

Секція. Економіка підприємства та корпоративне управління: сучасні
трансформаційні процеси

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**CORPORATE MANAGEMENT OF AIRCRAFT CONSTRUCTION
SECTOR IN UKRAINE**

The State Aircraft Manufacturing Concern «Antonov» was created in 2010. This entity arose because of the historic legal and functional separation of design and serial manufacture. This separation has acted as an impediment to the joint sales, marketing and representation of the various design and manufacture companies involved in the development and production of Antonov aircraft. The State Aircraft Manufacturing Concern «Antonov» was established to fulfil this joint representation role.

Advanced ideas and technologies are especially needed in our dynamic time. Namely such a product Concern «Antonov» named after its founder, Oleg Antonov, offers for the world market.

Concern «Antonov» built more than 22,000 units of more than one hundred types and modifications of passenger, transport and special-purpose aircraft. Cargo giants “Ruslan” and “Mriya”, being a visit card of the Company are the special pride of aviation designers. They set up 270 world records. As a total, Antonov aircraft set up more than 500 records.

The enterprise, existing about 70 years, is one of several enterprises having the whole cycle of creation of modern aircraft – from pre-project scientific researches to construction, tests, certification, serial production and after-sale maintenance.

Specific of the branch makes special demands on forming personnel and Concern «Antonov» has a right to be proud with its main asset – a high professional staff. More than 13,500 people work at the enterprise today. Among them there are representatives of 198 professions and specialities, the full staff of designers and scientists working in 35 scientific directions including such rare one as aerodynamics and strengthen of aircraft, mechanics, hydraulics, heat engineering, avionics, material science. Real masters of their work are engaged at all stages of the development of aircraft.

The main subdivisions of State Aircraft Manufacturing Concern «Antonov» are:

- experimental design bureau on projecting, perspective and experimental researches, certification, support of serial production and operation;
- experimental production facilities engaged in manufacturing of experimental aircraft;
- flight test and development base intended to carry out flight tests, development and certification of the aircraft as well as for training of flight and technical personnel;
- divisions of the leading specialists on the programs.

Besides, «Antonov» Company includes aviation transport subdivision – «Antonov airlines», national aviation carrier, which delivers different cargoes worldwide and «Antonov» Serial Plant producing serially «Antonov» airplanes.

All this complex allows embodying designers' ideas in real aircraft. Thus, competitive production, including designs enters a market. This gives to partners a possibility to develop and modernize their own aviation production [1].

But «Antonov» is a Concern. Concerns are a structure adopted for corporate groups. It can be used for both public and private companies. It is not a holding structure, but more in the nature of a cooperative or collegiate body. It allows companies to integrate their operations, without establishing a holding structure. Where a Concern is established, the members of the concern retain their full legal and

operational autonomy. Concerns are typically used to combine industrial enterprises, scientific organizations, transport facilities, banks, trading enterprises, etc.

And companies that includes in Concern are unitary enterprises. Unitary enterprises have no ownership rights to the assets they use in their operations, but are merely granted management rights. The underlying owner of the property (for instance, a government agency or Ministry) retains residual control over the use and disposal of the property directly, but does not interfere in the day-to-day operations of the enterprise. There are no shares as such in a unitary enterprise, with income being distributed back to the state according to a set proportion set by the Cabinet for each enterprise. There is no board of directors. The day-to-day operations of the company are under the sole control of a Director-General. Strategic direction is provided by management in the first instance, with major company decisions reviewed by the relevant ownership entity [2].

In May 2015, «Antonov» Company became a part “UkrOboromProm” State Concern. It was taken a decision to distribute responsibilities of ANTONOV’s management between financial-economical and scientific-technical areas. The main purpose was to increase the enterprise’s efficiency, but it was inefficiently for all aircraft building companies [1].

Kharkov State Aircraft Plant, and the No. 410 Aircraft Plant for Civil Aviation are two manufacturing companies that are aligned with the «Antonov» Concern. Both of these companies are also established as Unitary Enterprises. The Kharkov Plant is responsible for production of certain aircraft (An-74 and An-140) within the Antonov fleet, whereas the No.410 plant is focused on maintenance, repair and overhaul of Antonov customer planes (Figure1.).

That is structure is not so good for this company, because they cannot enter into agreements with foreign companies and the allocation of costs between the military and commercial units, the disclosure of financial information, the disclosure of corporate objectives and strategy.

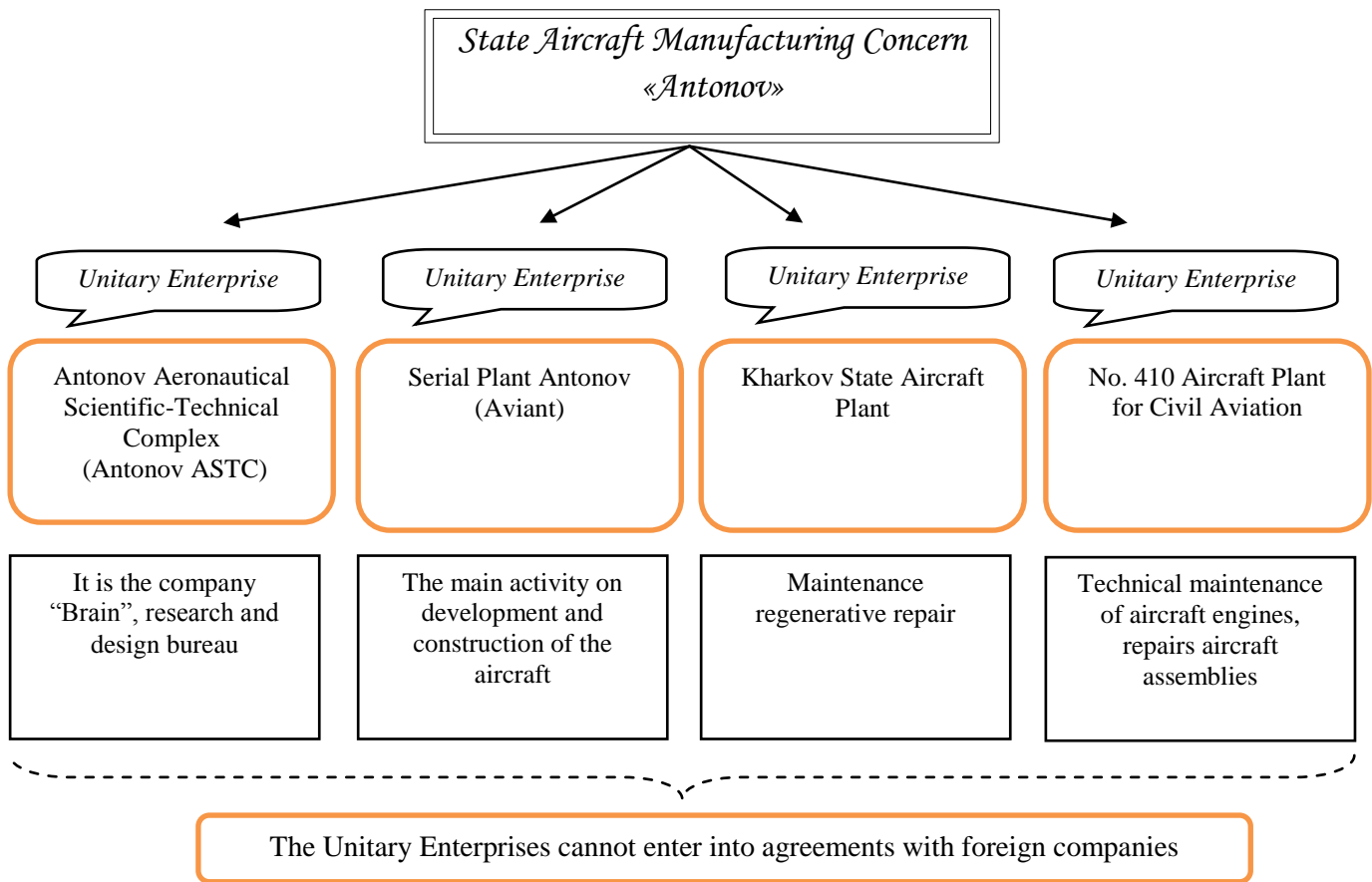


Figure1. State Aircraft Manufacturing Concern «Antonov» Structure

The worst structure for “Antonov” is a holding group. It is recommended that the operations of the Concern and the four operational companies be transferred to one holding company (“Antonov Holding”), directly owned by the Agency, in the form of a JSC, with an appropriate Board and a CEO. The holding company structure will allow for that greater coordination and will ensure that financing and partnership arrangements are conducted at a group level. In the long cooperate with domestic and foreign partners.

The creation of a holding company structure would also facilitate the separation of military and civilian aircraft manufacture and aerospace systems into separate legal entities within the structure. The State Agency for Corporate Rights must to do only monitoring and “UkrOboromProm” control only Military aircraft manufacture (Figure 2.).

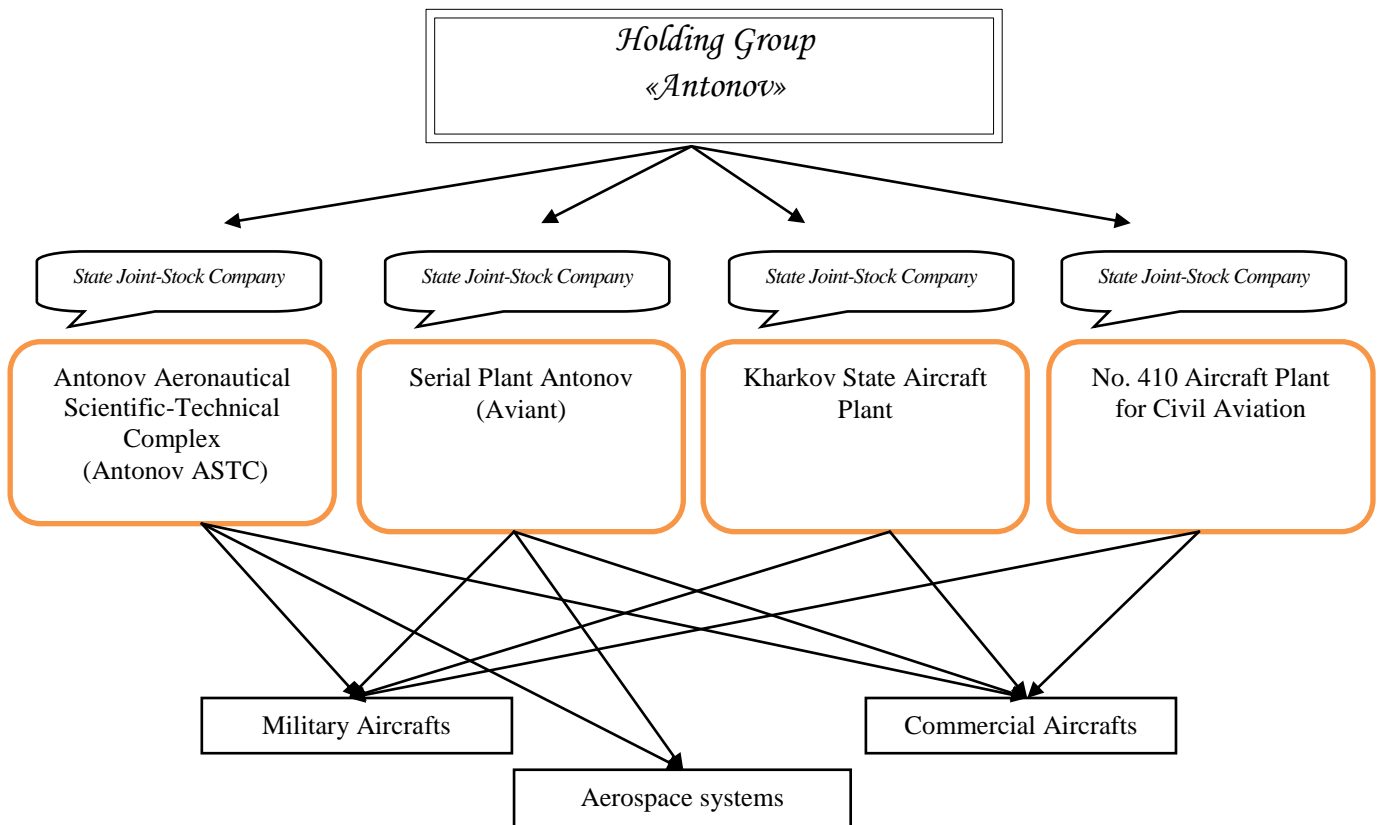


Figure 2. New Holding Company Structure «Antonov»

The four operative companies should likewise be restructured from Unitary Enterprises to State Joint-Stock companies incorporated under the Ukrainian companies law.

References:

1. ANTONOV – unsurpassed capabilities in aircraft building:
<http://www.antonov.com/?lang=en>
2. Policy Handbook. A Corporate Governance Assessment of Ukraine’s State-Owned Aviation Sector: The Case of Antonov. November 2012