



## **Corporate Governance Issues and Control in Conditions of Unstable Capital Risk**

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### **ABSTRACT**

In the context of deep and wide-ranging transformation of the Russian economy caused by a scientific and technological progress and its systemic and structural reforms undertaken in the process of forming a market economy and political democracy, before the Russian economic science alone raises issues of improving the control system. The main role plays a corporate governance practice, as it is large corporations is defined as the appearance of the national economy into the world economy and the main directions of its development, as well as the efficiency and competitiveness in the domestic and foreign markets. The problem of corporate governance research at the present time is one of the most important trends of modern economic research. Corporations in Russia still cannot cope with the role of a key link in our economy. In industrialized countries, it is an inherent part of the system of power (Osipov et al., 2016). At present, the largest business group management system is constantly refined. Develop a vertically integrated holding companies, the combined unified scheduling, financing, coordination and supervision. The issues related to the optimization of corporate governance in the industrial holding company, while ensuring a reasonable level of autonomy of subsidiaries.

**Keywords:** Unstable Markets, Demand Structure, Influencing Factors, Business Model

**JEL Classifications:** G30, M21, D49

### **1. INTRODUCTION**

The core problem of modern society is the growing gap between the rich world and the poor world, growing globalization and trans nationalization. One of the factors for this gap is the action mechanism of corporatization processes and their interaction with the public sector of the economy.

In economic theory differently evaluated the role of corporate structures. Some scientists believe that the corporation is the basis for the construction of the country's economy, establishing the basic proportions of the effective development, while others argue that the negative trends of activity “mega associations” cause significant damage to the development of civilization.

In neoclassical economic theory for a long time the subject of economic activity in the form of the company was seen as an isolated legal and economic organization in the production process converts inputs into finished products. Enterprise model defines the production function, which expresses the dependence of production results on the amount expended factors. The main criterion of success in the market in this case is to achieve production efficiency through the combination of resources, production, minimizing costs and maximizing profits.

Neoclassical school sees economic model of perfect competition and the free market model, which consists of an infinite number of economic entities operating independently from each other with full information about the structure of supply and demand, as well

as the complete freedom of market access. The most important institutions of the market economy are firms and the system of contractual relationships, including the rules and regulations of interaction of economic entities, registration of contracts between market participants.

However, institutional development in any economic system determines the management process and the functioning of institutions is carried out under the supervision of the state of market relations (Abalkin, 2002).

Modern economists consider management structures, applying the institutional theory, based on general and specific provisions of the universal management; partners based on the theory that defines the mandatory accountability reporting company owners all interested internal and external counterparties; based on agency theory, based on the use of mechanisms and tools of corporate relations, taking into account agency expenditure.

In addition, current corporate structure of the theory is considered the main link in the economic system as a kind of economic entity integrating socio-economic processes of relationships in time and space, using system multiplicative effects, which determine the origin and formation of modern corporations.

The term “corporation” is defined as “the union, the community of persons united by common professional interests or estates, or the most common form of large-scale production management” (Osipov et al., 2016). The scale of operations and capture the same type of product markets associated with the notion of corporate monopolies. In dictionaries corporation is defined as “a form of monopolies” (Bernar and Kolly, 1994).

Ansoff defines a corporation as “widespread developed market economies form of organization of economic activities, providing fractional ownership, legal status and concentration of management functions in the hands of the top-tier professional managers, self-employed.” Corporate institutional management features are concentration, growth and expansion of the scale of production with merger and acquisition strategies. The adoption of these strategic directions of development of corporate structures and management leads to an expansion of spheres of influence of concurrent on the market, the development of integration processes, the emergence of new competitive advantages. Growth and the expansion of corporate production processes based on the optimization of production, attracting foreign capital, capitalization of profits, shares and other securities as well as debt financing. Within the ambit of the corporation among other associations of economic operators, are large, transnational scope, successful competition and dominance on the market (Ansoff, 1989).

The term “corporation” in tune with the concept of “integration.” Integration - interconnectivity, system connection in a single unit, convergence, integration of enterprises, industrial enterprises, regions or countries. You can select the integration of vertical, horizontal, diagonal, conglomerate at the micro- and macro levels.

Vertical integration uses a combination of different stages of the production of a single production - realizable chain that allows you to expand the competitive advantage in the field of raw materials and sales of finished products, reduce production costs. At the same time it increases the business risk and dependence on long-term partners.

Horizontal integration is characterized by the association of units of production in a single process. Horizontal integration has an impact on the stability of the company of concurrent market and the growth of its economic performance.

In the formation of corporate structures, along with horizontal and vertical integration of production included in the production of other, different from the rest of the profile, which leads to combining. Combined view of integration is the diagonal integration, bringing together businesses that are at different levels of the vertical or horizontal production cycle, producing a variety of products and have no direct and indirect interaction with each other. The purpose of diagonal integration - diversification of risks, influencing the raw material suppliers and consumers of products and services (Abalkin, 2002).

Corporate governance is defined as “the legal regulation of the activities of voluntary associations of individuals and legal entities (corporations, joint stock companies [JSC]), linked obligations to establish economic enterprises and the organization of its activities.”

With the aim of mass production of goods and services, large corporations have ample opportunities to reduce costs per unit of production, the creation of sufficiently large stocks of raw materials and products, obtaining short- and long-term loans at reasonable rates of interest, the organization of a large diversified innovative production, providing, if necessary, effective intra mechanism, inter-industry and intra-firm flow of capital.

The main advantage of a large corporate business - large scale production and commercial activities. Large enterprises in the face of corporations are created to reduce all kinds of risks, increase profits and maximize the effect of their activities, using the advantages of specialization and cooperation of production. They make it possible to accumulate more resources and use them more efficiently than the sum of a certain number of individual companies. It is in the corporate form of organization of production create the most favorable conditions for attraction of investments, accumulation of income from different sources (Bobina, 2002).

Corporatization business activities - is a form of business organization, which provides:

- Severally liable, legal status and concentration of management functions in the management company;
- Voluntary participants in the centralization of corporate ownership group includes enterprises.

There is no doubt that corporate governance is a system of relationships between managers, the board of directors, shareholders and stakeholders on the management of the company.

Such a system not only affects the income of the current owners, but also for future investment companies (Ickes and Riterman, 1994).

To manage the corporation as a set of legal entities carrying out an independent, but coordinated activities (often in different business areas) for the realization of a common goal, as opposed to managing a company requires new approaches. In the foreground there is the construction of a sustainable system of interaction of subjects.

In this regard, the effectiveness of management of integrated structures is largely determined by the corporate group finance management quality, or the quality of financial management, the search for new ways to solve strategic and tactical business problems (Shkurkin et al., 2016).

From this perspective, corporate governance is a system of organizational - structural relationships between its various elements created for the implementation of production and reproduction, streamlining the roles, functions, forms and methods of implementation for their interests. Equally important here is the definition of the conceptual foundations of the corporate governance system (Anisimov, 1992).

## 2. THE MAIN PART

The subject of research is the set of organizational and economic corporate management tools. In recent years, there is also an increase in rate of dividend payments, which will increase the company's market capitalization. One of the conditions for increasing the value of the business is its extension, so the corporation actively begin to resort to external financing of its activities, and the search for external investors enter the stock market. All this requires the implementation of internationally accepted standards of corporate governance and increase the degree of transparency of companies.

However, in Russia, this process is affected by the activities of all companies do not. This is due to several reasons. State regulation and economic policy rather haphazard and often depend on the political interests of the various authorities. Until now, the Russian market, the threat of unscrupulous corporate takeovers. Therefore, many companies' disclosure approach formally. Thus, according to a study conducted by the agency standard and poor's in 2005, only 28 Russian companies have disclosed more than 50% of the possible scope of the disclosure.

Market development and openness of the Russian economy leads to a gradual increase in the attention of the Russian companies in corporate governance. The growth of capitalization of the Russian market access to external financing, building long-term partnerships, business expansion is possible only if the creation of an effective system of corporate governance. So far, only large companies are considering the source of the financial market to finance their activities. In the period from 2003 to 2006, the domestic and foreign securities market of "Gazprom" has attracted 11.3 billion dollars, Joint Stock Financial Corporation "Sistema"

and its subsidiaries 3 billion dollars (2.5 billion dollars of them through carrying out primary placement of shares), open JSC (OJSC) "Russian Railways" - 2.1 billion dollars. In medium-sized companies proportion of borrowed resources is low and is about 5-10% of the share capital. However, according to experts, will go to the financial market, in particular by conducting an initial public offering (IPO) on the domestic market in the near future, more and more medium-sized companies. Thus, the leading Russian companies to expand their activities actively use tools such as bank lending and equity finance.

## 3. DISCUSSION

At the initial stage of formation of market relations in Russia the emergence of corporate business, and after that the formation and approval of the corporate governance system and its principles are faced with a number of quite serious objective difficulties. We are talking about such well-known factors such as decoupling enterprises, formerly part of a single economic complex, complete lack of market infrastructure, technical and technological backwardness of many large enterprises and the lack of preparation or lack of managerial staff able to work effectively in the market environment, the lack of sufficient volumes of accumulated capital imperfection of the financial system (Balabanov, 1996; Bernar and Kolly, 1994; Malenius, 2003).

In the 1990s, the mass privatization process began in Russia, which led to the creation of a sufficiently large number of JSC. The reform took place with a focus on the Anglo-Saxon model of corporate governance. It was assumed that the corporatization of state property will be gradually set up a mechanism of control and regulation by the stock market. By 1997, 16 licensed exchanges and more than 1.5 thousand. The professional securities market participants. In late 1997, 17 Russian companies came to the world market by issuing American depository receipts (Ickes and Riterman, 1994; Anisimov, 1992).

The initial division of property ended the dominance of the bank's participation in the industrial sector. The basis for establishing the control of the banks was a combination of equity and debt financing. At the same time the creation of new private corporations was accompanied by insider abuse and violation of the rights of shareholders. Formation of market relations in Russia was characterized by the creation of financial-industrial groups, which indicates the use of Sino-German system of corporate governance. The crisis of 2015 manifested in falling position of the ruble and the oil market, has led to increased consolidation of ownership and control. First of all affected companies focused on commercial and financial transactions. At the same time devaluation of the ruble and higher energy prices have led to the emergence of the Russian economy in free cash. The adoption in 1998 of a new law on bankruptcy triggered the beginning of a new redistribution of property and the establishment of an absolute corporate control was adequate investor reaction in the conditions of high uncertainty of external and internal factors of the Russian system of corporate governance. These developments have contributed to the increasing trend of corporate integration and led to the formation of large-scale integration business - groups

(“Alfa Group”, “Interros”) with the dominance of bank financing, using the tools of cross-shareholdings, interlocking directorships.

Looking at the ownership structure of major Russian companies, we can say that most of them are dominated by a large owner. Among minority shareholders present, foreign portfolio investors, represented by a variety of investment funds and banking groups.

In emerging in the Russian model of corporate governance principle of the separation of ownership and control is recognized. Owners of companies are creating their own boards of directors often do not abide by the decision of the general meeting of shareholders. In most companies, ownership concentration level is so high that the owner manages all processes, including operational activities (Chuev et al., 2016).

It should be noted specific feature of the distribution of ownership of major Russian companies. From a family of corporate governance model that in most countries the basis of ownership concentration is the family. Russian companies have never been built on this principle. Usually, when the foundation of their organization is a team of three - seven, which are the main owners and closely related informal ties. They could be called the partner firms. This form of distribution of property in the Russian conditions is most prevalent. According to the economic literature estimates, currently the share of the largest shareholders (the primary owners) in the capital of the Russian industrial enterprises is on average 35-40%.

Another trend of the Russian economy is to strengthen the role of the state, which actively carries on business. There is a proliferation of state control over the increasing share of the corporate sector. Such companies with state participation, as “Rosneft”, “Gazprom”, “VTB” actively conducting operations on financial markets.

The corporate governance system in Russia does not correspond to the Anglo - Saxon or Japanese-German, nor the family management model. It is impossible to accurately characterize the distinctive Russian model. This is due to the high degree of uncertainty of external and internal environment of the corporation and the imperfection of the Russian legislation. However, the active use of large Russian corporate structures elements of all existing corporate governance models suggests that, most likely, the further development of corporate governance system will not rely solely on one of the existing business models (Balabanov, 1996).

Thus, the situation in Russia, where none of the corporate governance types is not dominant, and a national model of corporate governance is in its formative stages.

In general, in Russia among the key features of the development of a national model of corporate governance need to be distinguished:

- A permanent process of redistribution of property in the enterprise;
- The specific motivations of many insiders (managers and large shareholders) associated with the control of financial flows and the “output” of corporate assets;

- Weak or atypical role of traditional “external” corporate governance mechanisms (stock market, bankruptcy, market for corporate control);
- A significant share of the state in the authorized capital and the resulting management and control issues;
- The federal structure and the active role of regional authorities as an independent subject of corporate relations (and, subject acting in the framework of a conflict of interests - as an owner, as a regulator through administrative levers of influence, as a commercial agent);
- Inefficient and selective (politicized) enforcement of state (with a relatively developed legislation for the protection of shareholders’ rights) (Bernar and Kolly, 1994).

Considerable interest in the mentioned problems and peculiarities served as the impetus for the rating agencies, which began to carry out the relevant evaluation activities.

In the autumn of 2002 the research company Interactive Research Group conducted a special survey commissioned by the project “Corporate Governance in Russia,” implemented by IFC, a member of the World Bank Group. It was attended by leaders of 307 OJSC with more than 50 shareholders from Yekaterinburg and the Sverdlovsk region, St. Petersburg, Rostov-on-Don and the Rostov region, Samara and Samara Region.

According to a survey of corporate governance situation is as follows:

- 50% of top managers consider improvement of corporate management system one of the most important challenges facing the Russian companies;
- 47% of respondents are familiar with the content of the code of corporate conduct (hereinafter - the code), developed under the auspices of the Federal Commission for the securities market (FCSM); 2/3 of companies were aware of the Code has not yet implemented its recommendations in their practices and do not plan to do so for 2003;
- The main barriers to the creation of an appropriate system of corporate governance in JSC respondents are lack of information (63% of responses) and qualified (50% of responses);
- Only 3.7% of companies are in the structure of the Board of Directors officially appointed committees. In the first place in societies organized the audit committee (it operates in the 2.3% of respondents AO);
- About 1/4 SA have a two-tier management system, which includes the board of directors (supervisory board) and the management board;
- 62% of respondents said that at the last general meeting of shareholders of the independent observation of the counting of votes was conducted (Kobersy et al., 2016).

These ratings reflect the position of the organization - compiler of the risks associated with inefficient or dishonest management. The ongoing evaluation is intended to assist in determining the fair value of shares and help investors make decisions by providing information on the level of corporate governance in companies. It should be noted that the rating is increasingly becoming an

indicator of the quality of state of the latter to international and Russian strategic, portfolio and institutional investors. Since they are interested in investing and in need of information about the integrity, transparency, accountability and responsibility in the management system as one of the conditions for reduction of investment risks.

Dynamics of Governance in Russian companies shows an upward trend, the overall level of its relatively increased. However, in practice, management of Russian companies there are some unresolved problems: The violation of the rights of shareholders, transfer pricing with the aim of tax evasion, insufficient qualifications of the members of the board of directors and the management board, reporting opacity, lack of corporate social responsibility. All these factors will certainly have an impact on demand from both foreign and Russian strategic investors and, consequently, on the value of the company.

#### 4. RESULTS

The risk management system is a consistent implementation of the basic steps:

1. Compiling an exhaustive list of possible factors that could adversely affect the activity of the enterprise or its development;
2. Identification and analysis of the causes that can cause the appearance of negative factors;
3. Assessment of the consequences that may result from the action of negative factors, taken individually or in various combinations;
4. Assessment of the likelihood of adverse situations (individually or in combination);
5. Ranking the identified risk factors on the degree of threat posed to the activities and development of the enterprise;
6. Establishment of a permanent monitoring system that signals the advance of adverse changes in the monitored parameters;
7. Development of a set of measures aimed at reducing the probability of occurrence of adverse events and reducing their impact on the company's activities;
8. Scenario analysis of adverse situations and to develop a system of anti-crisis measures put into effect automatically upon reaching the observed performance of predetermined thresholds.

The individual elements of a comprehensive risk management system is quite well represented in the modern Russian business (Saenko et al., 2016). Perfectly worked out the theory of financial and investment risks, have their own techniques in the field of information security and a number of others. However, in the area of corporate governance to create a coherent theoretical framework it is difficult, as the weakest link in it, as usual, are the people - diverse, unique, hardly predictable. However, relying on the experience of learning management systems in the largest Russian companies, it is possible to formulate a number of practical recommendations (Osadchy and Akhmetshin, 2015).

These need to include the following measures to prevent crisis situations:

1. Motivation;
2. Contracts with employees;
3. Security Service;
4. Corporate culture;
5. Coordination of the strategy;
6. A group of risk management;
7. Monitoring;
8. Organizational and functional self-tuning.

In terms of monitoring of risk management is necessary to create conditions under which managers sincerely would like to efficiently perform all their duties for the benefit of the company and should not be interpreted to do it that any harm, perhaps the last role is played here, oddly enough, the money factor; This in no way means that managers can pay less. They just go away, but even significantly raising their income, employer, unfortunately, it does not solve all problems. The fact is that in today's job market equally qualified professionals are about the same (within the region), and the difference, of course, first of all we are talking about the top - managers - not so great as to change the place of work significantly affected the way of life. Much more important intangible factors: Opportunities for career and professional growth, social status.

Despite the fact that the threat of prosecution for failure to fulfill obligations under the employment contract is not too scary Russian managers who already own the likelihood that such an event may be made public, is a very strong deterrent, as this will dramatically reduce the cost of and demand for erring employee pa labor market. It has contracts with employees represented an effective measure.

Not so often see a company in which the internal security system truly effective and at the same time not annoying staff. The real professionals in the field, without a doubt, worth the money they pay. The staff are always suspect in the head that he secretly does the reading of their corporate e-mail and web browsing tracks statistics. So if you really establish a monitoring system or it will not lead to catastrophic consequences, and at some point may provide valuable information that will avoid unpleasant surprises.

With regard to corporate culture in small companies usually expressed loyalty to a particular devotion to the person (owner, general director). As a company grows it is the person by virtue of the chronic employment is becoming less affordable, and replaced with a dedication to the team. It's not as good as it can be assumed, since the onset of the crisis the whole team at once may be in opposition to you, not wanting to carry out your orders. The solution is to create a means of internal PR's commitment not only to staff but also to the company's brand. Only if the company's problems are perceived by employees as their own, you can count on their support, even in the most difficult situation. Symbols of the company (the flag, the other attributes) is not as useless as one might think - a man is such that he will certainly need a visual image of an object of affection. "Under the banner" in the attack, and in defense fight easier, as clearer for that.

Linking strategy is regarded as one of the most common sources of problems of corporate governance - the successful development

of the company. By developing a growth strategy, we must not forget that this is connected with the necessity of the planned improvement of the management system. Unfortunately, it is extremely rare to see a long-term business strategy, which is devoted to issues of corporate governance is more than one - two pages. In fact, this unit is one of the most important, and strategy without careful consideration - is not nothing but a program to create a crisis.

The head is likely to dismiss an employee who sees only the negative side and endlessly tormented every imaginable suspicions and misgivings that will be in vain. If he is thus able to pragmatic approach to the solution of all the real and, at first glance, imaginary problems, then it can become a center for the formation of the risk management system in the enterprise.

And monitoring should be used as rarely trouble come suddenly, almost always of their approach can be found on a number of indirect factors. It should be used to examine key performance indicators, to regularly update the data about the market environment, competitors in the light of risk management.

Organizational and functional self-tuning - that is timely tracking of failures in the control system and the exchange of information and the adoption of measures to prevent such further part of the most important functions that must be implemented in an effective corporate governance system; in large companies that usually deal with specific staff in the appropriate department.

Whatever action is taken, it is necessary to admit the probability that the worst-case scenario comes true, and the company will face a real crisis. But if advance to develop a number of measures to reduce the consequences of such an event, we can hope for a way out of this situation with minimal losses. Experience shows that in these circumstances, particularly acute questions catastrophic shortage of resources (human, information, material), as well as the inefficiency of the old "pre-crisis" control algorithms. Here are some possible solutions:

1. Personnel reserve;
2. Provision of resources;
3. Crisis management;
4. Operational headquarters.

Detailed information about each of the solutions presented below. Use Institute Vice-key management, the establishment of a list of all the major management functions, development of the program, according to which each deputy will be next week under the supervision and control to execute them one by one instead of his boss. As a result, 6 months or a year, if necessary, the deputy will be able to quickly and with minimal loss of efficiency take the place of his boss. If you extend this to the whole company - it is possible to form a loyal cadre reserve for the planned development of business, and in the event of unforeseen circumstances. The same measure will raise the motivation and managers at all levels.

Advance preparation of the list of what may be an urgent need, and plan where to take it, it is to reserve resources. In crisis conditions, when the management will have to decide at the same time dozens

of burning issues are obvious, lying on the surface of the solution, may go unnoticed.

First of all, under adverse conditions should sharply increase the measure of personal responsibility of key executives. Therefore, company's corporate governance system is in a crisis situation should be extremely rigid and centralized, there must be a crisis management. It is necessary to appoint to the post crisis functional managers the most workable and stress-resistant people with a high level of competence in the field of psychology, intercultural communication, ethnology and inter-confessional relations in addition to the purely professional competence (Karabulatova, 2016). Globalization and powerful migration imposes additional psychological burden on all corporate employees, reflecting the transformation of social attitudes in society (Ryazantsev et al., 2015; Ryazantsev et al., 2016).

At a time when decisions need to be taken quickly and accurately, a special value gets the timely provision of the necessary leadership and has already processed and analyzed information. Among the most experienced specialists with analytical mind created operational headquarters. The duties of these people will go in its processing and generation of options for possible solutions.

If you use all of these methods, it is possible to fully prepared to meet the potential problems and prevent serious consequences for business (Bobina, 2002).

However, these measures are not particularly affected by such problems of corporate governance in Russian companies, such as:

- Information protection, especially with regard to the disclosure of the ownership structure and the real owners of the company;
- Ordered enforcement in resolving corporate conflicts, using the so-called administrative resources;
- The financial statements are not in line with international standards;
- Transfer pricing for the purpose of tax evasion;
- Infringement of the rights of shareholders;
- The lack of corporate social responsibility and so on.

These problems can be solved both at the state level (for example, the Federal Financial Markets Service has implemented strict disclosure requirements, issued the Russian Code of Corporate Conduct), and at the level of individual companies (the adoption of its own codes of conduct). The rules and standards of corporate governance are important components of the mechanism of the market economy. Adoption of Russian companies corporate behavior or governance codes should be considered as a positive factor, both for companies and for investors in connection with a primary emphasis on codes of companies "information disclosure, improve the protection of shareholders" rights and improve the board of directors (Azoev, 1996; Bobina, 2002).

Thus, the currently existing problems of corporate governance in Russia are due to characteristics of the formation and establishment of the corporate governance system in our country, but they

may be to some extent solved by using appropriate measures. Effective corporate governance is one of the key criteria when making investment decisions, and a positive effect on the image and reputation of the company, which in turn plays a significant role in the assessment of its value.

## 5. CONCLUSIONS

The largest shareholder - the state - continues to be the owner of shares in many companies, including in the major strategic enterprises and natural monopolies. Typically, analysts believe the main reason for the privatization of rather low quality of corporate governance in Russian companies. However, there are other factors that paved the way for the violations that occurred in the last decade.

- Ineffective implementation of corporate governance principles because of corruption in the judiciary and law enforcement agencies. In Russia not enough qualified managers and no developed financial market, able to exert pressure on the company, so a mechanism to ensure compliance with the rules, of paramount importance for the implementation of effective corporate governance system. However, the requirements of shareholders applying for legal aid, often remain unmet: The legal procedures are tightened, qualification of judges is low, the judicial system is riddled with corruption (Frolova, 2014; Mullakhmetov et al., 2014).
- In addition, the FCSM lacks the financial resources and do not have the authority to punish violators of severe penalties (currently a maximum fine of 5 thousand dollars.).
- The difficulty of organizing collective action. There is a high concentration of ownership: The lion's share of equity owned by insiders and outside shareholders do not have the power to monitor the business process. Investment funds that, like banks, are ideal candidates for the role of foreign investors and active advocates of good corporate governance is still not committed themselves this mission (and not seek to do so). In fact, in Russia there is a strong deficit consistent fighter for the introduction of civilized corporate governance (such as the American institutional investors such as pension funds "CALPers" and mutual funds "TIAA-CREF").
- Lack of experienced managers. Top managers of Russian companies - the most powerful group of owners (exceptions are natural monopolies and enterprises of the defense industry). In particular, it is typical for companies operating at the regional level. Armchairs many managers who have large stakes, and indeed protected from attacks, as the part of foreign investors or supervision is weak or non-existent. As a result, these managers are the owners involved in transactions primarily in their own interests and do not seek to do away with old habits, or to implement in companies effective corporate governance practices.
- Thinking of the old type. When the Soviet planned economy, business leaders reported directly to the public authorities, so now it is difficult to get used to the managers of the need to report to the board of directors. In addition, their activities are generally aimed at short-term personal gain, rather than to develop long-term strategic development plans, which is

impossible without complex and costly restructuring. Finally, they continue to adhere to the tradition of powerful centralized management (Chuev et al., 2016).

Use of corporate approaches opens a set of advanced features and benefits, including:

- Improving efficiency of management and reduction of costs through the optimization of activities and organizational structure within a united major production unit;
- Increase the competitiveness and investment attractiveness as a result of strengthening the position of joint enterprises in their relations with suppliers, customers, creditors and investors;
- Minimization of business risk by distributing it among the partners to unite;
- Strengthening position in the market by limiting competition among enterprises that existed before aggregation (subject to antitrust policy requirements);
- Increasing sustainability through consolidation of efforts in the areas of industrial activity (informational, promotional, marketing, research, lobbying, training, etc.).

The problem of balancing the interests of different categories of shareholders - large and small shareholders, holders of preferred shares, insiders (managers and directors), employees of companies, public authorities - requires active improving corporate governance culture.

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