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CAUSES OF CORPORATE CONFLICTS AND WAYS OF THEIR SETTLEMENT

Summary. The article is devoted to the problem of corporate conflicts that arise between joint-stock company, its shareholders and managers. The reasons for identifying a corporate conflict have been analysed. The ways of prevention and solution of corporate conflicts have been proposed.

Key words: corporate conflict, corporate management, conflict of interests, joint-stock company, causes of corporate conflicts.

Problem statement. The issue of effective corporate governance have recently become one of the most important subjects in Ukraine. The history of corporate sector development shows that conflicts are an integral part of its functioning, and it is impossible to completely avoid them. A corporate enterprise is an intersection of interests of various social, economic and administrative subjects. The key issue in the corporate governance system is the conflict of interests that constantly arises between the owners (shareholders), the board of directors and the management of the joint stock company [1]. That is why the problem of preventing corporate conflicts is relevant since the performance of joint stock companies depends on it.

Analysis of recent research and publications. The study of scientific achievements shows that the problems of the emergence and development of corporate conflicts has attracted attention of many researchers. The papers of the following scientists have been dedicated to these problems: Danilova E., Danelian A., Bokhanova E., Kotov A., Kravchenko S., Kuzheliev M., Laptev V., Mohilevs'kyj S., Osipenko O., Poser R., Riedkin I., Stikhina A., Williamson O., Wiley D., Minza G., Coase R., Mayer C., Jensen M., Meckling W., Morck R., Shleifer A. and others.

Discussion of the main material. The problem of corporate conflicts has become very urgent in Ukraine over recent years. Corporate conflicts are disputes that arise between a joint-stock company, its shareholders and managers; between outsiders with small shareholdings or debts of an enterprise and insiders (actual owners and managers); between different groups of outsiders striving to manage; between regional executive authorities and owners (or large shareholders) of the main enterprises of a region, etc. The basis of these conflicts is natural contradictions between the interests of large and small shareholders, shareholders

and management as well as the struggle of investors for the control of joint stock companies [2].

As a rule, the reasons for corporate conflicts are directly related to the following questions: who will manage a society and who owns a controlling shareholding in an enterprise.

The main reasons for the emergence of corporate conflicts are as follows [3]:

- versatile approaches to the further development of a company (most often such conflicts occur between major shareholders or between shareholders and company management);
- problem of profit distribution (constant confrontation of minority and major shareholders regarding dividend payout);
- peculiarities of personal relationships between shareholders;
- additional issue of shares which are placed among a limited number of shareholders;
- separation of strategic assets of a company by transferring them to non-controlling shareholders of the firm;
- dilution of shareholdings in order a group of affiliated persons could receive the controlling block of shares;
- additional issue to the amount that considerably exceeds the authorized capital without giving shareholders the right to preferential redemption;
- sale of large shareholdings without the necessary procedure of approval of shareholders;
- consolidation of shares aimed at the squeeze-out of small shareholders.

Corporate conflicts bring the owners and the state considerable material and moral damages; these are a decrease in international ratings of Ukraine, and the reduction of production volumes, and in many cases, the bankruptcy of enterprises [4].

Conclusions and suggestions. In order to find a certain balance of interests of the society and shareholders, the society itself must have conditions for the prevention and settlement of corporate conflicts. Therefore, in order to prevent conflicts of corporate governance, the following proposals can be recommended:

- regulation of procedures for shares issue as well as procedures for issuing bonds converted into shares;
- detailed elaboration of regulation of operations with shares, particularly in case of preferential redemption of shares;
- improvement of types of the financial statements;
- strengthening and clarification of requirements regarding the procedure for settlement of large transactions and transactions of interested parties;
- regulation of transactions with affiliated persons;
- improvement of tax legislation and its enforcement;
- improvement of information disclosure legislation;
- prohibition of the practice of asymmetric provision of information to some privileged parties, and the use of essential and closed information for mercenary purposes;
- introduction of requirements for the involvement of an independent appraiser of information disclosure improvement;
- taking additional measures (criteria for entry into bankruptcy proceedings) to prevent unfair redistribution of property and infringement of cases concerning actually solvent enterprises;
- development of legislation on disqualification of a head whose actions have caused damage to the organization he/she and his/her creditors run;
- introduction of measures on the liability of court-appointed trustees for actions in favour of a part of the creditors;
- clarification of the role of state bodies (both lenders and representatives of the interests of the state) and procedures for their participation in the bankruptcy process;
- legislative settlement of violations of rights;
- systematic verification of compliance with the procedures for notification of holding general meetings and publication of their decisions;
- judicial reform in general;
- a complex of anti-corruption measures.

The main means that can protect a corporation from internal corporate conflicts is the need to create conditions for promotion of management policies aimed at maintaining openness to investors.

References

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