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### GLOBAL INSTITUTIONAL ASPECTS OF CORPORATE SECURITY

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**Abstract:** *The paper discusses some aspects of corporate security, which are related to the effects of globalization and institutions. It proves that corporate security is permanently located in the field of action by two groups of significant factors: global, representing a multiplier of various risks and threats in all human activities, and institutional, which should represent a generator of a stable corporate environment. The focus is on the possibility of forming the negative effects of alternative institutions. The conclusion is that the dominant corporate security depends on the degree of its institutional foundation.*

**Keywords:** *Corporate security, corporate governance, globalization, institutions, business strategy*

## 1. INTRODUCTION

Corporate security is explained on the Internet as a term used to explain the modern practice of protecting businesses, employees, physical assets and related information systems. The subject of our analysis in this paper is the issue of corporate governance in the part of its security, which is realized under the influence of global and institutional factors of influence. After all, in many of its documents, the European Union defined the principles of legality, security and transparency as the key principles of corporate governance. Of course, corporate security must be seen as part of a general corporate culture. Also, it is clear that in modern conditions corporate security is emerging as a paradigm of any serious business strategy.

Regardless of the fact that the power of corporations (and their owners) grew out of the exploitation of social resources, wherever they were (which in economic jargon meant that Pareto Optimum was not just institutionalized, because the private interest was forced to the detriment of the public), when in terms of corporate security, it does not seem that the financial community (formal and informal) and economic institutions do not take into account. This again obviously speaks of the existence of double standards in the behavior and business of modern corporations. In other words, respect for institutional frameworks by corporations is selective - as needed and according to dominant profit interests. This is another proof that corporations are "pathologically disturbed", as many authors claim. In any case, contemporary approach to corporate

governance implies the integration of corporate security concepts with three traditional (basic) concepts: the profit concept, which comes from the chief responsibility of management and business managers and the maximization of profit, the stakeholder concept, which advocates that management must keep track of on the impacts of the company's activities on its stakeholders and respect their interests in the decision-making process and the social power / social responsibility concept, which starts from the fact that a company and a business must have a certain social responsibility for possessing power. We remember the seven principles of corporate social responsibility: accountability, transparency, ethical behavior, respect for stakeholders' interests, respect for the rule of law, respect for international norms of behavior and respect for human rights. They are certainly not a substitute for legal obligations, arising from the so-called. The "rule of law" of a state. They have the role of "helper", in addition to the legal, responsibility would have a moral component. The aforementioned statement enters the institutional zone, which generates the behavior of all participants in economic activities and their relationships. Because they are realized within limits of constraints, which are conditioned by the institutional structure of the society and which constrain the field of individual and corporate elections. An effective institutional environment is certainly able to reduce the negative consequences of corporation opportunism. There are too many institutional factors (ownership, control, institutional investors, laws, standards, economic policy instruments, etc.) involved in corporations in order to leave a voluntary principle to such an important and propulsive area as the

institutional conditions that constitute the institutional environment.

Corporate governance is dominantly conditioned by the character of the relationship between the two environments: corporate (voluntaristic, based on market laws) and institutional (binding, regulatory, regulations and standards based). We assume that in the future, all corporate governance models that prefer sustainable development will increasingly leave the first zone and accept the rules of another environment (Bilan, 2013, p. 689). On this background is also insisting on corporate security, which surely prefers both of these zones. That is exactly why Toffler's so-called. The "adaptive corporation" has to change in the direction of an increasing acceptance of institutional changes. For, corporate security is the general interest of all stakeholders.

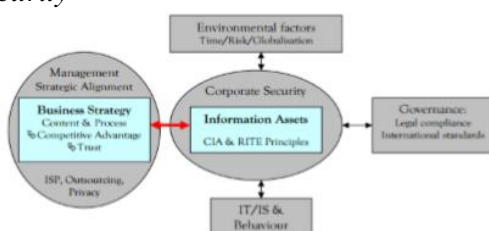
## **2. GLOBAL ASPECTS OF CORPORATE SAFETY**

Risk factors influencing global character are by their character, scope, depth and intensity very active and continuously acting in the direction of endangering corporate stability. The destructive arsenal of measures, resources and opportunities that are being realized in the forefront is rapidly and rapidly growing: from information wars, through economic contradictions and political conflicts to communication influences through the media (especially the Internet). Globalization is, in an ontological sense, too "open" reality, that is, a process in which the quality of productive forces and production relations is rapidly changing (Drašković et al., 2010, Doncov and

Zinčenko, 2011, p. 12). In the gnoseological aspect, global processes create many specific (and even virtual) categories and institutions, which have a general character and impact, which often reduces, neutralizes or even paralyzes the functioning of key macroeconomic categories in individual regional and national environments (which are a set of corporate activities). Many instabilities in these environments are the result of the current actions of contradictions between various geopolitical and geoeconomic values and interests. They directly represent the sources of many risks of corporate security. Globalization inevitably changes the economic, social, institutional, cultural and information environment of people. It has a dual effect: on the one hand it contributes to the growth of mutual dependence and cooperation, and on the other hand leads to economic and other inequalities and instability. The above-mentioned turbulent and complicated processes must adjust the corporate security system, which is not easy, as traditional protection measures have become insufficient and inadequate in conditions of extremely sophisticated threats. Of course, all this must be seen through a prism of dominant ecological hazards, which are quite turning into a complex corporate level. The basic global aspects of corporate security arise from the field of competition, and are manifested in the areas of personnel, information, commercial secrets, autonomy, business fraud, and so on. Therefore, corporate security must be based on the principles of complexity, timeliness, continuity, legality, planning, combining publicity and secrecy, and personnel competence (Zerkalov, 2011, p. 165). We believe that the above principles should certainly add to the strategic and

institutional dimension of corporate security. Without it, it is not possible to provide unhindered functioning of the basic components of corporate security (economic, legal, information and social), which are aimed at neutralizing internal inspirational threats (risks). In conditions of growing trends of networking and virtuality of business, the need for adequate adjustment in the field of measures, methods and strategies of corporate security is growing. They have to be focused on protecting the interests, stability and independence of corporate governance as the main aspects of corporate security. In this, according to the logic of things, the basic elements (facilities) of corporate security are: business processes, staff, assets (financial assets, material values, technologies and information resources) of the corporation, its image and other important components. The basic components of corporate security, according to A. Sitta (1998, p. 21), are: safety know-how, information technology security, business and continuity security, material security and general security. Some authors, for example, L. Georg (2007, p. 5) demonstrated a wider initial concept of corporate security, starting from its basic functions it performs, including the central role of information technology (Figure 1).

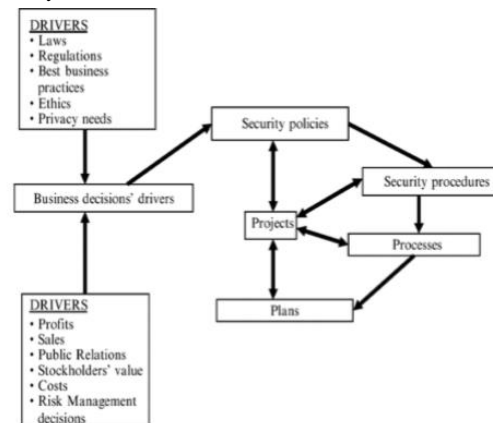
Figure 1: The broader concept of corporate security



Source: Georg, 2007, p. 5.

Some authors, for example, A. Blyth (2006, p. 123) attempted to provide an analytical framework of flows and corporate security functions, through which they sought to define the term (see Figure 2) roughly. However, most authors are unique in the assessment that corporate governance must create organizational efficiency, specify the rights and obligations of owners (shareholders), employees and third parties, but also corporate security (see for example: Woidtke, 2002; Miller, 2004).

Figure 2: Flows and functions of corporate security



Source: Blyth, 2006, p. 123.

### 3. INSTITUTIONAL ASPECTS OF CORPORATE SAFETY

Institutional aspects were emphasized at the beginning of the introduction of corporate governance and the formation of a modern corporation. Namely, from the moment the owners were no longer personally liable for obligations or any other obligations that a company can create (limited liability), i.e. the separation of

ownership functions from the function of administering company resources. This phenomenon was marked by A. Berle and G. Means (1932) as one of the most important in economic history. In this way, a modern corporation has formed management as a central institutional mechanism, which has the task of diversifying risk and reducing the cost of capital, although it causes a natural conflict between those who bear the risk (shareholders) and those who manage it (managers).

Figure 4: Subordinates and objects of corporate security (according to the Berle and Means model)



Source: adapted to M. Drašković, & A. Lojpur, 2013.

The analysis of various theoretical models (ownership, stakeholder, agency, managerial and institutional theory) of modern corporations and corporate governance clearly indicates the dominant role of institutional factors in their formation and development. Supporters of the stakeholder approach criticized the ownership model as unrealistic, because it is both normative and institutionally unacceptable. They asked the question: why would shareholders have more rights than others interested in the company? The company is comprised of everyone who participates in its functioning and who are

interested in its success (workers, syndicates, the public, the local community, customers, suppliers, strategic partners, the state, investors, financial institutions and supranational institutions). In essence, they insist on respecting the complex institutional environment of corporate governance, in which they identify various economic institutions - market, state, ownership and control type (Fiss, 2008; M. Draskovic & A. Lojpur, 2013; At the end of the 20th and the beginning of the 21st century, a stronger corporate social responsibility movement is strengthened, which implies the protection of the interests of all institutional actors and all institutional levels of corporate governance.

Institutional players outside of the corporation can greatly influence corporations. M. Roe (2004, p. 16) explains the way in which outsiders can intervene through political institutions, in cases where corporate arrangements are formulated unjustly. Political institutions may prohibit some arrangements, increase the costs of others and subsidize the third. When they do, Roe believes, they can significantly affect corporate governance institutions. Corporate governance functions objectively in the external institutional environment, which constitutes social and global governance (M. Draskovic & J. Stjepcevic, 2012). From this aspect, an interesting research by R. Apreda (2008), which provided a unified and integrated view of governance. He identified seven common, interrelated terms, which he considers to be the core of corporate, public and global governance, such as: the founding constitution, a system of rights and obligations, a mechanism of accountability and transparency, control

and performance measures, rights of stakeholders, good management standards and independent intermediaries.

It is clear that in addition to global factors, the external institutional environment of corporate security is comprised of private sector actors, legislation, various stakeholders, legal acts, various standards, agents that influence the company's reputation, financial sector, various types of markets and activity control corporation. For our theme, the definition of J. Tirole (2001, p. 4) is of importance: "the design of institutions that provoke or force management to internalize the welfare of stakeholders." As a prerequisite for market economy and corporate governance, A. Dixit (2009, p. 5) believes that there should be specificity, security and protection of property rights, contract implementation and effective collective action. Figure 5 shows the general structure of the institutional environment of corporate security.

Figure 5: Institutional environment of corporate security

|                           |   |   |
|---------------------------|---|---|
| Institutionalno okruženje | → | Meta-konstitucionalna pravila<br>najopštija i teško promjenjiva neformalna pravila, koja imaju duboke istorijske korijene u životu različitih naroda, tjesno su povezani sa stereotipovima ponašanja  |
|                           | → | Konstitucionalna pravila<br>definišu hijerarhijsku strukturu države, pravila donošenja odluka o formiranju državnih organa vlasti, kao i oblike i pravila državne kontrole                            |
|                           | → | Ekonomska pravila<br>pravila koja direktno određuju oblike organizacije privredne djelatnosti, u okviru kojih ekonomski agenti formiraju institucionalne ugovore i donose odluke o korišćenju resursa |
|                           | ↓ | Prava svojine<br>pravila koja propisuju individualni izbor načina korišćenja rijetkih dobara.   |

Source: M. Draskovic & A. Lojpur, 2013.

#### 4. CONCLUSION

On the contemporary stage of globalization, which is a key determinant of the development of institutionally pluralistic market economies, business processes are dominantly conditioned to respect a

number of new phenomenological factors, whose understanding requires overcoming boundaries of classical economic theory.

Efficient company management involves building not only mutual rational relationships and constructive communications with all business process participants, but also providing maximum degree of corporate security. The financial success of the corporation depends on this. Under these conditions, corporate security has become a significant research phenomenon, but also an economic institution, which among other things serves as an important indicator of the sustainable development of corporations.

It represents an imperative part of the general institutional framework of corporations at local, regional and global level.

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