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## CORPORATE CULTURE MODEL IN SYSTEM CORPORATE GOVERNANCE : UKRAINIAN REALITIES

*The purpose of the article is to analyze the substantive and qualitative characteristics of corporate governance in Ukraine, identify problems of its development and develop a scientific approach to form an organizational model of corporate culture as a factor of successful development. The author's research based on the essence of the concept of "corporate governance" in order to improve the content characteristics of this. With the active use of data collection and regression analysis methods, the level of corporate governance in Ukraine was determined. The qualitative indicators of corporate governance analyzed using the rating indicators of the Global Competitiveness Index. In such conditions, it becomes necessary to form an organizational model of corporate culture in the corporate governance system. The article substantiates the need to use the organizational model of corporate culture in the activities of Ukrainian companies, taking into account the problems of the development of corporate governance in Ukraine. This has a scientific and applied character in the context of political and economic turbulence in today's economic conditions. The organizational model of corporate culture proposed by the author will contribute to the activation and development of communication interaction between corporate management and all stock holders. This will also influence the formation of effective management decisions and create the basis for cooperation based on trust. The use of an organizational model of corporate governance in the performance of assigned tasks to personnel will increase their responsibility, cohesion, productivity and improve the socio-psychological climate in the company. The above features will help the corporate management of the company to harmoniously arrange and consolidate the list of work performed by each employee in the organizational structure of the company in such a way that everyone does their own thing in accordance with the existing professional competencies. Thus, the proposed organizational model of corporate culture will allow Ukrainian enterprises to effectively manage human resources and implement a development strategy in the long term.*

**Keywords:** corporate culture, corporate management, model, system, company.

**JEL classification:** M11, M14

## МОДЕЛЬ КОРПОРАТИВНОЇ КУЛЬТУРИ У СИСТЕМІ КОРПОРАТИВНОГО МЕНЕДЖМЕНТУ: УКРАЇНСЬКІ РЕАЛІЇ

*У статті обґрунтовано актуальність проведення досліджень корпоративної культури у діяльності компанії. Наведено структурний зміст корпоративного управління в Україні з урахуванням світових моделей управління. Проаналізовано рівень якості корпоративного управління в Україні за допомогою рейтингових показників Глобального індексу конкурентоспроможності. За результатами виявлено основні проблеми розвитку корпоративного управління в країні. Розроблено авторський підхід до розуміння необхідності формування корпоративної культури у системі корпоративного управління для налагодження взаємодії менеджменту підприємства з основними стейкхолдерами. Запропоновано використовувати у практичній діяльності корпоративного управління організаційну модель корпоративної культури. Це вплине на зростання показників результативності компанії та рівня добробуту самих менеджерів.*

**Ключові слова:** корпоративна культура, корпоративний менеджмент, модель, система, компанія.

**Problem statement.** In international practice, corporate governance is based on well-known models (Anglo-American, German and Japanese), which ensure

the organization of the company's activities and the distribution of property among a significant number of stakeholders within the legal framework, taking into

account the harmonious interaction of the main elements of the corporate governance structure.

The model of corporate governance and relations formed taking into account the specifics of each specific country under the influence of the following factors: the legal framework governing the rights and obligations of the parties involved in corporate governance; business relationship practices are in the country; the charter of the corporation and its internal documents. At the same time, believed that an important source of corporate governance norms are national norms and rules in the field of the public sale of securities, their distribution and stock transactions.

World experience proves that in different models of corporate governance, the role of the names of managers emerges, who are involved in the unreasonable management of corporations, not only from the point of view of management, but also in the interests of its owners. Note that in international practice, there have been cases where the interests of the owners and the corporation do not coincide. So, in accordance with one approach of management, it is supposed to be coordinated on the basis of formal norms provided by the legal system of the state. Another approach assumes market relations and contractual instruments.

Countries with economies in transition, to which Ukraine belongs, characterized by a predominance of large companies; therefore, corporate governance issues are of paramount importance. The bulk of enterprises are open joint stock companies, which have transformed from state organizations. However, various types of owners that have emerged in the process of restructuring and the activities of Ukrainian enterprises do not form a clear correlation in the corporate governance system between ownership structures and the performance of an enterprise. International investors are wary of establishing relations with Ukrainian company; they are especially concerned about the honesty and business qualities of their management, which regulates the distribution of responsibilities between senior managers and other major stakeholders.

We believe that the development of corporate governance and building a model of corporate relations in Ukraine recommended carrying out in the presence of an adapted model of corporate culture as an effective management tool. This is relevant to the topic.

**Analysis of the last days and publications.** Corporate governance characterized by a long historical period of development. In 1932, the book by A. Burlleigh and G. Minza "Modern corporations and private property" was published, where for the first time the issues of separation of property from management and control from property in joint-stock companies were considered. This led to the emergence of a new layer of professional managers and the development of the stock market, since in more large companies assets controlled by management.

Weighted theoretical and practical foundations of the formation and development of corporate governance reflected in the works of many foreign scientists. So research for the development of corporate governance using qualitative methods, performed by: A. Bukhvalov [1], T. Kramin, E. Petrova [2], L. Bebhuk, M. Weisbach [3], T. Mc.Nulty, A. Zattoni and T. Douglas [4], P. Vorobienko [5]. Research to manage the financial results of corporations, taking into account the decisions of the board of directors and sustainable development models

implemented by: N. Erhardt, J. Verbel, K. Schrader [6], M. Wagner [7], O. Hereha [8], J. Gaspar [9], S. Schaltegger, F. Ludeke-Freund, E. Hansen [10]. Research on the management of risks and financial crises in corporations, taking into account the gender and ethnic diversity of boards of directors and committees of boards of directors of general education schools conducted by: D. Carter, F. Souza, B.J. Simkins, WG Simpson [11], M. Pearson, S. Turnbull [12].

Ukrainian researchers considered the question of the essence of corporate governance in their works in particular, G.Yu. Stern [13], V.A. Levtushevsky [14], M. Malskaya, N. Mindyuk, Yu.S. Zanko [16]. However, today there is an active process of formation of complexly structured economic entities, including intersectional and interregional levels; therefore, solving the problems of effective management of large enterprises in Ukraine is urgent.

**The purpose** of the article is to analyze corporate governance in Ukraine, identify problems of its development and form an organizational model of corporate culture in the corporate governance system as a tool for managing human capital.

**Presenting main material.** On the other hand, the official website of the National Commission on Securities and Stock Market notes that joint stock companies in Ukraine can form a corporate governance system in accordance with the OECD Principles of Corporate Governance generally accepted in the world between the management of the company, the board of directors, its shareholders and other interested parties [14].

Corporate governance also determines the structure by which entire companies are established, as well as ways to achieve these goals and monitor performance [4, p. 9]. The Law of Ukraine "On State Regulation of the Securities Market in Ukraine" (Article 1) in the definition of corporate governance notes that "this is a system of relations that determines the rules and procedures for making decisions on the activities of a business entity ..." [15].

From the author's point of view, we recommend considering the concept of "corporate governance" as a system of interaction between subjects of corporate governance, which defines the rules and procedures for making decisions on managing a business company and exercising control over its activities in accordance with the model and principles of corporate governance.

The main function of corporate governance is the organization of production, financial and other activities of the enterprise in the interests of shareholders. Corporate governance creates a legal framework for determining the powers, rights and responsibilities of different participants in corporate relations and regulates their relationship through the implementation of powers and responsibilities.

From the point of view of the movement of corporate rights, the subjects of corporate governance are:

- 1) business owners – owners of corporate rights;
- 2) hired managers of individual enterprises – the issuer of corporate rights or its owner;
- 3) state and non-state bodies that directly and indirectly regulate the movement of corporate law and the activities of enterprises.

In the process of institutional development of corporate governance and international experience in each country, the corporate governance system has certain characteristics and elements. Comparison of different systems of

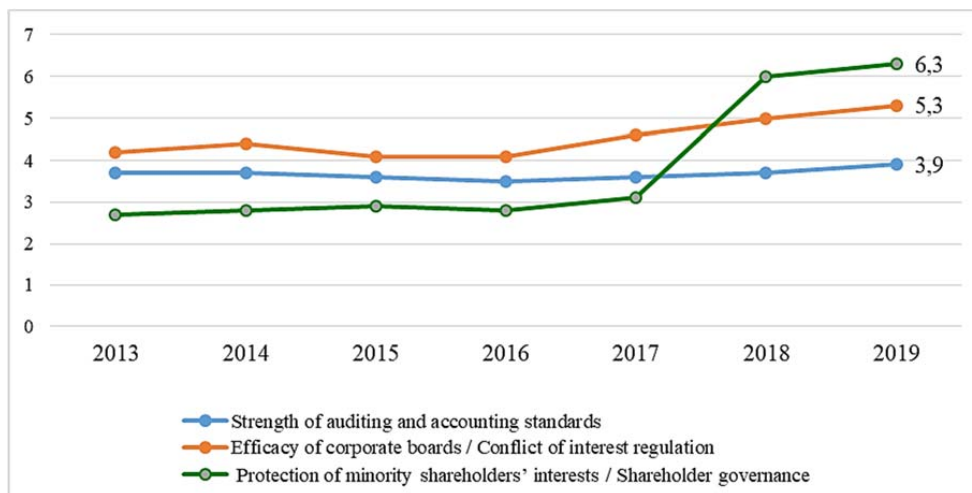


Figure 2. Dynamics of individual indicators of corporate governance in Ukraine in the Global Competitiveness Index (2013–2019)

Source: compiled by the author based on the World Economic Forum

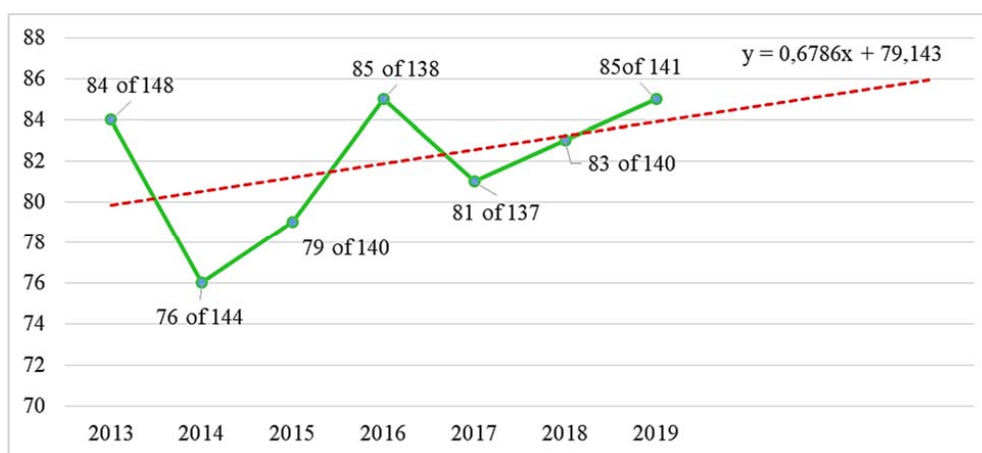


Figure 1. Rating of Ukraine in the Global Competitiveness Index (2013–2019)

Source: Compiled by the author based on data from World Economic Forum

corporate governance allows them to classify according to the principle of concentration of ownership: the Anglo-American model – outsider, German, Japanese and family models – insider [16]. It believed that the division into models is conditional, they can mixed in order to highlight the characteristic features of corporate governance: the internationalization of the capital structure, the development of global financial markets, the expansion of transnational capital and investment flows, changes in the conditions of competition, etc.

The Ukrainian model of corporate governance is close to the insider model. This model practically does not take into account national and cultural traditions, which is a further threat against the background of aggravation of property relations between the authorities close to the authorities and business. The low level of the institutional environment of the corporate sector in Ukraine hinders the development of the national institution of corporate governance and increases the shortcomings and unpredictability of the functioning of the introduced Western model of corporate governance.

Known that the development of the corporate governance system influences the growth of the level of the corporation's value and the receipt of guaranteed income by the owners of corporate rights. Therefore, the issues of increasing the efficiency of corporate governance and identifying problems that hinder its development in the country are acquiring special relevance.

To address these issues, an analysis of the level of development of the corporate governance system in Ukraine carried out using the rating indicators of the Global Competitiveness Index of the country [17]. According to the results of the analysis, it found that for the period 2013–2019. Ukraine did not maintain a stable position and was constantly changing its place in the ranking of the Global Competitiveness Index (Fig. 1).

It found that in fact the period of 2014 was more successful for the development of corporate governance in Ukraine, when the country's ranking positions rose from 84th place among 148 countries to 76th out of 144 countries. However, political instability and socio-economic imbalances amid the armed conflict in eastern

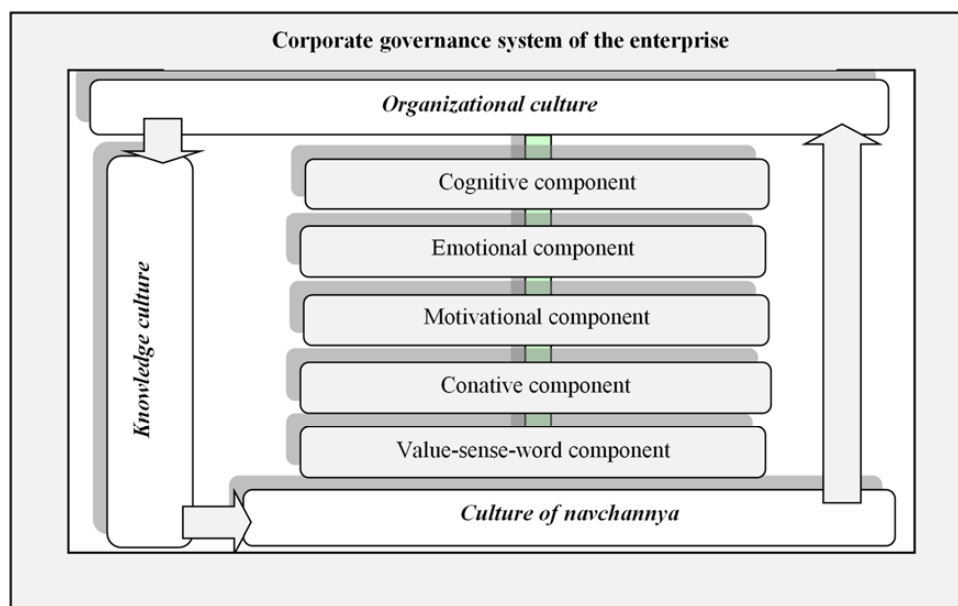


Figure 3. Organizational model of corporate culture in the system of corporate governance

Source: [19]

Ukraine have not boosted its competitiveness. According to the Global Competitiveness Index, Ukraine returned to its position in 2013 and ranked 85th out of 141 countries in 2019. Despite the identified negative trends that influenced the development of corporate governance in Ukraine, a positive forecast of Ukraine's place in the Global Competitiveness Index revealed. This confirmed by the assessment of the following rating indicators:

- 1) «Strength of auditing and accounting standards», which increased by 0.2 in 2019 compared to 2013;
- 2) «Effectiveness of corporate governance» (conflict of interest regulation), which increased by 1.1 in 2019 compared to 2013;
- 3) «Protection of interests of minority shareholders» (shareholder governance), which increased by 3.6 in 2019 compared to 2013.

The level of development of corporate governance in Ukraine according to certain indicators of the Global Competitiveness Index shown in Figure 2.

The analysis of the quality of corporate governance in Ukraine made it possible to identify positive trends in its development for the near future. However, today there are a number of problems in the development of corporate governance, which affects its quality:

The first problem is the weak protection of the interests of minority shareholders (shareholder management) in accordance with international standards, which is associated with the organization of the work of the board of directors.

The second problem is the opportunism of managers.

The third problem is the low efficiency of corporate governance, characterized by an undeveloped risk management system.

The aforementioned problems in the corporate governance system of Ukrainian corporations only "spray" the share capital and exacerbate the problem between the interests of owners and hired managers. To solve the main problems of corporate governance, it is important not to raise the interests of participants in the corporate

governance system, but to obtain the consent of the owners. However, even this is not enough. To reach a decent level of corporate governance, it is necessary to reconsider the relationship between enterprise managers and their owners in accordance with development goals.

It is advisable in these conditions to use an effective model of corporate culture, which will ensure compliance with certain rules, standards of conduct or corporate norms in the corporate governance system (Fig. 3).

At its core, the corporate culture forms the economic and psychological state in the company, in which management uses its potential, knowledge and skills for a continuous and efficient production process effectively interacts with the resources of the enterprise, taking into account the methods of risk minimization in its work, but in the presence of motivational factors [19].

The formation of an organizational model of corporate culture assumes that top managers need three important components in the corporate governance system [19; 20]:

- 1) Culture of knowledge as an organizational philosophy of the enterprise;
- 2) Culture of learning as a position conducive to learning and development;
- 3) Organizational culture [21] as a set of norms, traditions, forms of behavior by types of interaction and styles of interaction.

A positive result of the implemented organizational model of corporate culture is the emergence of the effect of communicative convergence [19]. Between the subjects of corporate governance. This effect arises in the process of the communicative process between the participants in the interaction when developing common ideas and producing joint communicative actions, if mutual understanding, the identity of the motivational attitude, value and unity of the participants in the communication process are established.

In the process of forming and implementing an organizational model of corporate culture, the author proposes to use a methodology for assessing the effectiveness

of a company's human capital, which provided by a set of KPI in accordance with the goals and areas of the company's activities [22]. This will allow implementing an effective corporate governance policy in accordance with the main functions of the company's management.

**Conclusions.** Thus, corporate governance is a manifestation of modern relationships between the owners of large enterprises and hired managers in order to establish effective interaction through organizational and economic mechanisms to obtain the desired amount of profit. The main strategic resource of corporate governance is managers, in the process of which the rational allocation and management of resources carried out, the conditions for access to capital and investments are determined, which will ensure the receipt of planned income.

In the course of the study, it found that, despite the positive trends in the development of corporate governance

in Ukraine, problems of its development identified. They are subjective in nature and are associated with the activities of managers, in particular, weak protection of the interests of shareholders, opportunism of managers and their low management efficiency.

We believe that recommendations for the introduction of an organizational model of corporate culture into the activities of an enterprise presuppose the presence of a social and economic effect. The social effect manifested in an increase in the professional and qualification level of employees, their material and cultural standard of living, improvement of working conditions, which will lead to an increase in the quality of work provided and support a favorable image with advanced technologies and long-term development traditions. The economic effect expressed in an increase in the productivity of employees of the enterprise, an increase in profits and profitability.

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