

THE FEATURES OF FORMING THE NATIONAL MODEL OF CORPORATE GOVERNANCE

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The author examines the views of various authors in the field of corporate governance on the formation of the national model of corporate governance.

Russian companies need new approaches to managing. The reforms in the management staff are focused on improving corporate governance mechanisms aimed at attracting the investments.

The Russian model of corporate governance is formed in the transitional economy. The analysis of corporate governance in Russia reveals the imperfection of the corporate sector of economy. In the early 90-ies the shares of large companies were issued, the owners were professionals and managers.

Corporate governance in Russian companies is characterized by a high proportion of managers, a small number of pension and equity funds as investors, lack of transparency in corporate relations, the priority in dealing with creditors than with the owners, an underdeveloped capital market. The ownership structure is an insider, concentrated and opaque, this fact causes the weak implementation of the rights of participants of corporate relations. The prevailing system of internal control retards the development and formation of the stock market. In Russia there are many cases of combining the roles of managers and the owners of the company to save the cost of hired managers. Frequent conflicts between the majority of shareholders and the minority of shareholders do oc-

cur due to imperfect control of corporate relations, the fact is that the members of the board of directors make management decisions in favor of the majority of shareholders, ignoring the interests of the minority of shareholders. In Russia the specifics of doing business must take into account the motives of board members provided that this strategy is an elected body.

The above features are quite critical indicators of corporate governance in Russia. It is necessary to take into account the impact of scientific and technological progress, which develops many social and economic spheres, including the corporate sector.

The problems of forming the national model of corporate governance: unstable political and economic situation, inadequate legislation, the criminalization of the economy and politics, the lack of transparency of issuers, the complexity of small business development, the lack of equal conditions for the privatized and newly established corporations, the low level of corporate ethics.

These negative factors should be attributed to many countries with the economies in transition.

Initially, Russia's legislation in the field of corporate sector of the economy was based on the Anglo-American model of corporate gover-

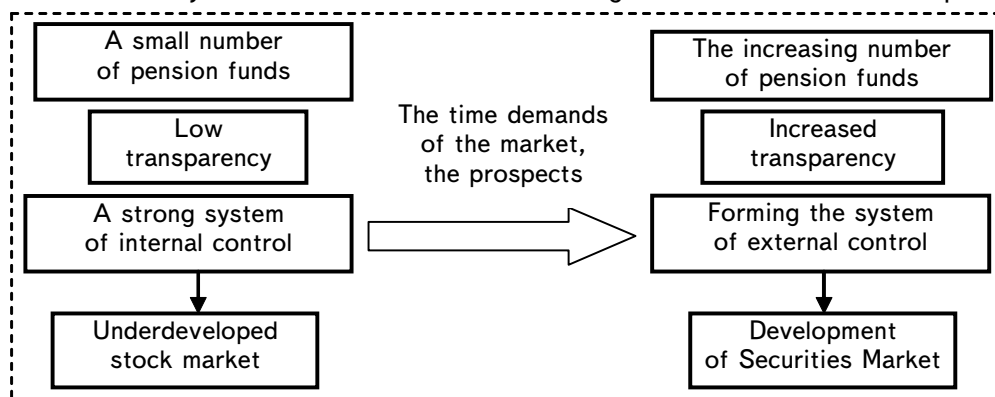


Fig. Formation of corporate governance in Russia

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nance. But the concentration of stock ownership, the use of informal business relationships among the participants of the subjects and objects, the participation of owners in the management of companies contrary to the development of Anglo-American model of corporate governance, creating the Corporate Governance Code was the establishment of Germanic model of corporate governance. In Russian conditions, the direct vector in the direction of becoming a model is not Germany, in practice there are no representatives of labor collectives.

In Russian companies the contradictory differences in corporate governance appear when the board of directors is under the influence of the managers who are the shareholders of this company. The external mechanisms of corporate control are the impact of banks, stock market, bankruptcy, external audit.

The peculiarity of Russia's corporate governance model is the formal presence of the elements of corporate governance. Their functioning can be a qualitative process of implementing the rights of interested persons.

The manifestation of Russian corporations in the international environment impact on improving the standards of corporate governance, thereby increasing their attractiveness to investors.

In Russia's corporate sector the power is concentrated in the hands of the Board of Di-

rectors, the Board has not assumed the role of the "observer", and interfere with the overall operations of companies which contradicts the practice of the supervisory board in Germany. This feature was formed by an external factor - corruption.

The negative effects in management decisions occur when the majority of shareholders make the direct control by passing the board of directors.

For further strategic decisions and actions we need to rethink the necessity of strategic and current government or dissolve the board members, as well as the content of this body have a negative impact on the costs of the company.

In Russian companies with state participation, there is an integration of the functions of the regulator and owner of - as a subject, where the corporate structure through the State seeks social and strategic objectives. This feature is in conflict with the principles of corporate governance, where the above functions are performed by different actors of corporate relations.

In practice, the structure of Russia's Board of Directors recommends that independent directors invite a minimum of 1 / 4 of the members of the Council. Due to the international standards the independent directors should not exceed a half of Council members.

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