

MAIN MODELS OF CORPORATE MANAGEMENT: CURRENT STATE AND DEVELOPMENT PROSPECTS

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ABSTRACT

The article reviews the main models of corporate governance that have developed in the global economy nowadays. The main features of the analyzed models are determined. The reasons which conditioned the principal differences of various control systems were identified. The tendency to some unification of intrafirm management national mechanisms is indicated.

Keywords: corporate management, corporation, general meeting, board of directors, supervisory board, executive bodies of a corporation.

INTRODUCTION

Recently there has been an increase concerning the interest of experts to the mechanisms of corporate management. This was influenced by the crisis events in economy, as well as by the catastrophes of such corporations such as Enron Corporation, MCI Inc, Lehman Brothers and some others. This led to legislative requirement restriction for this institution. In particular, Sarbanes-Oxley Act (2002) [1] was adopted in the US, which significantly tightened the requirements for the preparation and the disclosure of corporation financial statements. However, the legislative response of various states has various application points in this area. This is related to the significant features of corporate management mechanisms.

The traditional models of corporate management, which are widespread in the main legal systems of our time, were developed due to the characteristic features of the ownership structure, the degree of its concentration and the specifics of national legislation. These and some other determinants conditioned the emergence of sustainable management systems used in various companies. Russian corporate legislation and the practice of its application allow us to say that the emerging practice of management in national corporations can not be attributed to any of classical models. This brings up the issue about the reasons for this situation and necessitates the world trends review emerging on this matter.

METHODOLOGY

Various general scientific methods and the methods of logical cognition are used in the work: analysis and synthesis, systemic, functional and formal-logical approaches. The development of conclusions was facilitated by the application of formal-legal and comparative-legal methods.

DISCUSSION AND RESULTS

The current state of corporate management in the world is characterized by the absence of uniform standards, accepted if not by all, then by most states with developed market economy. And it is unpromising to argue about the best management system in a corporation. This is due to the fact that the development of national management standards is conditioned by the historical features of corporate forms of business development in a separate state or a region.

Each of the identified models of corporate management is characterized by the uniqueness of equilibrium point for the determination of the balance of interests between the participants of management activity. These interested persons can be represented by shareholders (and it is necessary to separate large and small shareholders), supervisory bodies (supervisory board), managers, employees, potential and actual creditors and others. The determination of power balance between shareholders and the board of directors

influences the development of a unique mechanism [2].

It is almost universally recognized that it is necessary to distinguish at least two fundamentally different models of corporate management model nowadays: Anglo-American (Anglo-Saxon one) and Germanic (continental-European one) [3]. We believe that one can agree with the need to isolate the third model, the Japanese one [4].

The Anglo-American (Anglo-Saxon) model is based on the principle of unified management. An unconditional priority is given to shareholders in such a model, who have the opportunity to control the activities of executive bodies directly and indirectly. The peculiarity of corporate management is related with the notions that business as property belongs to owners (shareholders, investors), but the rights of this property management are delegated to the board of directors and management, considered as agents. Besides, the development of this model was influenced by the fact that the degree of the share capital concentration is extremely small. Many corporations do not have shareholders with a share of more than 1% from total capital in their registers.

This mechanism is characterized by a two-tiered management system. In accordance with this model, the company is managed by the directors who form the board of directors, as well as the general meeting of shareholders. For example, such a management system is provided by the English Companies Act of 2006 [5]. Under the same scheme the management system for US business corporations is structured: the board of directors and the general meeting of shareholders. The most significant committee is the audit committee in the board of directors (which has various committees in its composition). It has unique functions and acts as a pure control body. Its state is conditioned by already mentioned Sarbanes-Oxley Act (2002), which tightened the reporting requirements for a corporation. This was caused by the scandal with the energy concern Enron, whose managers falsified financial documents in order to increase profit values.

Germany acts as a typical representative of a state in which the continental-European model of corporate management is implemented. The fundamental principles and practice of corporate management in Germany are based on the Law on Joint Stock Companies (Aktiengesetz (AktG) [6]) and the Corporate Governance Code of Germany [7]. The German management model assumes a somewhat larger range of interested persons who are given some opportunities to influence corporation management. For example, such interested persons, included in the corporate management system and participating in it, are the employees of a company. Thus, the so-called co-management is realized [8]. The normative basis for such a cooperation is the Law on the participation of employee representatives in the management of enterprises (Mitbestimmungsgesetz [9]).

The German management model is based on the assumption that the minor stakeholders do not have a critical interest in the entrepreneurial activity of a corporation. In this regard, there is an opportunity to limit significantly the extent of their influence on decision-making in the field of management and control. The main activity of a German company is managed by its collegial executive body "under its own responsibility" (§ 76 (1) Aktiengesetz). At that the general meeting of participants is not entitled to give any obligatory instructions to resolve current issues. In such conditions, a supervisory board acquires a special significance as a control body over the activities of performers [10]. This justifies the development of a three-tier system of management bodies (general meeting - supervisory board - management), in contrast to a two-tier system (general meeting - the board of directors), characteristic of the Anglo-American model [11]. However, it should be noted that in some countries of continental Europe the two-tier model, called the Roman model, is the dominant one. This system is typical for most corporations in France. The French model of corporate management allows for a choice of two options: 1) classical leadership, in which an administrative council operates, headed by a president; 2) a new type of management, when a company is managed by a directorate, and a supervisory board exercises control over its activities. The chosen option for a joint stock company management is determined by its charter.

A special role of a supervisory board predetermines the specifics of its establishment in terms of qualitative composition. Thus, German corporate law encourages corporations to ensure that a supervisory board includes individuals who are not the corporation participants. Besides, at least 1/3 of this body members should be composed of employee representatives.

The abovementioned models of corporate management are characterized traditionally as an outsider and an insider one. Outsider model is inherent in those countries where the share capital consists of many small shares, the investors of which are represented by minor shareholders. In particular, by the establishment of stringent requirements for the disclosure of information about the corporation activities. Outsider model is common in the USA, Great Britain, Canada and New Zealand.

Insider model is developed in those countries where the control over corporations is mainly concentrated among a certain group of persons closely related with a company by corporate relations. The members of such a group can be the members of a board of directors, the members of executive bodies, lending banks and other large investors. Minority shareholders have very little opportunity to participate in management. Such a model does not imply the fulfillment of the main traditional function of a joint-stock company, namely, the accumulation of free resources.

A distinctive feature of the Japanese corporate management model is represented by clearly expressed principles of interdependence and social partnership. This is the manifestation of national culture significant influence. Business cohesion is based on cross-ownership of shares between companies, the relations between which are built on the basis of partnership. A Japanese corporation does not have a strong dependence on the stock market, since there is a small number of shares in a free float. Banks act as the largest shareholders and the significant sources of financing in Japan. The latter carry out constant monitoring of company activities and maintain direct contacts with their management bodies.

Formally, corporate management bodies are built according to Anglo-American model. However, a significant role in this is played by various informal associations (professional communities, clubs, etc.). The internal structure of such companies is distinguished by strong cohesion. Such organizations act as a single community of all workers. This led to the development of such a specific element of this management mechanism as the system of lifelong hiring of personnel. The requirements for the disclosure of information about company activities are presented, but they are not as stringent as in the US (especially after the adoption of Sarbanes-Oxley Act (2002)).

Thus, even with a brief analysis of various models, the dependence of their development on national characteristics is revealed, both of economic and social nature. Each of the presented management systems is "tied" to its strictly individual social-economic conditions. However, the trend towards globalization of the economy makes its own adjustments.

Currently, there is a steady trend towards the unification of corporate management fundamental foundations. This, in particular, can be evidenced by the adoption of Corporate management principles by the Organization of Economic Cooperation and Development (OECD) [12]. The global character of this document is indicated by the list of countries belonging to OECD. So, the participants of this organization are the USA, Germany, Japan, Australia, Great Britain, Turkey and other countries. In May 2007, the OECD management began the negotiations on Russia participation in this organization, but in March 2014 the adoption process was suspended for an indefinite period. These principles of corporate management are designed to be applied for public corporations mainly, that is, to those corporations whose shares are freely traded on the open market. The ideas laid down in the Principles are intended to assist various states (which are the members and non-members of the OECD) in the work on national corporate management system improvement. Besides, they should be the basis for the development of recommendations concerning the work of stock exchanges, corporations and other participants of the management process.

The management mechanism in Russian corporations can not be assigned unambiguously to any of the previously considered models. Russia is characterized by an over-concentrated system of share capital, which has a significant impact on management. This makes Russian practice weakly similar to the Anglo-American model, in which the shareholding property is "scattered" among multiple shareholders. An insider management system is gradually developed in Russia, in which the main role in the management is assigned to major shareholders. One can note that the result of this is the similarity of the Russian system to the German model. The main feature is the state strong influence in the management of large corporations.

The state tries to develop common rules that would be perceived in public corporations through its banking system. The corporate management Code (2014) is developed for this [13]. It can be noted that it fully agrees with the OECD Principles of corporate management in its fundamentals.

CONCLUSIONS

Each of the presented and analyzed models of corporate management reflects the factors and conditions specific to a particular state (or their homogeneous groups). This indicates the dynamic nature of corporate management structuring process in each state with a developed market economy. Each model was developed taking into account specific cultural, historical and technological features, which, in its turn, were manifested under the influence of specific national economic and social conditions. Because of this, it is impossible and inexpedient to distinguish the most perfect of them. You can only reveal their advantages and disadvantages with respect to certain conditions. This, in its turn, speaks about the impossibility of a corporate management system mechanical borrowing by different states from each other. This is especially true in the cases where there are significant differences between them in legal systems, social-economic conditions and mentality.

An independent (and, in some respects, a unique) corporate management system is developing in Russia nowadays. It is close to the German model, but it is specific in terms of the share capital structure, the mechanisms of corporation activity financing and according to some other indicators.

On the other hand, the process of capital market globalization determines the mutual influence of each of the presented models on each other, while retaining their unique characteristics. That is why the performance of comparative studies in this area is of particular interest and relevance for economists, financiers, lawyers and other interested categories of experts.

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