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**QUALITY OF CORPORATE GOVERNANCE
AS A FACTOR OF CORPORATION
STRATEGIC DEVELOPMENT**

**ЯКІСТЬ КОРПОРАТИВНОГО УПРАВЛІННЯ
ЯК ФАКТОР СТРАТЕГІЧНОГО РОЗВИТКУ
КОРПОРАЦІЇ**

Urgency of the research. Corporate governance is aimed at solving three main tasks of the corporation: ensuring maximum efficiency of its activities, attracting investments, fulfilling legal and social obligations, which is ensured by forming a system of relations between shareholders, managers, directors, creditors, employees, suppliers, buyers, government officials, members of public organizations and movements.

Target setting. Despite numerous studies, conducted in different countries by scientists and specialists in the field of corporate governance, so far, the direct dependence of financial indicators of the company, primarily on net profit and shareholder value growth, on the quality of corporate governance [1; 2; 3] has not been established.

Actual scientific researches and issues analysis. Some issues concerning the solution of this problem are highlighted in the works of both domestic and foreign authors. [2; 5-8]. In particular, they consider different approaches of the formation of enterprise management system.

Uninvestigated parts of general matters defining. Corporate governance is defined as the company's chosen way of self-government, which should ensure the protection of the rights of financially interested persons, which include shareholders, employees and creditors [3].

The research objective. The purpose of this article is to define the concept of the quality of corporate governance as a necessary component of the strategic development of the company and its impact on the management of the company in the future, in opting for optimum interdependence between strategic and operational management.

The statement of basic materials. The article examines the quality of corporate governance as a necessary component of the company's strategic development.

Conclusions. Studies have shown that corporate governance can be considered qualitative if the company achieves a balance of interests of different parties and ensures the company's long-term development.

Keywords: quality; corporate governance; strategic development; corporation; profit.

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Актуальність теми дослідження. Корпоративне керівництво спрямовано на вирішення трьох основних завдань корпорації: забезпечення максимальної ефективності своєї діяльності, залучення інвестицій, виконання юридичних та соціальних зобов'язань, що забезпечується формуванням системи відносин між акціонерами, менеджерами, директорами, кредиторами, працівниками, постачальниками, покупцями, державними службовцями, членами громадських організацій та рухів.

Постановка проблеми. Незважаючи на численні дослідження, проведені в різних країнах ученими та спеціалістами у сфері корпоративного управління, до цих пір пряма залежність фінансових показників компанії, в першу чергу чистого прибутку та зростання вартості акціонерів, від якості корпоративного управління [1; 2; 3] не було встановлено.

Аналіз останніх досліджень і публікацій. Деякі питання щодо вирішення цієї проблеми висвітлені в роботах вітчизняних та зарубіжних авторів [2; 5-8]. Зокрема, вони розглядають різні підходи формування системи управління підприємством.

Виділення недосліджених частин загальної проблеми. Корпоративне управління визначається як обраний шлях компанії, який повинен забезпечити захист прав фінансово зацікавлених осіб, до яких належать акціонери, працівники та кредитори.

Постановка завдання. Метою даної статті є визначення поняття якості корпоративного управління як необхідної складової стратегічного розвитку компанії та його впливу на управління компанією в майбутньому, у виборі оптимальної взаємозалежності стратегічного та оперативного управління.

Виклад основного матеріалу. В статті досліджується питання якості корпоративного управління як необхідної компоненти стратегічного розвитку компанії.

Висновки. Дослідження показали, що корпоративне управління можна вважати якісним, якщо компанія досягає балансу інтересів різних сторін і забезпечує довгостроковий розвиток компанії.

Ключові слова: якість; корпоративне управління; стратегічний розвиток; корпорації; прибуток.

Urgency of the research. In evaluating the management processes of modern corporations, it is important to distinguish between the concept of corporate governance and corporate management. Corporate management is focused on the business of the corporation and the main business result is profit. Corporate governance is aimed at solving three main tasks of the corporation: ensuring maximum efficiency of its activities, attracting investments, fulfilling legal and social obligations, which is

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ensured by forming a system of relations between shareholders, managers, directors, creditors, employees, suppliers, buyers, government officials, members of public organizations and movements.

Currently, there is a sharp change in the environment where corporations are working. Instead of intensive development on the agenda is increasing competition with its unchanging attributes - bankruptcies and acquisitions. In these conditions, only those companies for which strategic management has become a real management tool for the company are developing successfully. Today, there are a little amount of companies in Ukraine and in world practice. Management of most companies devotes most of the time to operational activity, but not to strategic analysis, the choice of promising directions of activity, the formation of a system of goals and strategic planning paid insufficient attention. In this article, the question is how to build a system of company management in optimal interconnectivity of subsystems of strategic and operational management.

Target setting. Despite numerous studies, conducted in different countries by scientists and specialists in the field of corporate governance, so far, the direct dependence of financial indicators of the company, primarily on net profit and shareholder value growth, on the quality of corporate governance [1; 2; 3] has not been established. The conclusion is drawn that it is necessary to change the system of criteria by which it is accepted today to assess the quality of corporate governance. Thus, in practice, the issue of the expediency of corporate governance development from the point of view of business interests of the company constantly arises.

Actual scientific researches and issues analysis. Corporate governance is defined as the company's chosen way of self-government, which should ensure the protection of the rights of financially interested persons, which include shareholders, employees and creditors [3].

The researchers carried out a series of studies on the relationship between the quality of corporate governance and investment and the efficiency of the corporation's business, but in most cases, those quality criteria of corporate governance are used that are minimal, and more significant factors are not analyzed [1].

Uninvestigated parts of general matters defining. One of the interesting features of the study quality corporate governance is that, in most cases, its quality is assessed not on actual results, but on the basis of sufficiently formal quantitative criteria. Research and ratings suggest that the quality of corporate governance is determined by evaluating a number of indicators, such as: the structure and composition of the board of directors, the level of disclosure of information, the degree of protection of shareholders' rights, conditioned by the content of statutory and internal documents, etc. [4].

Some issues concerning the solution of this problem are highlighted in the works of both domestic and foreign authors. [2; 5-8]. In particular, they consider different approaches of the formation of enterprise management system.

Thus, the quality of corporate governance is assessed based on the extent to which the company meets a certain set of requirements that are basically based on the form, and not on the essence of the processes that are taking place, and therefore the direct dependence of the financial performance of companies on the quality of corporate governance is not revealed.

The research objective. The purpose of the article is to define the concept of the quality of corporate governance as a necessary component of the strategic development of the company and its impact on the management of the company in the future, in opting for optimum interdependence between strategic and operational management systems, and attracting investments to ensure the strategic development of the corporation.

The statement of basic materials. Since the ownership structure determines the structure of the key conflicts between the subjects of corporate relations, it is, in our point of view, the initial stage in the analysis of the corporate governance system.

Traditionally, it is believed that the internal problem of corporate governance is due to the separation of ownership and control, or, in other words, the disagreement between shareholders who own the company's resources and the management to which control over these resources is actually delegated [1; 3].

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If the property is distributed among many owners, then the situation arises: strong managers are weak shareholders. In such a situation, real control over the company is carried out by managers, while shareholders are significantly risk in cases of poor management.

In the case of a concentrated form of ownership, there is a situation: weak managers - weak shareholders - strong controlling shareholders. In this case, the real control over the company belongs to shareholders who have a significant share of the company's property and who have both the opportunity and the great interest to completely subordinate managers, and the main risks associated with corporate governance are shareholders whose interests may not be taken into account.

The basis of corporate governance is the board of directors, which, from the theoretical point of view, should represent the interests of all shareholders and counteract the unfair conduct of managers or controlling shareholders. However, in practice, the board of directors is often controlled or managed, with distributed ownership, or controlling shareholders, with concentrated ownership, and does not fulfill its functions to protect the interests of investors.

In the case, if the activity of the board of directors regarding the control over the company is unsatisfactory or the board starts acting in the interests of not the company's shareholders but its managers, then one of the most radical mechanisms - the hostile takeover mechanism [6] can be applied. This mechanism allows temporary concentration of property and the replacement of inefficient management of the company. As a rule, after the replacement of management and restructuring, the shares again enter the stock market and go into dispersed ownership, and the absorbed companies return to the dispersed shareholder form of ownership.

Therefore, in a joint-stock company, hostile merge does not lead to a change in the form of ownership, but is a way of replacing a team of inefficient managers and an ineffective board of directors, which are a radical form of managerial disciplining.

Thus, issues related to the effectiveness of the work of the board of directors, as one of the most important mechanisms of corporate governance, are quite relevant today.

In the authors' opinion, special attention should be paid to the intersection of the functions of corporate governance and corporate management in the development of the company's development strategy and the definition of investment sources for the implementation of the development strategy. With this approach, the effect from the introduction of corporate governance principles is expected in the long term, in the processes of formation and implementation of corporate strategy and achievement of strategic goals. Therefore, the quality of corporate governance is not a determining factor in the effectiveness of the company, if the effectiveness of understanding the current financial performance of the business.

In our opinion, corporate management should be considered as qualitative if the company achieves a balance of interests of different parties and ensures the company's long-term development. Non-quality corporate governance can lead to the collapse of the company and to serious losses for stakeholders [7].

The quality of management, according to the authors, is characterized by the following principles:

- the mission is well-formed and affects the operational activities of the company;
- the main strategic goal of the company reflects the maximization of the welfare of the owners;
- optimization of business processes;
- operational planning with the use of progressive software systems.
- regular strategic analysis;
- construction of the financial system by the centers of financial accounting;

The legal system is an important mechanism of corporate governance in terms of the ability to protect the rights of investors and offset the shortcomings and inefficiencies of the internal mechanisms of corporate governance. The scarcity of stock markets and the high cost of equity capital can be explained by the relative weakness of the legal systems of different countries in their ability to provide real protection for investors [2; 3].

It should be noted that numerous legislative requirements and rules, just like the advanced principles of corporate governance, are aimed not at improving the performance of companies, primarily financial, but at providing the maximum degree of investor protection.

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In turn, according to the authors, the effectiveness of the company's development is determined both by the quality of corporate governance, which ensures the protection of stakeholders from various kinds of losses, and the quality of business development management, which provides multiplying the invested funds and the growth of the company's value. This does not mean that the issue of corporate governance is secondary or that corporate governance is not a significant factor in the success of companies. On the contrary, companies should do their utmost to avoid corporate disasters, most of which are caused by shortcomings in the corporate governance system, especially in the field of strategic investing.

The questions of the quality of corporate governance in the investment object are considered by all strategic investors. As a result of authors' sociological research [7, p. 33], it is proposed to consider companies with high, medium and low quality corporate governance. For strategic investors, in our opinion, the following factors are important when making investment decisions: political stability, economic development, prospects for economic growth, level of bureaucratization and corruption, as well as factors such as the degree of stock market development, the stability of the tax system, the efficiency of the legal system, etc.

Regarding the high quality of strategic management, it is determined that a company that will conduct a strategic analysis on a regular basis will anticipate the effects of adverse factors in advance. The management of the company in this case should formulate the appropriate circumstances, the strategy of neutralizing these factors and make strategic decisions for the further development of the company. However, the growth rate of the company due to the average level of management of operational activities will be low, in particular, due to the cost of significant resources for internal restructuring. Upon completion of the restructuring, the profit from operating activities will resume, and with the proper use of the situation will even increase. The cost of the company will again grow in the former or, possibly, high rates.

With the average quality of operational management and the average quality of strategic management, the company's leadership is far from always anticipating changes in advance. In the best case, depending on the nature of the influencing factor, the company may have time to rebuild and, after a certain downturn, will again increase the cost. In the worst case, accumulated reserves for internal restructuring may not be enough. Problematic in this situation will be the receipt of loans - indicators of operational activities, which will be due to the company due to the adverse effects of internal and external factors, is unlikely to settle the investor. Then the restructuring will be carried out at the expense of working capital, the use of which for these purposes, as a rule, leads to bankruptcy, as a result of which the company is subject to sale at the liquidation value.

With low quality strategic management and the average quality of operational management, the company's management will not anticipate any foreseeable changes and will not have the appropriate development strategy. Therefore, the company in such cases begins to react to adverse effects only after their manifestation. As a rule, such a company will require substantial resources for internal restructuring, since such a company simply does not have the experience of making changes. Such transformations often lead to bankruptcy, which results in a company being sold at a disposal value.

Solving the question of determining the limits of the optimal distribution of efforts between the operational and strategic management of the company, the management system should be presented as a system consisting of two subsystems: the subsystem of strategic management and the subsystem of operational management. In our opinion, in order for the enterprise management system to be sustainable, the company must spend a part of all its expenses to both strategic and operational management. Under the cost should mean the labor costs of their own managers, the cost of information management, management consulting costs, etc. The remaining part, the company must allocate between strategic and operational management optimally, depending on the specifics of business and specific external and internal conditions.

Thus, one of the most important components of a company's success is a successful corporate strategy, in the formation of which both the corporate governance system and the company's management system are involved. Therefore, for the board of directors, together with the task of monitor-

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ing the actions of the executive management, no less, if not more important, is the task of forming and coordinating the company's strategy.

Firstly, the choice of an incorrect strategy may be just as negative for the company, as well as insufficient control over the council for the actions of the company's management. Secondly, there is a high probability that the absence of a strategy will lead to the same negative results as the distortion of financial statements. Companies that determine the strategy of their development and expect to attract equity capital, first of all, are guided by strategic investors.

In practice, the interests of strategic investors depend on the amount of investments, therefore they differently consider the quality of corporate governance in the aggregate of factors that affect investment decisions.

Particular attention deserves a strategic investment with full ownership of the company. Such investors do not have issues of sharing influence and relationships between different groups of shareholders. In such a situation, the strategic investor is ready to assume the risks associated with corporate governance, as he can, at his discretion, change both the structure and the management system, and the management of the company.

In practice, with concentrated property, a possible option of forcible acquisition of property by one business group from another one, which is a variant of hostile takeover. But, in this case, the threat of hostile way of change of owners prevents companies from concentrating on the implementation of a long-term strategy. Moreover, unprotected companies can not confidently invest resources in long-term and risky projects.

Thus, in conditions of concentrated ownership, the threat of hostile takeover leads not to an increase, but to a decrease in the efficiency of the corporation's activity.

The quality of corporate governance in the objects of potential investment begins to play a significant role if the task of strategic investors is to establish full or partial control over the company, which will allow them to participate.

The quality of corporate governance, for such investors, performs a certain role, since a strategic investor wants to return investments, gaining control over the company, but does not want to receive unexpected problems related to the level of corporate governance. For other strategic investors, whose task is to acquire an undervalued company in the market to bring its affairs in order and subsequent sale, the quality of corporate governance in this company is of much less importance.

Firstly, a company with a "poor-quality" corporate management may be cheaper, and secondly, if the value of the company really depends on the quality of corporate governance, the buyer will have an excellent opportunity to build a quality corporate management and get a high price for subsequent sales company. This situation is an important mechanism for disciplining managers who, in view of the threat of acquiring an undervalued company and replacing a management team, are interested in maintaining a high share price.

The success of the corporation is determined, to a large extent, by its access to investment capital. In order to gain investor confidence in order to raise capital, a company must have a high level of corporate governance practices, including the protection of shareholders rights, management and control systems, transparency and openness in its activities. Therefore, corporate governance, in the opinion of the author, should be regarded as a system for managing and controlling the activities of corporations. Corporate governance determines how investors can exercise control over management activities, and how management is responsible to investors for the operation of a company.

Good corporate governance allows investors to be sure that their investments are used by the management reasonably to increase the financial and business activities of the company and, consequently, to create shareholder value.

Good corporate governance is not limited to investor-management relations. It includes protection and cooperation with stakeholders who have a legitimate interest in the company's activities, such as employees, consumers, creditors, government, the public, etc. One of the reasons for this is that the corporation can not exist outside of the society in which it operates, and its ultimate success depends on the individual contribution of each participant.

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Corporate governance plays an important role in increasing the competitiveness and cost-effectiveness of joint stock companies by protecting the interests of shareholders; balance of influences and interests of participants of corporate relations; increasing financial transparency; effective management and control.

Thus, according to the authors, the essence of corporate governance is appropriate to consider as a system of relations between the owners of the company, management and stakeholders, aimed at ensuring the stable work of the company and the balance of influence and interests of participants in corporate relations.

Thus, we can confidently say that all strategic investors consider the quality of corporate governance in the investment object. At the same time, for strategic investors, when making investment decisions, the following factors are important: political stability, economic development, prospects for economic growth, the level of bureaucratization and corruption, as well as factors such as the degree of development of the stock market, the stability of the tax system, the effectiveness of the legal system.

Market competition can exercise a significant influence on internal mechanisms of corporate governance. In conditions of strong competition, the market automatically selects the most effective forms of business organization, leaving in the business of companies managed by the most effective managers. Of course, taking into account the current conditions for the development of the world economy, which takes place against a background of intensive globalization, it is necessary to take into account the influence of competition not only on the domestic market, but also on the global market. Moreover, with the intensification of the processes of globalization, the pressure of external competition is becoming increasingly important. Therefore, the problem of the formation of good corporate governance, which satisfies strategic investors and ensures the strategic development of the company, is relevant for most Ukrainian corporations and not only.

Conclusions. Studies have shown that corporate governance can be considered qualitative if the company achieves a balance of interests of different parties and ensures the company's long-term development.

The management of the corporation must be able to objectively assess the quality of strategic and operational management. To ensure the viability of any company should as soon as possible achieve at least average quality of strategic and operational management. Even the high quality of operational or strategic management with low quality of the other component does not allow the company to run on business successfully. Also, in our opinion, it requires an objective assessment of the ratio of costs for strategic and operational management and ensuring an adequate level of automation of management decisions. The optimality of the ratio of strategic and operational in the management system depends on the constantly changing conditions of activity, and can only be established as a result of the introduction of regular and effective processes of strategic and operational management in the company. The effect of introducing corporate governance principles is expected in the long run, in the processes of forming and implementing a corporate strategy, in achieving strategic goals.

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