches of science is revealed. After analyzing the laws of many countries, we can conclude that in foreign countries, the term "enterprise" often refers to a separate property complex belonging to the entrepreneur, which is the object of law. It is established that the enterprise simultaneously acts as a buyer, producer and seller; its functioning clearly manifests cyclicity: revenue from the sale of products (enterprise income) is directed to reimbursement of production costs (resources are purchased for the next transformation cycle), payment of dividends, extended reproduction, etc. It is clear that any of these gaps not only leads to failures in the work of the enterprise, but also significantly threatens its economic security.

The results obtained in the course of this study may be the theoretical basis for further research of the activity and functioning of Ukrainian enterprises.

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