

## THE ROLE AND PLACE OF CORPORATE SECTOR IN THE STRATEGIC DEVELOPMENT OF MODERN ECONOMY

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*The article notes the role and place of corporate formations in the strategic development of national economies. The essence and meaning of the concept corporation are researched. The differences between corporations and joint-stock companies are considered. Characterized features, functions, components and classification of corporations are described. The corporation, with its institutionalization of domestic economic relations, rigidity of the procedures for making and implementation of managerial decisions, with the simultaneous mechanism of limiting the freedom of action of managers – from the point of view of information specialization, is sufficiently perfect structure. It is necessary to distinguish the basic functions of the corporation: social, economic, technological, innovative and institutional. It was determined that the main feature of the corporate form of ownership is inner duality objectively inherent to it, i.e., it arises, functions and develops simultaneously: on the one hand, as the property of shareholders (private), and on the other – joint stock company as a whole (collective). The possibility of purposeful and effective behavior of the corporation is largely determined by this. It also determines those organizational advantages that can enhance its ability to use the most rational (definite, consistent) process of making decision for implementing the most effective market strategies. It was concluded that for further perspective the development of corporations will enable to increase the efficiency of the Ukrainian economy both at micro and macro levels: to restore the stock market of Ukraine; to increase the capitalization of domestic companies; to strengthen the role of professional managers; to increase the competitiveness of products at domestic enterprises.*

**Keywords:** joint-stock company, corporate sector, corporate formations, corporation, subjects of the corporation, strategic development.

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### STATEMENT OF THE PROBLEM IN GENERAL AND ITS CONNECTION WITH IMPORTANT SCIENTIFIC OR PRACTICAL TASKS

The corporate sector is the basis for the modern economy. It accounts for 1/3 of world industrial output, 1/2 of international trade. Large corporations provide technological progress, economic growth and social protection of citizens in the developed countries; especially the weight of their position in the science-intensive, infrastructural and nature-exploiting sectors of the economy.

The activities of large corporations reduce losses associated with competition, leading to a mitigation of crises. The saturation of the economy by large corporations increases the predictability of price dynamics. Thus, at present prices are rising the lowest rates in those countries of a market economy, where they occupy a relatively stronger position (Germany, the *United Kingdom*, Japan and the *United States* of America).

The economy of the countries-leaders of the modern world demonstrates the constantly developing and improved interaction of various forms of ownership and management. To a large extent, their successes in economic development are the result of cardinal changes in property relations. People, as market entities, trust the firm (institution) more than individual individuals.

Therefore, the unification of people for the creation of firms (institutions) is a process conditioned by the human desire to avoid potential risks or deception, that is, guaranteeing the security of transactions, and not their lower cost (for example, lower transaction costs). Formal and informal institutions guarantee the fulfillment of certain expectations of individuals, satisfaction of their needs and obtaining certain values for which they count.

### ANALYSIS OF LATEST RESEARCH AND PUBLICATIONS

Such domestic scientists as: P. Buryak, O. Skibitskyi, L. Mikhalchuk, M. Ivanchenko, A. Sirko, L. Fedulova, T. Zhelyuk, L. Dovgan and others devote considerable attention to the problems of the corporate sector of the national economy.

The main focus of the publications is on determining the place and importance of the corporate sector in the country's economic system and analyzing its structure. At the same time, certain issues of the formation of the corporate sector remain insufficiently resolved

## THE ARTICLE PURPOSES FORMULATION

The **purpose** of writing the article is to define the role and place of corporate formations in the strategic development of national economies.

## MAIN MATERIAL PRESENTING

Formation of corporate structures in the economy of Ukraine is an objective law of concentration of capital. The common problem is the search for the most perfect models of joint activities of various legal entities. These models should take into account both the specific requirements of modern large corporations whose activities require special ways of planning, coordination and control by shareholders.

It is in the corporation that the individual and institutional start of the economy are combined, and it is in the corporation and between corporations that the whole spectrum of economic relations arises that they are able to be active subjects of these relations.

The corporation (from the latin "corporation" – association, community) is a widespread form of entrepreneurial activity in developed countries, which providing fractional ownership, legal status and concentration of management functions in the hands of the top echelon of professional managers (managers) managers working for hire [1].

Great explanatory dictionary of modern Ukrainian language edited by V.T. Busel treats the corporation as a contractual association created on the basis of a combination of production, scientific and commercial interests, with the delegation of individual powers for centralized regulation of the activities of each of the participants [2, p. 577].

H.V. Nazarova believes that the corporation, as any organization, is an economically integrated system, an integral object, which combines many social and economic processes and connections. In the modern economy, corporations form the economic basis of states, set the main trends and directions of social and economic development, therefore, the problems of managing new enterprises of the most dynamic corporate sector of the economy come to the fore, both in practice and in scientific research [3, p. 212].

According to A.V. Sirko, the modern corporation is a complex and special economic institute [4, p. 25]. According to the current legislation of Ukraine, a corporation is recognized as a contractual association formed on the basis of a combination of the industrial, scientific and commercial interests of the united enterprises, delegating them individual powers of centralized regulation of the activities of each of the participants to the management bodies of the corporation [5].

Often there is an opinion according to which the concepts "corporation" in the narrow sense and "joint-stock company" are identified.

O.M. Skibitskyi notes that the corporation is the most perfect form of organization of enterprises, which exists mainly in the form of an open joint-stock company, whose founders form joint stock capital by combining their own resources through the mechanism of issue and sale of securities (primarily shares), and co-owners bear limited liability [6].

The corporation on the system of objectives of activity, the totality of the subject composition of relations, the principles of their organization significantly differs from the joint-stock company through the following important differences of the studied categories:

- the functions of property and management are united in the joint-stock company, and the management is carried out by the owners themselves, in the corporation with the complication of the structure of its subjects (business participants), a full separation of property rights and powers of management takes place;

- emergence of a corporation leads to the formation of a new, independent subject of economic relations – the institution of hired managers. It follows from this that in the corporation owners, while remaining subjects of the corporation (participants in corporate relations), along with management functions, lose their connection with the business;

- there is a shift of targets in the activities of the corporation, changing its economic goals by increasing the efficiency of operating, financing and investing activities to build up the value of fictitious capital by building a specific relationship between the parties concerned (interest holders) and the impact on the relationship between the real and fictitious capital. On this basis, the economic interests of the subjects of the corporation (business participants in the system of corporate relations);

- transformation of economic interests of the subjects of the corporation (business participants in the system of corporate relations) occurs on this basis;

- the owners are related to each other by management relations in the joint-stock company, then in the corporation the priority of the relationship changes in favor of the interaction of owners and management.

A corporation is a bunch of contracts concluded between participants in the process of reproduction of values, as well as an element in the system of public institutions that ensure the reproduction of labor. That is, a corporation is an institution or a projected association by people of legal entities (economic entities) into an organization that is a structured group of member states entering into concerted and coordinated organizational, economic and managerial relations regarding the formation and use of joint-stock property in order to achieve the desired result as synergetic effect of integration interaction.

We distinguish the main groups of corporate subjects: internal entities that are the part of the corporation's object (owners, managers and employees) and external ones that are not the part of the object, but influence the result of the corporation's activity (society, state, investors, suppliers, consumers and competitors). Each of the groups represented has a different image of the good - the goals of the corporation.

The balance of interests of participants in corporate relations must be achieved in all fundamental decisions of the corporation, which increases their importance and significance. In order to make corporations more efficient, one must take into account the contradictory interests of many participants interested in effective work, but having their own understanding, their criteria and indicators for its evaluation, their own way of influencing (directly or indirectly) the components of efficiency.

Therefore, the criteria of organizational effectiveness are constantly changing, reflecting changes in the composition of the participants and their interests. So, owners estimate (and seek to maximize) the income on the invested capital.

Creditors are interested in liquidity and the prospects of deposits, the financial risk. Suppliers are interested in the reliability of partners. Trade unions assess the effectiveness of the firm to justify the terms of employment agreements. In addition to business participants, external organizations and individuals - potential investors, creditor banks, consumers of products (services), suppliers, competitors, etc., exercise direct or indirect control over the effectiveness of the enterprise.

Thus, it is the multilateral control of the effectiveness of business participants, external organizations, the state in a market economy that creates an economic environment for the enterprise, where efficient activity is a necessary condition for the existence and functioning of the corporation. The task of managers is to ensure a balance between the interests of owners (shareholders), employees, creditors, between static and dynamic, external and internal efficiency.

Business entities directly related to the functioning of the corporation allowed to assert that they all receive two main advantages from its activities - stable growth and security, which can not be guaranteed in a free market. Consequently, a large corporation should be regarded as an institution for ensuring stability and security of the market for consumers, shareholders, employees, partners and society.

Thus, the corporation's target function is not to maximize profits or minimize transaction costs, but to provide stable business growth that ensures safe development for all social groups related to the corporation. This understanding of the goals of the corporation is consistent with the modern concept of a new institutional economic theory that proclaims cultural education of the main goal of a modern man, whose desires are also determined by culture. In accordance with this, the corporation should strive to be the most socialized institution that serves, above all, the common goals of society associated with stable social development and security.

In the framework of this approach, the corporation is seen as an organization that has set certain goals and acts for the public good, thus emphasizing the social importance of this kind of organization.

John Kenneth Galbraith considered corporations as the main subjects of the institutional economy in the new industrial society. He singled out two parts of the economy - market and planned economy.

He attributed the small business to the market economy, where the laws of the market operate. The planned part of the economy is represented, according to John Kenneth Galbraith, by large corporations. Due to their dominance in the market, large corporations plan the level of future prices and prepare their consumers for the purchase of manufactured goods at planned prices.

Huge sizes of corporations determine their significant impact on the economies of the different countries; reinforce the social function of the corporation, and therefore, the value of the company goals are interlinked with the objectives of the society increases [7]. Therefore, corporations are moving from the goals of maximizing profits toward growth goals. In other words, the growth of the corporation's size is more important than the growth of profits. Really large corporations can not formulate goals of its

development isolated from the goals of society, because they are its integral part, the building block of society.

Therefore, the goals of the corporation as an element of society must be subordinated to its goals. Otherwise, the society will not allow the corporation to develop and sooner or later liquidates it. Thus, John Kenneth Galbraith's approach is closest to the situation in practice, when one of the key factors in the success of the corporation is the growth of business, and the corporation, according to T. Veblen, could sustainably develop only as the subject of the necessary institutional economy, the need for which would be felt by all (or even most) of the subjects interacting with it.

The conducted analysis showed that modern corporate formations, on the one hand, constitute a special form of organization of business activities, often identified with the concept of a large joint-stock company on a number of principles: legal status, share ownership, concentration of management functions of the professional managers.

On the other hand, a special internal organization and development in accordance with the individual logic of the internal laws of functioning are characterized for them. Usually, when talking about a corporation, the traditions of Anglo-Saxon law follow and identify it with a joint-stock company, rarely use this term in a broader sense – as a union created to achieve a common goal.

The main feature of the corporate form of ownership is inner duality objectively inherent to it, i.e., it arises, functions and develops simultaneously: on the one hand, as the property of shareholders (private), and on the other – joint stock company as a whole (collective). Moreover, these parties mutually presuppose and supplement each other, highlighting the different facets of corporate property. The private principle is manifested in the private nature of ownership of the share as the title of a joint-stock company, whoever was formally its subject, and also in the dominance of one-man management over collegiality in the current management of the company.

Difference of economic interests, coordinated behavior of subjects or their contradiction remains very actual problem in the corporate economy. If the theoretical main problem of corporate relations is reduced to the separation of ownership and management, then the practical reduces to establishing a balance of interests between all subjects of the corporation in the process of their interaction.

Participants of corporate relations try to derive their usefulness from participating in the system of corporate relations, while their interests may conflict with the interests of other participants in corporate relations and with the interests of the corporation as an institution. In the absence of agreed interests, opportunistic behavior of managers may arise.

It is characteristic for this approach to identify a corporation as an organization that is different:

- by the aggregate of the achievements of the mutual consent of the participants, uniting as partners in entrepreneurial activity, so that, having the power, to manage the activities of others to achieve common goals on the basis of a formal agreement, the content of which are the rules that coordinate their activities;
- by the consent of the participants to express their views openly regarding specific goals and means of achieving them;
- by the formal coordination of the activities of participants to determine the structure of links, hierarchies, rules, procedures and the degree of centralization of functions in making managerial decisions;
- by openness and conditioned interaction with the subjects of the external environment, which obliges to raise the level of organization for better performance of the objective function.

Thus, domestic economists identify the concept of "corporation" from the organizational and legal point of view as with legal corporate persons of a certain organizational and legal form, and with a group of legal or other economically independent enterprises (organizations) that conduct joint activities on the basis of consolidation of assets and (or) contractual relations, which should lead to the achievement of joint goals.

It is necessary to distinguish the basic functions of the corporation: social, economic, technological, innovative and institutional.

The social function of the corporation is to ensure the safe reproduction and development of society. The essence of the firm's economic function is to maintain a stable profit growth of the corporation, growth of income of employees and shareholders, as well as of the state (society).

Stability of profit provides the corporation with opportunities for the reproduction of its activities, the necessary amount of investment in the development of techniques and technologies, human and other resources.

The implementation of the technological function of the firm is aimed at the development of scientific and technological progress, new technologies of production and consumption, contributing to the fullest satisfaction of needs.

The innovative function of the corporation can be expressed not only in innovative technological development, but also in organizational, social, cultural and other forms of innovations that contribute to the development of society. Implementation of the institutional function of the firm means the ability of the corporation to ensure the implementation of all of the above functions. This task can be achieved by observing the formal and informal rules and norms of the corporation, both from the state and established by it for its own purposes.

Thus, the modern theory of a corporation should consider corporations in interrelation with its external and internal environment, which are constantly complicated, which determines the use of the concept of a complex organization in relation to the corporation, but in some measure self-organizing, as modern organizational forms of the corporation (for example, networks) assume the absence of strict hierarchical subordination and one-man management, which is replaced by the mechanism for coordination and regulation of the components of the corporation (Networks).

The use of the methodology of the synergetic approach is possible in this regard for the study and explaining the essence and evolution of corporation development in which the substantive direction of the functioning of the mechanism for the formation of corporate structures is reflected.

Formation of corporate formations in the economy consists of a sequence of basic components.

1. Formation of corporate formations.
2. Methods and means for achieving development.
3. Adaptation of the elements of mechanisms to the transformation of conditions due to the appearance of elements that have the properties of implementation necessary for the functioning of corporate entities;
4. Distribution and redistribution of financial flows by changing the financial mechanism;
5. Formation of corporate integrated associations.
6. Coordination and functioning of the information component of the corporation.

There are many approaches to the classification of corporations in the literature constructed on different grounds. For example, L.V. Mikhhalchuk and M.O. Ivanchenko distinguish such types of corporations: classical, etatist, creative [8, p. 70]. Today there are such basic types of corporations in the world:

- on the basis of coverage: transnational, national, sectoral and regional;
- on the purposes of creation: commercial and non-commercial;
- on the form of organization of the capital: consortium, concern, conglomerate, holding, syndicate, union.

Thus, a corporation is an association of legal persons (business entities) into the organization that is a structured group of member states entering into concerted and coordinated organizational, economic and managerial relations regarding the formation and use of joint-stock property in order to achieve the desired result as a synergistic effect of the integration interactions. This is a complex social and economic system that:

- 1) consists of structural elements (branches, divisions, departments, etc.) with the following characteristics: the high degree of independence; focus on achieving common goals in accordance with corporate strategy and policy;
- 2) has a management system based on the use of collective governing bodies;
- 3) has a pronounced corporate culture;
- 4) the effectiveness of which is due to the manifestation of the synergy effect, the achievement of which is one of the main tasks of the company's management system.

#### **CONCLUSIONS FROM THIS RESEARCH AND PROSPECTS FOR FURTHER EXPLORATION IN THIS DIRECTION**

The corporation, with its institutionalization of domestic economic relations, rigidity of the procedures for making and implementation of managerial decisions, with the simultaneous mechanism of limiting the freedom of action of managers – from the point of view of information specialization, is sufficiently perfect structure.

The possibility of purposeful and effective behavior of the corporation is largely determined by this. It also determines those organizational advantages that can enhance its ability to use the most rational (definite, consistent) process of making decision for implementing the most effective market strategies.

For further perspective the development of corporations will enable: to restore the stock market of Ukraine; to increase the capitalization of domestic companies; to strengthen the role of professional managers; to increase the competitiveness of products at domestic enterprises.

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### ЗНАЧЕННЯ ТА МІСЦЕ КОРПОРАТИВНОГО СЕКТОРА У СТРАТЕГІЧНОМУ РОЗВИТКУ СУЧАСНОЇ ЕКОНОМІКИ

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*У статті відзначено значення та місце корпоративних утворень у стратегічному розвитку національних економік. Досліджено сутність і значення поняття корпорація. Розглянуто відмінності корпорацій від акціонерних товариств. Охарактеризовані особливості, функції, компоненти та класифікація корпорацій. Визначено, що основною ознакою корпоративної форми власності є об'єктивно притаманна їй внутрішня подвійність, тобто вона виникає, функціонує та розвивається одночасно: з одного боку, як власність акціонерів (приватна), а з іншого – акціонерне товариство в цілому (колектив). Цим багато в чому визначається можливість цілеспрямованої та ефективної поведінки корпорації. Це також визначає ті організаційні переваги, які можуть посилити її здатність використовувати найбільш раціональний (визначений, послідовний) процес прийняття рішень для реалізації найбільш ефективних ринкових стратегій. Було зроблено висновок, що на подальшу перспективу розвиток корпорації дозволить підвищити ефективність української економіки як на мікро, так і на макрорівні.*

*Ключові слова: акціонерне товариство, корпоративний сектор, корпоративні формування, корпорація, суб'єкти корпорації, стратегічний розвиток.*