

T.V. Berezianko (*National University
of Food Technologies, Ukraine*)

INSTITUTIONAL PROBLEMS OF MAKING BUSINESS IN UKRAINE

This article deals with the transformation of the business environment under the pressure of large corporations. The influence of the corporate sector is seen as one of institutional forces. The directions of influence on public administration, management, employees and society are investigated.

Keywords: institutionalism; corporate sector; management; conflict.

Т.В. Березянюк (*Національний університет
харчових технологій, Україна*)

ІНСТИТУЦІОНАЛЬНІ ПРОБЛЕМИ ДІЛОВОГО СЕРЕДОВИЩА УКРАЇНИ

У статті розглянуто основні проблеми становлення інституціональних засад в ринковій економіці України. Досліджено проблеми посилення впливу потужного корпоративного сектору на державне управління, менеджмент та засоби розвитку підприємства.

Ключові слова: інституціоналізм, корпоративний сектор, менеджмент, конфлікт.

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Т.В. Березянюк (*Национальный университет
пищевых технологий, Украина*)

ИНСТИТУЦИОНАЛЬНЫЕ ПРОБЛЕМЫ ДЕЛОВОЙ СРЕДЫ УКРАИНЫ

В статье рассмотрены вопросы трансформации деловой среды под давлением крупных корпоративных структур. Влияние корпоративного сектора рассматривается в качестве одной из институциональных сил с неформализованной системой власти. Исследованы направления влияния на государственное управление, менеджмент, сотрудников и общество.

Ключевые слова: институционализм, корпоративный сектор, менеджмент, конфликт.

Description of the problem. Current stage of economic development is characterized by the need to find new incentives for growth and overcoming the recession. Corporate sector is considered as the major driving force in this process.

The analysis of the latest studies and publications. Over the recent time scientific studies of institutional direction became more and more topical. Apart from well known publications of V. Radygin (2003), R. Nureyev (2006), considerable input was made by Ukrainian scientists: B. Gavrylishin (2009), V. Geyets (2009), V. Dementyev (2008), T. Mostenska (2010).

The object of this research is economic relations between entities, society and state within the social and economic environment.

The aim of research is the regulation of economic relations at the macrolevel.

The methods of research are the systematic and comparative analysis of scientific literature and statistical information.

Unresolved parts of the general problem. The scientific literature presents institutional components mainly in the framework of traditional multi-economic vision. At

the macrolevel the corporate sector acts as the regulator of economic relations between entities, society and the state within the social and economic environment.

Main results of the research. Basing on the conclusions made by international experts (Fishberg, 2011), national economy could not be qualified as highly competitive. The results of the economic media analysis show the absence of appropriate level of institutional regulation in market organization in the country.

Powerful economic slowdown draws attention to creation of national business environment with defined behaviour patterns, abolishing the continuous conflicts in regards to state governance and corporate sector, rather than on creation of competitive model of economy and defining the priority national economic sectors. It also points out to the need to transform the escalating social conflict into social partnership and support.

As for the index of business transparency (for enterprises) this system is being implemented into international environment for more than 10 years. Ukraine has been continuously rated at the level below average (10 is the maximum):

- level of protection – 4,7;
- easy registration – 7;
- effectiveness of management – 2;
- ability to easily close business – 5;
- tax leverage – 57,1%;
- cost of preparation of the minimum required documents – 657 hours p.a.;
- number of bank payments p.a. – 135;
- registration fees – 3,95% from revenues;
- cost of contract rights protection – 41,5% from the claimed amount.

Ongoing monitoring carried out by EBRD and Heritage Foundation revealed qualitative stagnation of the institutional development of Ukraine (Heritage Foundation, 2006; EBRD, 2012). Only 29,5% of all draft laws submitted over the recent time to the Parliament were economy related (USAID, 2009), with only 6% of them having been adopted. At the same time 68,2% of drafts refer to highlighting the issues of economy liberalisation and 13,7% – to European integration. According to the recommendations of foreign specialists on the institutional environment in Ukraine: in 2005–2009 the level of coordination with special purpose ministries dropped from 51,4% to 34,1%; the role of USAID recommendations went up to 47,3%, while national special research institutes met the needs of the Parliament only in 13,2% of the cases.

Contemporary economic science that studies countries in the process of transition suggests 3 most probable explanations of institutional dynamics: low efficiency of new institutes, underdeveloped ethics of corporate governance and excessive reorganization of institutes by the "power" elite to meet their own demands. According to the studies by A. Shleifer and R.W. Vishny (1997), allocation of power between managers and state representatives doesn't impact the structure of finance flows and depends solely on the conflict between owners of large business in possession of power. Under such conditions the costs of corruptional activities are close to zero. However, during the next transformation the allocation of power plays the major role in reaching economic objectives. This causes the need for key players to influence the economic policy and creation of the system of institutes which would assure the long-

term access to economic flows. Here comes the logical conclusion that it's the business elite that is interested in maintaining the "non-perfect institutes" that have to stick to less efficient organisational scheme for the corporate sector.

The situation will change in favour of regulated institutionalism as soon as the resources being allocated come to an end and as national business becomes integrated into the global economy. Another important condition is making owners of corporations distance from their entities' governance giving place to professionals.

The need for creation of efficiently working market institutes will be linked with passing corporate governance from owners to managers. This is a bottom-up approach.

Another way for improving the efficiency of institutional organisation lies in neutralisation of the conflicts related to assets reallocation. It will be done once the state assumes the role of driving force for reforms. Business has to distance from politics and fighting for power in order to ensure the effectiveness of this approach (Libman, 2006). This situation will become possible due to "hard style" state governance and diversified sources of economic resources for political support. The latter will contribute to the democratisation of society.

Ukraine is recognized as a typical example of environment where conflicts between economic and political players have negative impact on the development of economy (to be more precise – cause its slowdown). In particular, the opposition of business and state became one of the major drivers for political events of 2005 as well as for subsequent reallocation of property, cash flows, directions of international policy and opportunity to manipulate the lawmaking process (Kuzio, 2005). As a result, national society exists under elite-regulated institutionalism environment with economic power playing role of major institutional component (Kravchuk, 2005).

As economy related consequences of conservation of the institutional reforms one can see no ground for development of middle-size business as well as wrapping up of common profitability and creating clearly oligopoly-based market without any reference to trade characteristics.

In such a way the institutional trap for national growth has been established.

Conclusion. Long-lasting effect of the institutional trap creates distorted business ethics that spreads over the society. Oligopoly-oriented corporate sector keeps general economic recession as a means for their own business growth. In our opinion, this factor has more significant impact than the "effect of greediness" as defined by overseas experts.

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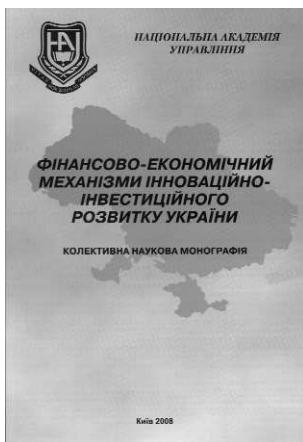
КНИЖКОВИЙ СВІТ



СУЧАСНА ЕКОНОМІЧНА ТА ЮРИДИЧНА ОСВІТА
ПРЕСТИЖНИЙ ВИЩИЙ НАВЧАЛЬНИЙ ЗАКЛАД

НАЦІОНАЛЬНА АКАДЕМІЯ УПРАВЛІННЯ

Україна, 01011, м. Київ, вул. Панаса Мирного, 26
E-mail: book@nam.kiev.ua
тел./факс 288-94-98, 280-80-56



Фінансово-економічні механізми інноваційно-інвестиційного розвитку України: Колективна наукова монографія / Кириченко О.А., Єрохін С.А. та ін.; За наук. ред. д.е.н., проф. О.А. Кириченко. – К.: Національна академія управління, 2008. – 252 с. Ціна без доставки – 25 грн.

Монографія присвячена актуальній проблемі світової та вітчизняної економічної науки, викладені теоретико-методологічні питання формування стратегії інноваційно-інвестиційного розвитку національної економіки та формування її фінансово-економічного механізму. В основу викладу матеріалу монографії покладені багаторічні дослідження науковців в галузі економічної теорії, фінансів та банківської справи, які були апробовані на сторінках авторитетного журналу "Актуальні проблеми економіки" в 2004–2007 роках. В монографії обґрунтовано шляхи переходу економічної системи України від підприємства до рівня держави на більш високий цивілізаційний рівень за рахунок створення ефективного фінансово-економічного механізму інноваційно-інвестиційного розвитку.