References

1. Glonti V., Trynchuk V., Khovrak I., Mokhonko G., Shkrobot M., Manvelidze L. Socialization of Organization Sustainable Development Based on the Principles of Corporate Social Responsibility. Montenegrin Journal of Economics. 2020. 16 (1). 169–182. DOI: 10.14254/1800-5845/2020.16-1.11
2. GRI Database: [site]. URL: https://database.globalreporting.org/search/.
3. Khovrak I. Odpowiedzialność społeczna jako strategia przywództwa przedsiębiorstwa na rynku. Zeszyty Instytutu Spraw Publicznych UJ Zarządzanie Publiczne. 2017. Numer 3 (39). S. 391–401.
4. Polinkevych O., Khovrak I., Trynchuk V., Klapkiv Y., Volynets I. Business Risk Management in Times of Crises and Pandemics. Montenegrin Journal of Economics. 2021. 17 (3). P. 117–128.
5. Polinkevych O. Ocena zaawansowania rozwoju przedsiębiorstw na Ukrainie z uwzględnieniem ekonomicznych, ekologicznych i społeczno-psychologicznych aspektów ich funkcjonowania. Przedsiębiorstwo, godpodarka i społeczeństwo e kręgu zainteresowania ekonomistów. Red. naukowa R. Kamiński. Poznań: PTE, 2020. S. 175–187.
6. Polinkevych O. (Ed.). Процесне та соціальнокомпетентне управління інноваційним розвитком підприємницьких систем : [site]. Lutsk : Vezha-Druk. 2017. URL: http://esnuir.eenu.edu.ua/bitstream/123456789/13749/1/Polinkevych%20%281%29.pdf.
7. Polinkevych O. (Ed.). Стратегії та технології інноваційного розвитку корпорацій: [site]. Lutsk : Vezha-Druk. 2018. URL: http://esnuir.eenu.edu.ua/bitstream/123456789/14618/2/Polinkevych_monograph-2018.pdf.
8. Ховрак І. В., Семко Т. В. Ефективність функціонування корпоративного сектору національної економіки: Монографія. Кременчук : ТОВ «Кременчуцька міська друкарня», 2013. 276 с.
9. Ховрак І. В. Соціальна відповідальність закладів вищої освіти як каталізатор збалансованого регіонального розвитку. Кременчук : ПП «Бітарт», 2020. 392 с.

УДК 336.025.691; 338.26

THE IMPACT OF CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY ON COMPANIES' DEVELOPMENT

O. V. Nosova[1], T. Y. Nosova[2]

[1] *Doctor of Economics, Professor, Professor of Marketing, Management and Entrepreneurship Department of the V. N. Karazin Kharkiv National University, Kharkiv, Ukraine*

[2] *PhD in Economics, Associate Professor of Management and Administration Department at the Karazin Business School of the V. N. Karazin Kharkiv National University, Kharkiv, Ukraine*

The study of the corporate governance and corporate social responsibility interdependence reflects the various stakeholders' views on organization and management. The critical review of literature indicates the complementary relationships between categories, enabling shareholders to play a more active role in CSR.

Keywords: corporate governance; corporate social responsibility.

ВЛИЯНИЕ КОРПОРАТИВНОГО УПРАВЛЕНИЯ И КОРПОРАТИВНОЙ СОЦИАЛЬНОЙ ОТВЕТСТВЕННОСТИ НА РАЗВИТИЕ КОМПАНИЙ

О. В. Носова[1], Т. Ю. Носова[2]

[1] *Доктор экономических наук, профессор, профессор кафедры маркетинга, менеджмента и предпринимательства Харьковского национального университета им. В. Н. Каразина, г. Харьков, Украина*

[2)] *Кандидат экономических наук, доцент кафедры менеджмента и администрирования Харьковского национального университета им. В. Н. Каразина, г. Харьков, Украина*

Исследование взаимозависимости корпоративного управления и корпоративной социальной ответственности отражает взгляды различных заинтересованных сторон на организацию и управление. Критический обзор литературы указывает на взаимодополняющие отношения между категориями, позволяющие акционерам играть более активную роль в КСО.

Ключевые слова: корпоративное управление; корпоративная социальная ответственность.

The majority of East European countries meet with the dilemma of what corporate governance system model should be chosen. The corporate sector development demonstrates the use of mixed models in transition countries, based partly on the principles of American, and German models of corporate governance system application. The modern models of corporate governance system are based on the diverse capital structure in East Europe. It defines the large variety of shareholders, including state, institutional investors and individual shareholders. The corporate governance structure specifies the distribution of rights and responsibilities among owners and management in the corporation. The board of directors, managers, shareholders, and other stakeholders take part in the elaboration rules and procedures for making decisions on corporate affairs. Good corporate governance is associated with a sustainable company's value creation on a global scale. Where some of which will flow to investors with reduced risk of global financial crises. The better the quality of shareholder protection means the larger the country's stock market. Weak corporate governance leads to higher costs of capital and in the case of better corporate governance are higher returns on assets [1, 10].

A literature review makes it possible to analyze the relationship between corporate governance and Corporate Social Responsibility (CSR), and suggests adjustment measures for CSR improvement. The rules of Corporate Governance and CSR have many interactions. The rules of the Corporate Governance have today often the condition of law. The influence is more and beyond this legal form for companies. Other companies – especially with international activities – do orient them on this regulatory framework for the management and monitoring. Companies listed on the stock exchange give statements about corporate governance at the annual report.

The rules of CSR are directives given by the management of a company for the company. CSR is the compliance with laws and regulations, observing (external) standards and (internal) values, action instructions, and guidelines and designing management and control structures. All interests of every group of stakeholders are considered and sustainability and transparency are the main topics of today.

The study of a large number of literature sources shows the various research methods of corporate governance and CSR application demonstrates the existence of an ambiguous understanding of the interrelationship and interdependence between these categories. Multinational corporations affect the future company's development and invest in socially sustainable development.

Over the past 20 years, managers enhance the use of tools for developing reputation techniques in order to study the influence of interest groups in the company, and mechanisms, how to manage relationships with them. Some experts believe that the division of corporate communications with the advertising world and public relations transfer today's market leaders to those organizations that pursue policies of a single system of communication with all interested groups. The analysis of table 1 demonstrates the literature review of the basic approaches to corporate governance systems indicated in the article and summarizes peculiarities of the legal and regulatory framework in different companies.

Table 1 – **Basic Approaches to Corporate Governance System**

№	Authors	Theory	Application
1	Callaghan (2007)	Explains differences in the dispersion of corporate ownership.	Corporate Governance System.
2	Aguilera, Williams, Conley, Rupp (2000)	Emphasize two divergent hybrids of the neo-liberal economic model and the neo-corporatist model.	Board Structure in Corporate Governance Model.
3	Tore (2002).	The comparison of Neoclassical approach and stakeholder theory.	Forms of Social Responsibility Activities.
4	Arias & Petterson (2009)	Define the balance of the neoclassical and stakeholder approach.	International Business.
5	Cheng, Ioannou & Serafeim (2016)	Managers adopt a long - term relationships.	Corporate Governance System.

Note – Source: Author's approach.

Callaghan [2] asserts that differences in the dispersion of corporate ownership can help explain why party positions on corporate governance vary across countries and over time. The author states that party positions depend on the relative size of the insider and outsider constituencies, which in turn depends on countries' prevailing structure of corporate ownership.

Aguilera et al. [3] emphasize two divergent hybrids of the neo-liberal economic model and the neo-corporatist model, where the first model defines more centralized and concentrated financial systems based on financial market regulation, which is designed to correct market failures and facilitate the market process, a strong emphasis on transparency and disclosure rules.

The proponents of the neoclassical approach emphasize stakeholder theory, the theory of corporate internal control, the theory of agents costs and etc., and argue that the term corporate governance is typically defined more narrowly, as the processes of supervision and control 'intended to ensure that the company's management acts in accordance with the shareholders 'interests. Neoclassical scientists assert that the obligation of the company is the maximization of the return on investment. Arias & Petterson (2009) concludes that a careful balance of the neoclassical and stakeholder approach to doing business in the international market place is required today [4]. Cheng, Ioannou & Serafeim (2016) argue that stakeholder engagement based on mutual trust and cooperation reduces potential agency costs by pushing managers to adopt a long-term rather than a short-term orientation [5]. Superior stakeholder engagement enhances the revenue or profit – generating potential of the firm through the higher quality of relationships with customers, business partners and among employees. Firms with better CSR performance are more likely to publicly disclose their CSR activities, and consequently, become more transparent and accountable. Higher levels of transparency reduce informational asymmetries between the firm and investors, thus mitigating perceived risk. The post neoclassical views, however, show that stakeholders' incentives can play a significant role in the mix of debt and equity used in financing the firm's assets, and on its capital investment decisions. Thereby corporate executives can add value to the firm and affect the distribution of wealth between common stockholders and bondholders.

The interdependence of corporate governance and CSR could be seen in the legal application of G20/OECD Principles of Corporate Governance and European Commission regulations on CSR. The European Commission considers social responsibility (CSR) as part of a contribution to the sustainable development strategy and European economic growth and employment, as CSR contributes to a variety of purposes, including social cohesion, economic competitiveness, and more sustainable use of natural resources.

Market actors require compliance with the basic principles of CSR: trust, social justice, openness, and transparency. The majority of companies try to perceive the philosophy of thinking about the wellbeing of society, its prosperity and participate in environmental problems solution. The company pursues a policy of constant and deliberate social activity. CSR strategy is considered to be consistent, and really feasible. All projects are subject to the general purpose and mainstream of business ideas.

In deciding on the adoption of CSR of the company is not only important to identify the most significant social needs of stakeholders, but also to analyze their feasibility, to provide cost – benefits analysis of the company, estimate potential benefits of social investment for society. At this stage, management explores the possibility of joining efforts in the implementation of various social projects with other companies or nonprofit organizations.

Numerous violations of legal (formal and informal) rules between companies and society, corporations and their shareholders in the world rise to intense viewing not only use, but also the reassessment of the fundamental principles of the relationship between power holders (shareholders), management holders (managers), the R&D owners (technological staff) and the employees (workers).

Some scientists consider that the corporate governance and CSR relationship can be interpreted by abandoning the standard view of the firm as a shareholder value maximizer and embracing the view of a firm as a stakeholder value maximizer. This convergence paves the way for corporate governance to be driven by ethical norms and the need for accountability, and it enables CSR to adapt prevailing business practices. At present time both corporate governance and CSR focus on ethical practices in business and the responsiveness of an organization to its stakeholders and the environment in which it operates.

The study of the corporate governance and CSR interdependence reflects the various stakeholders' views on organization and management, on the company's portfolio, ethical norms, the possibilities and attractiveness, and effects on other forces. The research indicates the complementary relationships between categories through the reflection of all stakeholders' interests, provide a balance between major groups and social institutions involved in market interaction, and promote constructive development. The analysis demonstrates different models of corporate governance application, which explain the need to apply certain institutional arrangements, enabling shareholders to play a more active role in CSR, and resulting in more sustainable companies' development.

References

1. Nosova O. Bartels K. Statistical Analysis of the Corporate Governance System in The Ukraine: problems and development perspectives // Statistische Diskussionsbeitrage. Universitat Potsdam. 2006. Nr. 25. 32 p. URL: https://publishup.uni-potsdam.de/frontdoor/index/index/docId/1125.
2. Callaghan, H. Insiders, Outsiders and the Politic of Corporate Governance. How Ownership Shapes Party Positions in Britain, Germany and France // MPIfG Discussion Paper. 07.09.2007. 27 p.
3. Aguilera R. V., Williams C. A., Conley J. M., Rupp D. E. Corporate Governance and Social Responsibility: a Comparative Analysis of the UK and the US, Corporate Governance // An International Review. 2000. Volume 14. Issue 3, May. P. 147–148.
4. Tore I. Recognition of Corporate Governance Principles in Turkish Legislation and their Impact on the Influx of Foreign Equity Capital into Turkey. University of Leicester, 2016. 252 p.
5. Arias J. C., Patterson K. Relationships between Corporate Social Responsibilities' Promotion and Corporate Performance in the Multinational Corporations// Business Intelligence Journal. 2009.Vol. 2. No. 1. P. 93–109.
6. Cheng B., Ioannou I. and Serafeim G. Corporate Social Responsibility and Access to Finance : [site] // Strategic Management Journal. 2016. URL: https://dash.harvard.edu/bitstream/handle/1/9887635/cheng%2cioannou%2cserafeimCorporate%20Social%20Responsibility%20and%20Access%20to%20Finance.pdf?sequence=1.