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## STATE ADJUSTING CORPORATE SECTOR IN THE NATIONAL ECONOMY GLOBALIZATION

**Objection.** *The objection of this article is to reveal key factors, which determine the development of large corporate structures in domestic economics, to work out the instruments of effectiveness increase of the government regulation of corporate sector, to justify the measures concerning this instruments implementation.*

**Procedure.** *In the course of the study there were engaged: dialectical method of study, method of historical and logical integrity, induction and deduction method, methods of theoretical generalization and comparison, analysis and synthesis to justify the government regulation of domestic economics corporate sector and to reveal key factors of large corporate structures development in domestic economics.*

**Results.** *According to conducted study there were revealed key factors, which determine the large corporate structures development in domestic economics. It was proved that the dominant tendency of contemporary business development in general and of big business in particular is its motion from individualization to corporatization of the business activity in all its forms. The large enterprises are the main form of business dealing which can provide the competitiveness of large corporate structures in the world market, which in the final analysis stimulates the increase of economic security of the state.*

**Academic novelty.** *There were revealed key factors which determine the development of large corporate structures in domestic economics, worked out the instruments to improve the efficiency of government regulation of corporate sector, which stimulate the economic competitiveness of Ukraine.*

**Practical importance.** *The obtained results are aimed at the development of the corporate sector of domestic economics.*

**Key words:** *government regulation, corporate sector, large enterprises*

The essential changes that in the recent years took place in the world economy in connection with markets internationalization and intensification of globalization processes on the one hand and unfavorable macroeconomic situation against the background of political instability on the other hand, raise serious questions concerning competitiveness improvement of domestic economy and assurance of high economic growth rates. The corporate sector has an important role in this problem solution, as it contributes to national economy development, on which the competitiveness of Ukrainian economy depends.

The further growth of industrial production and the opportune and complete fulfillment of obligations to accounting system of the state are caused by availability of effective institutions, which regulate corporate relations. According to European Bank for Reconstruction and Development the corporate sector contribution to Ukraine's GDP growth amounted to approximately 62%, which proves its essential influence on the national economy.

The important objectives of our country concerning the strategic development are national projects realization, including the participation of corporate sector and private and state partnership, entering the new export markets etc. These objectives assume the attraction of big investment and taking into account the interests of each involved party. One of the main tasks in this question is to improve the government regulation of the corporate sector of Ukrainian economy.

The inherent inconsistency and even fragmentary legal framework in the field of corporate relations regulation restrain the investment activity, effective interaction of government and business community, and also acceleration of economic growth in general. Insufficient defense of investors and owners interests influences on activity planning of both domestic companies and companies with foreign assets, and also doesn't meet the interests of economy concerning the investment attraction to modernize the basic assets of its structure-forming sectors. The abovementioned factors prove the importance of to improve the government regulation of corporate sector of Ukrainian economy.

The question of government economic corporate sector management was considered by such prominent academic economists as Abalkin, L.I.; Yevtushevsky, V.A.; Nazarova, G.V.; Raisberg, B.A.; Cherpak, A.E.; Shershnyova, Z.E.; Petrakov, N.Ya.; Yentova, R.M. etc. However, nowadays methods and instruments of government regulation of the corporate sector in the context of integration processes are still insufficiently developed, and this situation influenced on the choice of the research topic.

The purpose of the issue is to elicit the key factors, which determine the development of large corporate structures in domestic economy; to work out mechanisms of improvement of the effectiveness of government regulation of corporate sector; to justify the measures concerning these mechanisms implementation.

The weighty argument as for the benefits of large structures creation in the country is the opportunity to accumulate the significant financial recourses for Research and Advanced Development. "The global experience really demonstrates that the most revolutionary, ground-breaking innovations are implemented by the small and medium-sized business. However, these innovations can become the driving forces of economy only when developed by the big business, which undertakes the predominant private expenses for Research and Advanced Development. Under Russian conditions because of the bare government financing of the science big enterprises, including oligarchic ones, increase expenses for Research and Advanced Development and renewal of technologies. The government must not discourage the business with deconcentration, on the contrary, it must encourage both big end medium capital, realize long-term investment and innovations and help to

reduce the risks". And further: "The Russian economy lacks for big national companies, which could be able to compete in the world market... we must think not about division of existing "oligarchic empires", but we must think how to create conditions for nascency of deciles of business groups with turnovers of \$ 100-500 mln. per year, which could double and triple their sizes. It is necessary to create opportunities for companies of the second echelon to transform into companies of the first echelon business, which bases not on the privatization of government-owned property, but on success in competitive struggle" [1, c.43-44].

It is important to understand the authors' position that "the main key to economic growth and competitive recovery is exactly in development of big national companies, which can stimulate the development of medium-sized and small companies sector". It is only a nascency of new big enterprises and economy integration which can decrease the concentration of economic power, and it troubles the World Bank and some politicians.

The advantages of big business consist in maneuvering of the capital, financing of Research and Advanced Development, investment, concentration of capital, competitive recovery, economic growth reserve etc. [2, 3].

One of the most developing forms of business, the forms of interaction of industrial and financial capital are financial-industrial groups (FIG). Normally, it is the membership of legal bodies, which operate on the base of the contract as the parent and affiliate companies and which united fully or partially their tangible and intangible assets for the purpose of technological and economic integration for the implementation of investment or other projects. The participation of industrial enterprises, banks and other credit companies is compulsory here. A lot of different commercial and non-commercial organizations can be the participants of FIG, such as investment institutions, non=state pension funds, insurance organizations, whose activity is necessary for investment projects implementation. There is no law on FIG in Ukraine, which is offset by the Law on industrial-financial groups (IFG).

According to the Law "On industrial-financial groups", which was adopted in 1995, there is quite different interpretation of the purposes to create IFG in relation to FIG:

"The association which can include industrial enterprises, agricultural companies, banks, academic and project institutions, other institutions and organizations of all proprietary forms, which are aimed at the profit earning and created by the Resolution of the Government of Ukraine for a specified term in order to implement government programs concerning the development of top-priority branches of production and the structural reorganization of Ukrainian economy, including Programs in accordance with interstate agreements, and final output production" [4].

Such approach towards IFG determination generates a lot of questions, which answers could be found not in economic field, but in economics itself. Is there any necessity to create such groups only by the Resolution of the Government? Why should they be created only for government programs implementation? Why only for a specified term? Maybe, we can make some sense in positions of some analysts, who

consider Ukrainian IFG and FIG politico-financial groups or politico-economical groups.

Financial-industrial group is a group which was formed in consequence of large business groups control of a certain segments of industry by the system of management policy. The key element of FIG is financial capital, concentrated only in controlled banking structure.

The specificity of Ukrainian large companies association, which compiles the significant level of transaction expenses, consists in the fact, that the seed funding of these expenses was formed on the base of so called status hierarchy in administrative - bureaucratic apparatus. The meaning of this status defines the access to officially "nation-wide" (public) recourses [5, c. 18-20].

The domestic researches consider that proprietary rights have been vague since the beginning of privatization processes until the present day. When the proprietary rights are not determined precisely, restricted and scarcely protected for participants of privatization and stock markets it increases too high transactional expenses of society [6, c. 27].

Zinchenko, Ya.V. [7], the Ukrainian economist, considers, that though the main feature of intensive institutional development is curtailment of expenses, still the moral ageing of institutions, which underlies the intensive institutional dynamics, stipulates the temporary increase of expenses (before new institutes introduction), which in its turn highlights the necessity to improve the institutional structure, make amendments in its particular elements. On the stage of market formation, unlike the intensive institutional development, the success in curtailment of transactional expenses can hardly be expected, even with numerous efforts of government to achieve this objective. The main explanation for this situation is that the market has not yet developed into an integral system of interrelated components.

Therefore, the changes in proprietary rights, redistribution of social wealth in the favor of certain groups which take place today, lead to essential increase of transactional expenses of society. Still, according to the rules of big capital formation, its consolidation during a long historical period only proves the statement that big enterprises and their associations still remain the leading form of business organization. The processes of big structures creation, amalgamation cooperation of enterprises must be encourages at the state level. It is necessary to create new industrial policy which could take into account the experience of creation of development institutes in the countries which have institutional structure, similar to Ukrainian one, such as Russia, Chile, Brazil, Mexico, South Korea.

The global experience shows that cooperation with the leading manufactures, imports of capital, creation of strategic alliances are essential factors of economic growth. The strategic alliances mean the long-term and stable cooperation of two or more partners, who are aimed at preservation of competitive advantages, preservation and (or) increase of stock capital on the base of pooling or complementarity of resources, i.e. enterprises should interact in commercial field, but without corporate amalgamation. The international strategic alliances are viewed as a flexible instrument which on the base of community of participants' interests allows to

achieve strategic objectives at lower costs, than while using the traditional ways of concentration and centralization of capital.

In the estimation of American specialists, from the mid eighties of last century onwards the number of strategic alliances has been increasing more than on 25 % per year. For example, in USA in 1986-1995, the number of joint ventures – which are one of the most developed forms of strategic alliances – quadrupled. Transnational corporations try to combine the amalgamation and consolidation of enterprises with creation of strategic alliances: two thirds of 377 Presidents of the world biggest companies with turnover more than \$ 2.2 Trillion consider the alliances to be the most important instrument of global corporate growth [8].

Karpukhina, E.A. highlights the key moments of creation of strategic alliances with the participation of transnational corporations [9]. These moments are: access to foreign markets, access to resources and their effective use; acquiring of new knowledge. The access to market “by means of alliance creation guarantees the reduction of risks to its participants; provides better conditions for export, benefits from diversification of activity; opportunity of more rapid penetration; use of regional and economic advantages; meeting of governmental requirements towards foreign capital. Transnational corporations organize international strategic alliances in developing and Economies in Transition countries in order to strengthen their influence on new markets and to occupy “new territory” at lower costs and with minor obstacles than if they entered by means of affiliate companies”. Very often transnational corporations enter into an alliance exactly with competitors in order to use their experience, knowledge and technologies; to improve the integrated knowledge (organizational knowledge, marketing knowledge etc.) considering them to be more important than patent-protected technology.

Some analysts reasonably consider [10, c. 232-233] that the government regulation of corporate sector should involve the following aspects: clear definition of authorities of state in general and state structures in particular; independence of state structures from political pressure or illegal invasion of some commercial groups; high-level professional abilities of executive bodies of stock market regulation, etc.

The geographical position of Ukraine near to big markets of EU and Russia creates preconditions for economic attractiveness of production and export in these regions. Experts consider that Ukraine has a chance to find itself in the centre of this market with a population more than a billion people; due to relocation of some part of production in Ukraine and access to the fifth motor carrier give opportunities to some companies, which have production plant in China, to minimize time needed for production delivery in Europe on twenty days. The problem is that businessmen are afraid of some bureaucratic obstacles at the customs and many others which can deprive Ukraine of this predominant factor. The supplier companies will attract investment of the leading electronic companies into Ukraine. All these factors can help to create nearly 50 thousands of sufficiently paid jobs, to raise the level of the technical education and to provide the further integration of Ukraine into international economics.

There are no alliances of world level in Ukraine. However, we may range the company “Industrial Union of Donbas” with them. The foreign experience, the

adaptation of its conditions in Ukraine, taking into account the peculiarities and factors of globalization for realization of the national interests can be of great value to prepare Ukraine for EU entry.

The influence of globalization on the level of transaction costs has two points. On the one hand, the influence of globalization on the world and regional processes help to reduce transaction costs at the world level, at the level of national economics, inside the transnational company. On the other hand, the openness of economics, imperfect legal system regarding the protection of national economics stipulate the high costs on functioning not only in domestic, but also in the world market.

Therefore, the institutes of macro level, being the prominent factors of development of world and national economics, influence considerably on the costs in production and sales of products, on transaction costs. The processes which take place nowadays lead to essential increase of transaction costs of society. It is very important in the course of institutional economic infrastructure development of Ukraine to take into consideration such factors as institutes of property, democracy, management, law, risks, data ware, positive and negative characteristics of these processes.

High transaction costs of economic operators in Ukraine are caused by such factors as the weakness of corporate sector, initial developmental stage of Ukrainian stock market, insufficient quantity of players, institutional investors domination, ignorance and unawareness of the mechanisms of the stock market functioning. Nowadays there is a tendency to their increase under the conditions of transnational corporations' influence, which only proves the backwardness of market relations in Ukraine, lack of internal developmental mechanisms, strategy and programs of negative influence prevention of significant world players on the domestic economy.

Conclusions. The retrospective analysis of developed countries experience shows that big companies are the main form of business which can secure competitive advantages to large corporate structures in the world market, which in the final analysis raises the national economic security. However, the transformational processes in Ukraine don't mean that the powerful economics is being formed, or economic policy, aimed at the reinforcement of economic companies in external markets, is being realized.

The modern economics is characterized by the some new quality of corporatization, based on the concentration of resource (economic) potential not only by means of amalgamation or consolidation of enterprises, which mean the change of status of these enterprises owner, but also the voluntary renunciation of some authorities within voluntary corporate structures.

The effective functioning of corporate sector stipulates the national economic development, so it is necessary to create such conditions of this sector functioning which would minimize the destructive influence of some factors and stipulate the development processes. The factors which stipulate the development of the corporate sector are such as the efficiency of corporate relations and growth strategies, quality of corporate management and its monitoring, antimonopoly policy of the state and the formation of valid corporate infrastructure.

The changes in property rights and redistribution of public welfare for the benefit of the certain structures lead to significant increase of transaction costs of society. Nevertheless, according to the patterns of the big capital forming, its reinforcement during the long historic period only confirms the statement that these are large corporate structures which remain the leading form of business organization. So the creation of such structures, amalgamations and cooperation of companies should be encouraged and supported at the state level. Institutes and institutions of macro level become the prominent factors of development of both world and national economics. The creation and development of corporate structures are the main driving forces of economic growth of domestic business structures and very important factors of positions reinforcement in the internal market and effective entry in external markets.

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