Electronic scientific and practical journal

INTELLECTUALIZATION OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

#23 (2024)
February '24

WWW.SMART-SCM.ORG
ISSN 2708-3195
DOI.ORG/10.46783/SMART-SCM/2024-23

ISSN 2708-3195
9 772708 319005

Electronic scientific and practical collection
INTELLECTUALIZATION OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Electronic scientific and practical publication in economic sciences

Electronic scientifically and practical journal "Intellectualization of logistics and Supply Chain Management" included in the list of scientific publications of Ukraine in the field of economic sciences (category "B"): **Order of the Ministry of Education and Culture of Ukraine dated October 10, 2022 No. 894 (Appendix 2)**

Field of science: Economic.
Specialties: 051 – Economics; 073 – Management

ISSN 2708-3195
DOI: https://doi.org/10.46783/smart-scm/2024-23

The electronic magazine is included in the international scientometric databases:
Index Copernicus, Google Scholar

Released 6 times a year

№ 23 (2024)
February 2024

Kyiv - 2024

The electronic scientific and practical journal is registered in international scientometric data bases, repositories and search engines. The main characteristic of the edition is the index of scientometric data bases, which reflects the importance and effectiveness of scientific publications using indicators such as quotation index, h-index and factor impact (the number of quotations within two years after publishing).

In 2020, the International Center for Periodicals (ISSN International Center, Paris) included the Electronic Scientific and Practical Edition “Intellectualization of logistics and Supply Chain Management” in the international register of periodicals and provided it with a numerical code of international identification: ISSN 2708-3195 (Online).

Recommended for dissemination on the Internet by the Academic Council of the Department of Logistics NAU (No. 7 of February 26, 2020). Released 6 times a year. Editions references are required. The view of the editorial board does not always coincide with that of the authors.

Electronic scientifically and practical journal “Intellectualization of logistics and Supply Chain Management” included in the list of scientific publications of Ukraine in the field of economic sciences (category "B"): ***Order of the Ministry of Education and Culture of Ukraine dated October 10, 2022 No. 894 (Appendix 2)***

Field of science: Economic.

Specialties: 051 – Economics; 073 – Management

t.me/smart_scm
facebook.com/Smart.SCM.org
twitter.com/ScmSmart

DOI: https://doi.org/10.46783/smart-scm/2024-23
e-mail: support@smart-scm.org

тел.: (063) 593-30-41
https://smart-scm.org

Contents

The electronic scientifically and practical journal
"INTELLECTUALIZATION OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT",
ISSN 2708-3195

67-72
v.23 (2024)
https://smart-scm.org

UDC 657.1
DOI: https://doi.org/10.46783/smart-scm/2024-23-6
JEL Classification: M20, M41.
Received: 10 February 2024

Chikalkin S.M. Postgraduate student of the Department of Finance and Accounting Open International University of Human Development "Ukraine", (Ukraine)

ORCID – 0009-0006-7629-3382
Researcher ID –
Scopus author id: –

THE CONCEPT AND ESSENCE OF CORPORATE GOVERNANCE

Serhii Chikalkin. "The concept and essence of corporate governance". *The article is devoted to the study of the basic concepts and essence of corporate governance. The main aspects of corporate governance are characterized, including its objectives, functions, principles, structure and role in the stable functioning of enterprises.*

It is determined that corporate governance can be viewed as a set of legal, economic, organizational norms and rules within which a corporation (company) operates, and on the basis of which the relations between all its participants are built. Corporate governance unites various participants in corporate relations, each of which takes care of its own interests, establishes mechanisms and methods of interaction between them.

It is highlighted that most studies related to corporate governance have a rather narrow focus and are conducted exclusively at one of these levels.

The issue under study is multifaceted and also includes the definition of functions and components of corporate governance, which include: creating a strategy and setting goals, ensuring financial stability, ensuring transparency and compliance, and facilitating interaction with stakeholders.

Keywords*:* corporate governance, enterprise, management, corporation, shareholders, corporate relations.

Сергій Чікалкін. «Основні поняття та сутність корпоративного управління».. *Стаття присвячена дослідженню основних понять та сутності корпоративного управління. Охарактеризовано основні аспекти корпоративного управління, включаючи його цілі, функції, принципи, структуру та роль у стабільному функціонуванні підприємств.*

Визначено, що корпоративне управління можна розглядати як сукупність юридичних, економічних, організаційних норм і правил, у рамках яких функціонує корпорація (товариство), і на базі яких будуються: взаємовідносини між усіма її учасниками. Корпоративне управління поєднує різних учасників корпоративних відносин, кожний з яких дбає про свої власні інтереси, установлює між ними механізми і способи взаємодії.

Висвітлено, що більшість досліджень, що стосуються корпоративного управління, мають досить вузьку спрямованість і проводяться виключно на одному з цих рівнів.

Досліджуване питання є багатогранним і включає в себе також визначення функцій та складових корпоративного управління, до яких можна віднести: створення стратегії та визначення цілей, забезпечення фінансової стійкості, забезпечення прозорості та відповідності, сприяння взаємодії зі зацікавленими сторонами.

Ключові слова: корпоративне управління, підприємство, управління, корпорація, акціонери, корпоративні відносини

Introduction. The relevance of corporate governance research is constantly growing in the modern world, especially in the context of the ever-changing economic and social situation. Famous leading scientists have studied the concept of corporate governance and its features in their works. The growth of international trade and investment leads to the need to develop effective corporate governance strategies for the successful operation of companies in the international market. The transition from traditional ownership structures to new forms, such as corporate groups, associations and start-ups, requires the development of new corporate governance models that meet the current conditions. Society and stakeholders are increasingly demanding transparency, openness and ethical behavior from companies, which challenges traditional approaches to corporate governance and requires new strategies.

Analysis of recent research and publications. The theoretical foundations of corporate governance are actively studied in the works of both foreign and domestic scientist: F. Neubauer, A. Lank, L. Van den Berg, S. Carshon, M. Khus, A. Kostiuk, O. Khart, M. Fratiani O. Bilashenko and others.

However, many questions that are really important have not yet been sufficiently researched and are waiting for consideration and a new scientific perspective.

The formulation of the goals of the article is to systematize and review the key concepts, basic principles and functions that form the basis of corporate governance in order to ensure a clear understanding of the essence of this concept.

Presentation of the main results. Corporate governance has a two-pronged effect. On the one hand, it is a new sphere of activity and interests of state and non-state institutions (enterprises), executives and managers, shareholders and employees in transition economies. On the other hand, corporate practice in transition economies complements and rethinks the corporate governance system in economically developed countries.

The development of the corporate sector is crucial not only for improving the efficiency of the management system of business entities, but most of all for the successful functioning of the country's economy as a whole in the context of market transformations, in particular at the level of public administration.

The diversity of scientific works on corporate governance shows that there is no unanimously accepted definition of corporate governance. This array of different views on corporate governance in the literature makes it difficult to formulate a single comprehensive definition of corporate governance.

Corporate governance is a general term, according to scholars F. Neubauer and A. Lank [1]. The term includes specific issues generated by complex interactions between internal and external actors present in the corporate environment (top management, shareholders, boards of directors, other corporate stakeholders, etc.)

The term "governance" is defined by the Oxford English Dictionary as "the act or manner of governing" [2]; in the archaic sense of the term, it is explained as "influence". As a rule, governance refers to how something is regulated, while "to govern" means: to administer, direct, order, control, dominate, rule, supervise. The basis for these explanations of the general terms "governance" and "management" is the idea of leadership and control.

Thus, the specific term "corporate governance" refers to the way companies are managed and controlled. The practice of corporate governance can be analyzed from five different perspectives, defined by L. Van den Berg and S. Carshon [3]:

1) Corporate governance can be understood at the level of the board of directors;

2) Corporate governance can be understood at the level of the so-called

"corporate governance triangle" consisting of managers, the board of directors and owners;

3) Corporate governance can be understood from the perspective of the company's direct stakeholders employees, suppliers and customers;

4) Corporate governance can be understood from the perspective of the company's indirect stakeholders the government, the environment and society as a whole;

5) Corporate governance can be understood from the perspective of the company's stakeholders the public. However, most research on corporate governance has a rather narrow focus and is conducted exclusively at one of these levels. In fact, corporate governance can be dealt with in a narrow or broad sense, as Solomon argues [4].

From a narrow perspective, corporate governance is limited to the relationship between a company and its shareholders. This definition reflects the traditional paradigm of finance expressed in the "agency theory". According to this theory, resource owners (shareholders) act as managers who entrust their resources to managers of business entities, who act as agents, to manage these resources and create additional value. Such narrow definitions are rather shareholder-oriented, such as the Walker Review definition [5]: "the role of corporate governance is to protect and promote the interests of shareholders by setting the strategic direction of the company and appointing a skilled board capable of achieving those goals".

From a broader perspective, corporate governance can be viewed as a network of relationships not only between the company and its owners (shareholders), but also between the company and a wide range of other persons who are part of the company: employees, customers, suppliers, etc.

In general, broader definitions of corporate governance emphasize a broader level of responsibility to shareholders and other stakeholders. According to the broadest definitions, companies are considered responsible to the whole society, future generations and the environment. Such a broad view of corporate governance is shared by the scientist A.D. Suson, who defines [6] that corporate governance is "a system of checks and balances, both internal and external to companies, which thereby ensures that companies adhere to their responsibility to all their stakeholders and act on the basis of social responsibility in all areas of their business activities".

Different definitions of corporate governance used in academic discussion are often influenced by different values, ideologies or worldviews of those who use them. For example, according to the legal approach of O. Khart and M. Fratiani [7], it is believed that the focus of corporate governance is to ensure responsible corporate behavior in matters that are not directly addressed through contracts. On the other hand, from a narrow point of view, corporate governance is concerned with how creditors of corporations assure themselves that they will get their investments back.

In terms of the management approach, corporate governance is defined by A.N. Kostiuk as follows [8]: "Corporate governance establishes clear structures for accountability, responsibility and transparency at the top of the company and defines the role of the board and management". In terms of compliance, the definition has a changed focus: "Corporate governance defines a clear structure for the relationships and responsibilities between the various participants in a corporation, such as the board, managers, shareholders, and other stakeholders, and establishes rules and procedures for making decisions on corporate affairs. In fulfilling this function, it also provides a framework by which the company's objectives and the means to achieve those objectives are set and their effectiveness monitored (OECD Corporate Governance Guidelines) [9].

In Ukraine, corporate governance has been developing for a long time independently. However, paradoxically, the situation changed for the better after the 2008 financial crisis.

In our country, as in the rest of the world, there is now an understanding that corporate governance is not only a set of certain procedures, but also an important risk management tool. By the way, this approach has already been reflected in a number of EU regulations, in particular the Basel Committee.

Scientist M. Khus [10] defines other categories of views on corporate governance: external and internal perspectives, and perspectives of unity and balancing. On the one hand, the external perspective focuses on value protection or value distribution, while the internal perspective focuses on value creation. On the other hand, the unitary perspective is short-term and board members play the role of agents working for shareholders or management, while the balancing perspective is long-term and the board is an independent organizational body at the top of the corporation.

Thus, M. Khus presents four groups of definitions of corporate governance: 1) The managerial definition of corporate governance, which emphasizes what is best for management. This is an internal and unitary perspective. 2) The shareholder preference focus, which is about how the board, managers, and corporations are instruments to achieve shareholder goals. This is an external and unitary perspective. 3) Interaction, triangulation, or stakeholder perspective of corporate governance emphasizes the relationship between the entities that participate in the decision-making process and control the resources of the enterprise. Thus, corporate governance is defined as a structure of rights and obligations between stakeholders. This is an external and balancing perspective of corporate governance. 4) A clear definition of corporate governance emphasizes what is best for the corporation and focuses on how the board contributes to value creation through the value chain. This is an internal and balancing perspective of corporate governance [10].

Corporate governance functions are a set of tasks and responsibilities performed by the company's management to ensure efficient operation and achievement of strategic goals. The main functions of corporate governance include:

creating a strategy and setting goals. The company's management should develop a development strategy and set specific goals that need to be achieved to be successful;

overseeing the implementation of the strategy. Corporate governance is responsible for monitoring and evaluating the implementation of the strategy, making sure that the company is moving in line with the goals set;

ensuring financial stability. Corporate governance is responsible for controlling the company's financial resources, defining and optimizing the financial strategy, and ensuring effective risk management;

ensuring transparency and compliance. Corporate governance ensures compliance with transparent and ethical management standards, as well as compliance with laws and regulatory requirements;

promoting stakeholder engagement: Corporate governance promotes interaction with shareholders, customers, partners and other stakeholders to ensure their interests and support the company's sustainable development;

development of human resources. Corporate governance is responsible for the development of the company's human resources, including the selection and development of qualified managers and employees [11].

The functions are aimed at ensuring the effective functioning of the company and maximizing its performance and value for all stakeholders. Corporate governance functions are key elements necessary for the successful operation of any company. They define the role of management in setting strategy, monitoring the implementation of that strategy, and effectively allocating resources and making decisions. In addition, they ensure transparency, effective communication and compliance with legislation and corporate governance standards. The overall success of the company directly depends on how effectively management performs these functions, taking into account the needs and expectations of all stakeholders [12].

Considering all of the above, it becomes obvious that there are various perspectives in corporate governance and that there is no single, consistent definition of this concept in the scientific literature. There are narrow and broad perspectives, external and internal perspectives, unitary and balancing perspectives, managerial and agency theory perspectives, etc.

The definition of corporate governance depends on the view of those who formulate it and for what purpose they use it.

In their works, the authors try to give a relatively broad definition of corporate governance, based on the definitions presented in this study, it is possible to form a definition: corporate governance is a system of checks and balances of the internal and external environment of the enterprise, which determines the rules and certain decision-making procedures that distribute its responsibilities, rights and obligations to all direct and indirect stakeholders; the corporate governance system also includes the rights, claims and responsibilities of all members of the corporation, as well as the rules and procedures used in the decision-making process at all levels of the corporation; an appropriate corporate governance system provides means for establishing and achieving corporate goals, as well as for constant monitoring and adjustment of the level of achieved results.

Corporate governance is an important element of the modern business environment, which is constantly evolving and changing. Modernity poses new challenges and requirements for companies, to which corporate governance must respond to ensure sustainability, efficiency and competitiveness.

One of the key aspects of modern corporate governance is taking into account the interests of various stakeholders, such as shareholders, customers, employees, governmental and non-governmental organizations, and society as a whole. Ensuring transparency, openness and accountability to all stakeholders is becoming a key task of corporate governance in today's environment.

Another important aspect is the use of modern technologies in corporate governance, such as artificial intelligence, data analytics, blockchain, etc. This allows to optimize management processes, make more informed decisions and increase the efficiency of companies.

In addition, modern corporate governance takes into account general trends in society, such as changes in environmental and social standards, the development of sustainable development and corporate social responsibility concepts.

In today's competitive business environment, corporate governance plays a strategic role in ensuring the success and sustainable development of companies, adapting to new challenges and requirements of the present.

Conclusions. Thus, in Ukraine, practical and theoretical corporate governance is constantly being actively developed, and this concept is widely considered in organizational structures and enterprises. Achieving high efficiency of corporate governance requires ensuring the unity of organizational principles that regulate corporate relations and ensure the realization of the interests of all stakeholders, economic indicators for assessing efficiency and making and implementing management decisions, taking into account environmental factors.

References

1. Neubauer, F. and Lank, A. (1998) The Family Business: Its Governance for Sustainability. MacMillan Press Ltd., Houndmills, Pp. 65-67.

2. The Oxford Dictionary. Retrieved from: https://www.emmabowey.co.uk/reader/970588-SMIQWGMJGL/

3. Van den Berghe, L. Carchon, S. (2002). The global history of corporate governance: an introduction», 64 p.

4. Solomon, J. (2010). Corporate Governance and Accountability, Chichester: John Wiley & Sons Ltd., 276 p.

5. . Sir David Walker's review of corporate governance in UK banks and other financial institutions, 2009.

6. Sison, A. J. (2008). Corporate Governance and Ethics – An Aristotelian Perspective, Cheltenham: Edward Elgar, 235 p.

7. Hart, O., Fratianni, M. Z. (2008). Corporate, Public and Global Governance. The G8 Contribution, Aldershot: Ashgate, California State University. 304 p.

8. Kostyuk, A.N. (2008). Corporate governance in the bank: a monograph. GVUZ "UABD NBU", 332 p.

9. OECD – Principles of Corporate Governance (2004) Retrieved from: http://www.oecd.org/dataoecd/32/18/31557724.pdf

10. Huse M. Boards, (2007). Governance and Value Creation. The Human Side of Corporate Governance, Cambridge: Cambridge University Press, 392 p.

11. Fieldova, O.L., Barda, L.V. (2017). Organization of the corporate governance system in the banking sector of Ukraine. Economy and state. № 9. Pp. 619- 626.

12. Corporate governance: theory and practice: [textbook] / M.P. Malska, N.L. Mandyuk, Y.S. Zanko. K.: Center for Educational Literature, 2012. 360 p.