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**CORPORATE MANAGEMENT IN UKRAINE IN MODERN  
CONDITIONS: REGIONAL ASPECT**

*ŁAD KORPORACYJNY NA UKRAINIE WE WSPÓŁCZESNYCH  
WARUNKACH: ASPEKTY REGIONALNE*

**Key words: Corporate management, joint stock company, municipal property, effective control, investments**

*Słowa kluczowe: zarządzanie przedsiębiorstwem, spółka akcyjna, własność gminy, skutecznej kontroli, inwestycje*

**Abstract.** Article is devoted to the development of corporate sector in the Zaporozhye region. Consider the financial state of joint-stock companies, influence on their financial situation and legal principles of their operation. Defined the range of problems that adversely affect on the level of corporate management.

**Introduction**

Changes of Ukrainian economy from the directive to the democratic caused significant changes in organizational and legal arrangements of the overwhelming majority of enterprises. Rapidly grows corporate sector. However, the efficiency of production and management activities are significantly different. In the Zaporozhye region corporate sector includes 716 joint-stock companies, including 425 opened and 291 closed, which has over 200 000 owners of securities, including 1.6 thousand entities. In the statutory funds of closed and opened joint-stock companies there are corporate rights (shares) owned by the state, including the state share over 50% – 3 (2 sanitation), from 25 to 50% – 16 (2 Bankrupt), 10 25% – 7 (a liquidation) and 10% – 4 (2 readjustment) of public companies. Corporate rights are owned by territorial communities of villages, towns and cities covered by 22 opened joint-stock companies, one in five companies under bankruptcy.

Management by State corporate rights of opened joint-stock companies committed till 2003 by State Property Fund of Ukraine and its regional offices, ministries and regional state authorities, and since March 2003 is made at the management bodies of privatization. Management of corporate rights which belong to the common property of territorial communities of villages, cities, carries by the regional Administration under the authority delegated by Regional Council.

According to the resolution of Cabinet of Ministers of Ukraine from 15.05.2000 No 791 „On management of the state corporate rights” and regional council decision from 24.04.2001, regarding corporate management of common property of territorial communities of villages, cities to the supervisory boards of companies included representatives of relevant authorities, which exercise the powers entrusted to manage. Every representative has the contract of authorization and annually provided a task to perform functions relevant corporate management of opened joint-stock companies. Representatives do the quarterly report on their implementation.

Analysis of management by state corporate rights held on the results of activity of joint stock companies in recent years indicates that responsible representatives of government, within its powers contributes to the implementation of measures aimed on the improving of financial situation of business companies. These efforts led to that: among the 25 reporting to the executive bodies joint stock companies 13 (or 52%) increased sales of products (services), four companies got profit. The total amount of overdue payables decreased by one third, including to the budget – on 30%, on social insurance payments – on 27.5%, payroll – on 30.5%.

Among 20 companies reporting to the regional office of the State Property Fund of Ukraine 5 of joint stock companies (25%) worked profitably, seven joint stock companies (35%) increased sales

of products (services) compared to the previous period. Accounts payable for this period decreased on 22%, including the budget – on a quarter. However, overdue accounts payable of social and pension insurance increased on 9.7% (706.6 thousand UAH) of wages – on 2.7% (1008.8 thousand UAH). Signs of insolvency have 15 corporations, including the critical – 5, supercritical – 7 of joint stock companies.

Regarding to management of corporate rights, which belong to the common property of territorial communities of villages and towns by the end of the same period in 13 (59%) of JSC who were under management of administration, seen a positive trend to improve their financial situation and economic activity. One forth of JSC got a profit and more than 50% of JSC decreased their dead loss comparing to the same period of the previous year. In January and August of this year overdue payables of wages decreased by 19%. In addition, the financial and economic situation of some corporations is difficult, most of them are unprofitable and has overdue payables.

The management structure of corporate enterprise type provides for improving of financial and economic results of joint stock companies regularly review their activities on general meeting of shareholders, meetings of supervisory boards and boards with representatives of the authorities responsible for the management of corporate functions that belong to state and municipal property.

The entities of executive power, who managing shares, monitor quarterly financial and economic state of JSC, analyze the results of monthly repayment of wages for which are given appropriate instructions, the task of improving of management efficiency.

As a result of the general meeting of shareholders may approved decisions about dividends after year – up 50% from net income for the state share. All amounts should be transferred to the state budget. Funds received from one region of the state amounted more than 700 thousand UAH.

In pursuance of the Cabinet of Ministers of Ukraine dated 16.11.02 No 1771 „On establishment of the Coordinating Council on corporate governance in joint stock companies and according to the order of administration of 30.01.03 No 1929 established a regional coordinating council on corporate governance. This is a permanent body that ensures compliance with the Decree of President of Ukraine from 21.03.02 No 280 on the development of corporate governance in joint stock companies. Regional Coordinating Council held a meeting at which they are heard reports of heads of boards of companies in the authorized capital of the shares is owned by to state and municipal property, consider the results of monitoring compliance with legal requirements for the convening of general meetings of shareholders of companies, the draft Principles of Corporate Governance in Ukraine and other issues of corporate governance in joint stock companies area. Coordinating Council began a series of specialized workshops for managers of joint stock companies with participation of the IFC on the peculiarities of legal regulation of company and financial management.

The main external and internal issues that negatively affect corporate management and needed to be solved are:

- lack of effective legal processes of corporate management,
- imperfect mechanisms for effective control over the activities of corporations, much of which is „opaque” and not report on its work, which limits the interests of minority shareholders, leads to high investment risk and a certain distrust of investors,
- lack of financing of local budget expenditures related to maintenance of housing and social infrastructure that are subject to transfer to municipal ownership,
- insufficient knowledge of managers and managers of joint stock companies on the peculiarities of legal regulation of corporate and financial management.

Priorities and main tasks in corporate management in joint stock companies are:

- introduction of performance criteria of corporate state-owned and cooperative ownership of local communities of villages, towns, and strengthen control over the activities of these societies,
- to maximize income from dividends for the state share and the share that belongs to the common property of territorial communities of the region in view of prospects of economic production in society,
- development of the program and its implementation of corporate management in the field of joint stock companies,
- monitoring of corporate management in joint stock companies and resolving issues for improvement,

- create a single database of JSC area and placing it on a Web page on the Internet,
- preparing proposals and submitting them in the prescribed manner by the central executive authorities to make changes and amendments to relevant laws to improve the system of corporate companies,
- teaching staff and officials and providing them methodological advice,
- study the issue of investment by issuing corporate securities for the specific investor,
- explore the possibility of creation of professional institute for corporate leaders,
- the interaction of law authorities, Zaporizhzhya Regional Government of the State Commission on Securities and Stock Market, regional territorial office of the Antimonopoly Committee of Ukraine, the regional office of the State Property Fund of Ukraine in Zaporizhia Region in addressing the prevention and suppression of violations of shareholder rights.

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