

CONTROL AS AN INSTRUMENT OF MANAGEMENT AND INSTITUTION OF ECONOMIC SECURITY

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ABSTRACT

1. *Introduction.* The paper is relevant due to economic security level recession of the Russian economy in recent years. It is proposed to provide the interaction of socio-economic development indicators of the country and established control measures in the policy intended to improve the economic security of the country. It is proposed to use the institutional approach to solve the problem.

2. *Methods.* The main methodological basis of the paper is an institutional nature of economic relations that is expressed through an interrelated sequence of the following stages: institutions – motivation – control. In the paper, such research methods were used as the institutional approach, analysis and synthesis of historical data, the laws of dialectics, and a method of cause-effect relationships.

3. *Results.* This paper represents the author's recommendations for the transfer of external (negative) manifestations of control to internal (constructive) forces of cooperation. Control is disclosed as an institution necessary to provide economic security and as a condition for the effective implementation of the socio-economic strategy. The current economic security of the country is assessed on the basis of study of current macroeconomic indicators for the Russian Federation. Threats and causes of low economic security are formulated. The measures to address them are proposed.

4. *Discussion.* The institutional approach is known as one of the modern successful methods to describe economic relations. The problem of increasing the economic security is not solved. Increasing the effectiveness of the control measures to ensure the economic security using the institutional approach is necessary. The paper describes the theoretical and methodological basis for the study of the institutional mechanism (system of institutions) of economic security in order to increase the efficiency of monitoring the implementation of the system of institutions. A study of the properties and the nature of the institutions as recognized, purposeful and repetitive activity of economic agents aimed at the implementation and monitoring of the strategy to improve economic security is carried out.

5. *Closing statement.* Features of the institutional environment to provide economic security are revealed. The measures to improve the institutional chain of ensuring economic security of Russia through the effective functioning of the control system are proposed.

Key Words: Management, Control, System of Control, Economic Security, Institution, Institutional Approach, Institute Of Safety, Institutional Mechanism

INTRODUCTION

The study is relevant due to an increase in external and internal threats to economic security of Russia. Many of the problems of the Russian economy are still to be resolved. They are primarily the low competitiveness of Russian enterprises, the lack of high innovation activity, the dominance of primary industries, and inefficient monetary policy. Growth of socio-economic threats is also confirmed by macroeconomic indicators. After the crisis of 2008, the recovery growth of gross domestic product (GDP) in Russia in 2013 has slowed and made 1.3% compared to 3.4% in 2012. By results of 2015, the downfall in GDP to 3,8% was generally noted (Interfax, 2016). It is necessary to replace short-term anti-crisis measures and economic growth based on the sale of hydrocarbons with the effective long-term strategy of strengthening the country's economic security (Vasilev & Akhmetshin, 2014). It is obviously necessary to investigate and improve the control institution in the Russian economy.

There is an urgent need in the formation of economic security institutions based on the successful tools of modern socially-oriented market economy, to revise the content and improve the efficiency of a number of management functions and methods. The paper deals with the control system as the management tool which is the most adequate for the Russian transformational economy that role increases in the period of economic crisis. At the same time, the emphasizes in control activities change and the work aimed at the retention of the established system of parameters of the organization activity becomes clearly insufficient.

METHODOLOGY OF RESEARCH OF CONTROL FUNCTION IN THE ECONOMIC SECURITY SYSTEM OF THE COUNTRY

We understand the economic security of Russia as such a state of the economy that maintains an adequate level of social, political, and military existence and innovative development, invulnerability and independence of its economic interests in relation to possible external and internal threats and influences (Vasilev et al., 2013).

The control as an institution of economic security allows us to evaluate fulfillment of tasks, the achievement of the stated parameters (macro-economic, social, budgetary, commercial, competitive, cooperative, and forecasting).

The formation of an economic security indicators complex is described in many scientific papers and official documents. For example, in terms of national economic security there can be considered a "Concept 20/20" or the annual messages of the President of the Russian Federation to the Federal Assembly which contain the planned targets for growth of gross domestic product, population size and per capita income, gold and foreign exchange reserves, exports, innovation product and activity, reduce of inflation, unemployment, the monopolization, the informal sector of the economy, government and corporate debt, and other external and internal threats (Vasilev & Akhmetshin, 2014).

To analyze and control regional economic security, for example, in the Republic of Tatarstan, we have used the following complex of indicators: gross regional product in absolute terms and per capita income of the population, average expectation of life, amount of fixed investment, amount of foreign direct investment, the share of non-primary products, the share of small innovative enterprises, the share of small and medium-sized businesses, the number of jobs

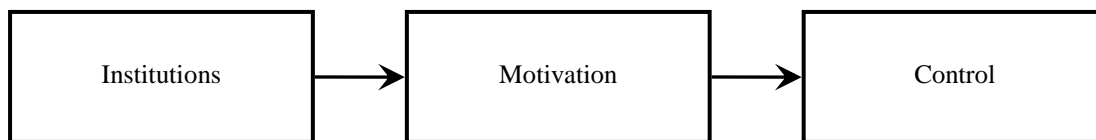
created, the availability of transport infrastructure, and housing per capita (Gapsalamov, 2013), (Shorikov & Korshunov, 2014).

To control and evaluate the economic security of enterprises, it is possible to use traditional methods of financial analysis based on the calculation of financial stability, liquidity, and profitability factors. It is possible also to calculate the integral indicators of a company bankruptcy risk. For example, the well-known “E. Altman Z-factor”.

As a result, any level of economic security (of a company, territory, country) requires a certain system of indicators which must be constantly controlled to provide their effective management. It is not possible to provide quality implementation of a socio-economic strategy without the control. Moreover, the control is inherent in any repeating (institutionalized) economic transaction both on the market, and within the company (Vasilev & Akhmetshin, 2014).

If to address to the research scheme of N. Fligstein (Fligstein, 1996), it is possible to draw the following chain of institutional mechanisms to ensure economic security (Figure 1).

Figure 1
THE CHAIN OF AN INSTITUTIONAL MECHANISM TO PROVIDE ECONOMIC SECURITY



A. N. Nesterenko notes: “Institutions occur initially on the basis of the human instincts and simplest needs; contributing to their satisfaction, they become self-sustaining and form the stereotypes of thinking according to the principle of feedback” (Nesterenko, 1997). The scheme shows that being the embedded stereotypes of thinking institutions set the structure of operative motives of human interaction, and hence affects the functioning of the economic system making a clear sequence and subordination of actions and processes in it. Institutions are a combination of formal and informal rules that enable economic entities to organize and carry out their activities in the socio-economic environment (Vasilev, 2014).

If mechanisms for evaluation of the staff and departments on the results of control are available, the control system helps to develop an understanding of business processes and strategies of their own actions. An effective control mechanism is the guarantor of that individuals will execute the rules mandated to them and the adequacy of these rules to the expected results will be found (Vasilev, 2014). If upon the qualitative execution of the rules we do not get the expected result, such rules will certainly be revised. This is required by the principle of the organization of control activities: principle of evaluation based on the results (Mullakhmetov, 2015).

It is also fundamentally important to shift emphasizes from working for the elimination of deviations and their impacts on the detection and elimination of the causes of deviations as a prerequisite for avoiding reactive forms of management (Mullakhmetov et al., 2014). The costs of infringement of the rules must be greater than the benefits in their infringement. The stability

of the control mechanism operation allows the institutions to make as universally recognized and accepted by all to perform (Vasilev, 2006). Douglass North wrote that “institutions create the basic structures by which people have achieved an order and thus have reduced their uncertainty throughout history” (North, 1989).

Thus, we can say that the institutions affect economic agents' motives structure and jointly implemented by the establishment of control mechanisms.

RESULTS

Practical Approaches to the Use of the Control Function as a Factor of Strengthening of an Economic Safety Institution

A control function is necessary for efficient management of socio-economic systems in the conditions of limited resources and the possibility of opportunistic actions of the staff. The control is an integral part and one of the main functions of management that consists in the constant and systematic monitoring of objects and processes for compliance of their behavior and status (results) with the organization's management system policy and the current legislation. According to K. S. Mullakhmetov, today the role of control as the basic management function is still undervalued despite the presence of traditional control systems based on the evolution of the practice and theory of control and controlling systems as a result of the application of the system approach methodology to the organization of control activities. Globalization phenomena taking places in modern macroeconomics, creation of integrated organizations and corporate unions will inevitably cause the processes of decentralization of management and the need to improve the monitoring of decentralization (Mullakhmetov, 2013).

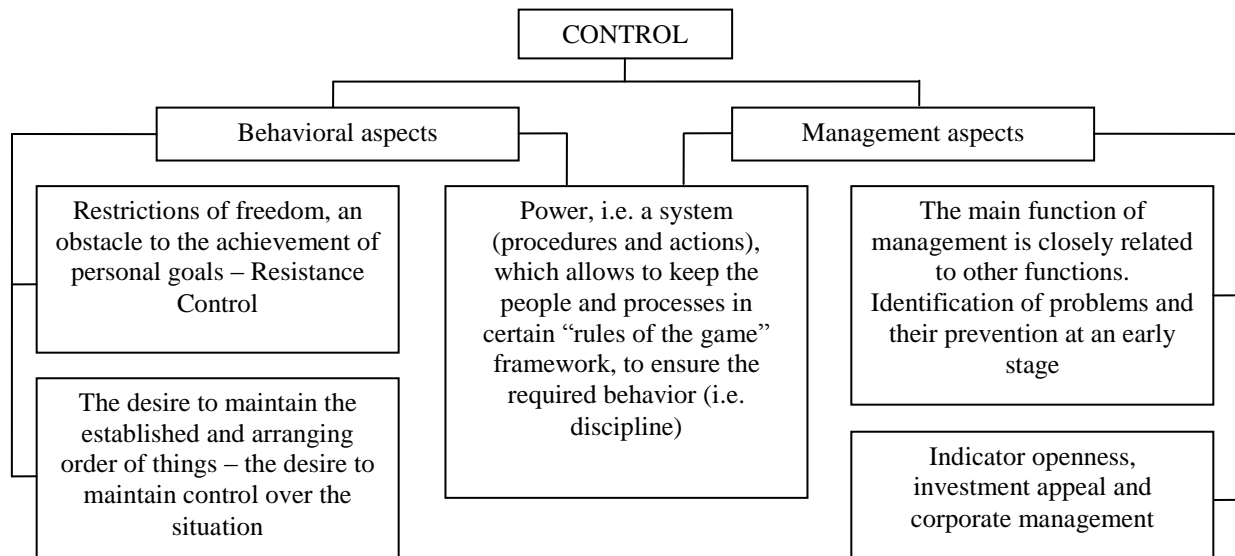
Control as a subsystem of an organization's management system involves all its system characteristics: thus, the state of the control subsystem is largely determined by the characteristics of the management system.

The general evolution trend of the management and control theory and practice indicates that the management processes become more “democratic”: the amount of management actions and control procedures is reduced, and their content becomes more “soft”. Control philosophy changes from centralized and rigidly formalized procedures to the decentralized control based on the results, the role of the creative control as the spread of good practice and learning effect grows. These changes allow the use in an administrative activity of social, psychological, moral and ethical instruments, culture of the organization, thereby increasing the efficiency of administrative activity and create a more comfortable environment for staff (Mullakhmetov et al., 2014).

K. S. Mullakhmetov allocates managerial and behavioral aspects of control where the behavioral aspects are:

1. Freedom restriction, an obstacle to the achievement of personal goals – opposition to control;
2. The desire to preserve a well-established and satisfactory fitness of things - the desire to maintain control over the situation;
3. Power, i.e., a system (procedures and actions) which allows the people and processes to keep within certain framework of "rules of the game", ensuring the required behavior (i.e. discipline) (Mullakhmetov, 2013).

Figure 2
TRAITS OF CONTROL IN THE SYSTEM OF SOCIO-ECONOMIC RELATIONS (MULLAKHMETOV, 2013)



As can be seen, the opposition to the control is a consequence of the very essence of people as psycho-physiological substances.

Laurie J. Mullins believes that the primary reaction of the people to control their activity is opposition, because they appraise control as an obstacle to the achievement of their personal goals (Mullins, 2003).

Some people oppose control because they understand that the control will reveal whether they do a good job. This creates opposition to control among the weakest performers. Even the good performers sometimes oppose to control because they are afraid of losing flexibility or freedom which, in their opinion, are necessary the elements of the high-level job (Porshnev, 2000).

The degree of personnel opposition to control depends on the nature of the control system, and the personal characteristics of the employees concerned. For example, Edward E. Lawler (Lawler, 1976) suggests that the opposition to a control system is most often seen in the following cases:

1. Control system restricts the expansion of the sphere of activity;
2. Control system replaces the established system into creation of which people have invested a lot of efforts;
3. Applied evaluation criteria were established without the participation of employees;
4. The results of the control were not disclosed to those employees the efficiency of which work has been estimated in this case;
5. Data of control system are transferred to the higher levels of a management and define the reward scheme;
6. Employees whose work falls within the scope of control are relatively satisfied with the status quo and consider themselves fully committed to the objectives of the organization;
7. Employees who are subject to control have no sufficient pride and self-confidence (Mullins, 2003).

Results of control have effect on positioning of personnel activity, with respect to the goals and objectives of the organization and its subsidiaries:

1. Positive assessment: gives confidence in correctness of the actions,
2. Negative assessment – points to the shortcomings and omissions, and on the available reserves to improve operating efficiency thereby creating a training effect.

DISCUSSION

Most people prefer effective performance and accept control what provides a consistent feedback allowing adequate assessment of the work done, but they oppose to control which is, in their opinion, inaccurate, despotic, or poorly organized, pursuing personal or group interests, and not the organization's goals (Akhmetov et al., 2014).

Effectively established control must be strategically oriented, focused on results, be timely, fairly simple, and understandable to all participants of the control process. The last requirement is particularly important in modern conditions where organizations seek to arrange their work on the principle of trust in people, and this leads to the necessity and possibility of a substantial reduction in the control functions performed directly by the managers. Under these conditions, control becomes less rigid and more economical; the conditions for self-control are created (Vasilev & Akhmetshin, 2014).

Economic security is understood by us as a system of interrelated institutions or rules of conduct the effective implementation of which is not possible without the control system adequate to existing management system. An important place in the research methodology on the system of economic security institutions is taken by indicators for which it is necessary to design a control function. In this case the economic security indicators should create a system that allows quickly influencing socio-economic policy in the country. This in turn requires embedding control measures in the strategic and tactical plans for the economic development of the country. Thus, system of economic security institution management must have an adequate control system for efficient achieving its objectives.

CONCLUSION

The control plays the important role in our daily life and professional work. In the capacity of a source of information, it largely determines the decisions taken, and in the capacity of a power factor it helps to regulate human activity and social processes in general. Development of social and economic development strategy of Russia, overcoming internal and external threats, establishment of high economic security indicators are not possible without the formation of appropriate control mechanisms.

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