

## **CORPORATE GOVERNANCE IN MODERN RUSSIA: AXIOLOGICAL RESOURCES AND THEIR DEVELOPMENT**

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### **ABSTRACT**

The author considers the problems of corporate governance in modern Russia. The results of governance are not obtained immediately, but appear through the implementation of the successive stages of a governance process. The paper offers a way to optimize corporate governance basing on the axiological resources that serve as guidelines for social and professional activities. The optimal governance is viewed in the paper as a process of selecting the best administrative decisions basing on some criterion of efficiency from a set of possible decisions according to the purpose of the system and taking into account the constraints and the information on the state of the governed object and the external environment. A classification of values constituting the essence of corporate governance has been developed. In the author's view, the core of axiological essence of any process in society is made up of citizens' needs and interests, which can be unconscious (instincts) and conscious. The author concludes that corporate governance can be efficient, given the social and legal activity of employees in this process, and only if their needs and interests are met.

**Keywords:** governance, organization, state, society, axiological resources, needs

### **INTRODUCTION**

No society can either function or develop without a system of corporate values because without them it turns into a chaotic crowd, or a group of atomized individuals. One of the most important pre-requisites for forming corporate values of society are its stability and sustainability, which are impossible without public administration. Today, many aspects of life of Russian society are unstable, and without proper governance, the state will not be able to cope with the situation.

The scope of public administration, in our opinion, includes a set of tasks to be solved through enforcement and management. This is due to an increased complexity and dynamism of social life, consolidation of objects of legal influence, an increasingly concentrated share of private interests in public law, which inevitably leads to a modified understanding of the nature and functions of public authority.

As Yury A. Tikhomirov argues, along with growing social orientation of the state there happen significant changes in the scope, content, and practices of governance [1].

The category of "governance", due to its significance and in a strictly scientific interpretation, cannot be obviously used to describe the whole spectrum of diverse activities carried out by public authorities. The participation of these bodies in the relations connected with the implementation of various citizens' rights does not mean that these relations are governance activities.

Scientifically sound and efficient public governance and its organizations is mostly associated with the name of Norbert Wiener, who argued that the public system was not only an organizational entity similar to an individual, but was also bound together by a communication system into a unified whole, having the dynamics in which circular processes of feedback played an important role [2]. Not only did N. Wiener justify the statement about the unity of governance and information processing in complex systems, but also divined the negative consequences resulting from the disrupted communication between the governed and governing systems in the normal course of business.

The results of governance are not obtained immediately, but appear through the implementation of the successive stages of a governance process. In the governance system, the concepts of “subject” and “object” are interdependent and interconnected. An element of the governance system can simultaneously act both as a subject and as an object of governance. This happens because the subject of governance when influencing some object is affected in turn by the latter.

For this purpose, the subject of governance selects the best administrative decision of all possible ones bearing in mind a certain criterion determining the effectiveness of governance. Thus, the optimal governance is a process of selecting the best administrative decisions basing on some criterion of efficiency from a set of possible decisions according to the purpose of the system (taking into account the constraints and basing on the information on the state of the governed object and the external environment) and their implementation.

In the most general form, the structure of governance activity consists of several elements, three of which are viewed as basic – the subject of activity, the object of activity and links between them, taking various forms and combinations and being temporary in character. The interconnection brings the subject and the object together to form a single integrated governance system. An important structural element of the system is a means of activity. Each of the above elements of activity should be viewed as a subsystem in a common governance system as it, in turn, consists of some interconnected elements forming a unified whole.

## **DISCUSSION**

As a result, the existence and development, content, directions, and forms of state governance are determined primarily by objective needs of the society in organized and imperious coordination of people’s behavior and actions, provision of interrelation and regulation of a huge number of actively functioning social groups. Given that governance as a process is divided into subjective and objective impacts and can be conducted with the help of a variety of means, it often acquires a four-component form: a subject, a subjective side, an object, and an objective side.

The main characteristic that defines somebody as a subject of administrative relations is real participation in the implementation of administrative work within a particular organization. There is no need to expand the range of the component form of governance process voluntarily and complicate it unnecessarily, especially since it does not enrich its content. Simple granting of rights and responsibilities does not make a person a subject of administrative relations. It is quite enough to realize that governance is a purposeful interaction with the environment, which allows achieving the governance purpose or gaining the possibility to move in the chosen direction.

At the same time, using the idea of the active and reactive in the organization activity, we consider the corporate governance as a mechanism for reproduction of external regulatory actions and, simultaneously, as a form of immanently defined method of the state activity in public governance.

In the early 90s of XX century, due to the beginning of market economy and the emergence of a democratic model of state development the approaches to understanding the state governance, its place and role in the mechanism of state power in Russia changed in some way. At the same time the Russian Constitution of 1993, which enshrined the principle of separation of powers, introduced a new concept of "executive power" in political and legal sphere, while excluding the concept of "state governance" from official use.

The initial elements in understanding the core of legal regulation of corporate relations in the modern era of recognition of democratic values of a constitutional state and civil society are the ideas about their place and role in creating conditions for the development of a free and responsible person. The consequences of state-building and its governance depend on it largely. The natural basis for understanding the corporate governance process is to consider the activity of the head of organization, the power and control that he carries out as legal phenomena, i.e., determined by rules and laws.

We share the opinion of a number of scientists that "governance has been and remains a political process of coordination, achievement of public consensus, reconciliation of conflicting values – freedom and equality, equity and efficiency" [3]. Corporate governance is authoritative in nature as well as organizing and immediate in the interdisciplinary, social, economic, and other fields; it is carried out by specially authorized governance entities.

All stages of the governance process covered by the concept of legal and administrative form are directed primarily to the implementation of certain tasks in order to achieve the set goal in accordance with the established procedures (regulations). The overall further effectiveness of the governance process (its result) depends on the implementation of certain sub-functions.

Among the first the attempt of scientific substantiation of the existence of administrative procedures was undertaken by B.M. Lazarev [5] who revealed their nature, characteristics, relationships with other phenomena of legal reality. These are the administrative procedures that create a stable and clear order of governance. A well-organized procedure involves the commission of such acts by governance authority and "inclusion" of such members in the process that are really necessary and sufficient for proper and lawful solutions. This ensures effective governance – the achievement of optimal results at a reasonable economy of effort, time and money.

It is possible to classify governance procedures according to their administrative functions. These are the procedures of forecasting, planning, organizing, regulating, general governance and operational administration, stimulus control and accounting [2].

According to V.E. Chirkin, public governance implies, in the first place, the process of managing people. Addressing people, public authorities exert their influence both individually and through various groups, including those formed naturally (e.g. the social group of intellectuals) and those organized with a purpose (e.g. political parties) [6].

Apart from being an integral part of public conscience, corporate values make up a component of individual behavior, and thus they are not limited by a rational choice of this or that value. A value is only formed when it becomes someone's belief, or part of the emotional potential. Some researchers, however, do not differentiate between "a system of values" and "an attitude", while we cannot fully support such opinion.

At the same time, according to E.E. Tonkov, "the correlation of an attitude and a system of values is doubtless, which is determined by the impact that orientation makes on all aspects of the human mind: from the process of cognition to the motivation of each individual deed" [7].

## CONCLUSION

People's needs and interests are basic to the values of any process which takes place in the society. Studying interests as a major factor of corporate development, researchers seldom pay attention to similar social and psychological phenomena, including those which precede the interest genetically. A need is an example of such phenomena. Human needs are known to be unconscious (instincts) and conscious. It is the needs that initiate values to be formed, while the very understanding of a need contributes to forming interests, motives, attitudes, objectives, actions. Corporate governance can be efficient, given the social and legal activity of the employees, and only when their needs and interests are satisfied.

Values do not define the standards and specific parameters of the behaviour expected by the state from its citizens, they just set a general direction of the activity. A value virtually legalizes this or that activity aimed at a specific result. The subjectivation level depends on the corporate development, employee self-comprehension and their inner social attitude. The subjectivation level also depends on the corporate condition, as the value of a administrative decision can be identified when it is assessed by the employees.

Corporate values can be guidelines for social and professional activity. Making a classification of values based on personal needs, we can conclude that the system of corporate governance values may include:

- values connected with an individual's assertion in the company or in social sphere;
- values connected with meeting the needs in communication;
- values connected with self-improvement;
- values connected with self-expression;
- practical and pragmatic values;
- objective and instrumental values.

The above classification contributes to the research of corporate governance and makes a theoretical basis for acquiring and assessing value resources, as well as for constructing social technologies whereby these values may be used as guidelines.

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