

## CORPORATE MANAGEMENT OF STATE-OWNED COMPANIES IN A CORRUPT ENVIRONMENT

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**Abstract.** Corporatization in Ukraine was initiated by the Decree of the President of Ukraine «On Corporatization of Enterprises» dated June 15, 1993 No. 210/93, which is still in force today[1]. The decree defines the purpose of corporatization in three parts: reform management of the state sector of the economy; increasing the responsibility of state enterprises for the results of economic activity; their preparation for privatization. The essence of corporatization consists in the reorganization of a state-owned enterprise or their unification by transforming a vertically integrated holding that reports not directly to the government, but to hired management, whose work is monitored by the Supervisory Board, which has independent members. Due to which, in theory, the dependence of state-owned enterprises on political influence should decrease and contribute to greater efficiency of their work. However, this alone could not be a sufficient tool increasing the efficiency of production and did not take into account the high level of corruption, which became an obstacle to positive transformation.

State-owned companies in Ukraine have long been plagued by corruption and mismanagement. The lack of transparency and accountability in their operations has led to a culture of impunity, where those in power use their positions for personal gain rather than to benefit the company or the public.

Corporate management of state-owned companies in Ukraine is a complex issue, as it involves navigating a corrupt environment where bribes and kickbacks are commonplace. This often results in the appointment of unqualified or inexperienced individuals to key positions, who are more interested in enriching themselves than in running the company effectively [2].

Corporate management of state-owned companies refers to the process of managing and operating these companies in a professional and efficient manner, with the aim of maximizing their performance and profitability[3]. This involves appointing qualified and experienced individuals to key positions, implementing effective management practices, and ensuring transparency and accountability in the company's operations.

One of the main challenges facing corporate management in state-owned companies is the lack of independence from political influence. Many of these companies are controlled by powerful oligarchs or politicians who use them as their personal fiefdoms. This makes it difficult for managers to make decisions that are in the best interests of the company, as they are often pressured to prioritize the interests of their political masters.

Another challenge is the lack of transparency and accountability in the operations of state-owned companies. Many of these companies do not publish financial reports or disclose information about their operations, making it difficult for stakeholders to assess their performance. This lack of transparency also makes it easier for corrupt practices to thrive, as there is little oversight or scrutiny and can prolong terms of corporatization up to three-five years [4].

To address these challenges, there is a need for greater transparency and accountability in the management of state-owned companies. This can be achieved through measures such as requiring these companies to publish financial reports and disclose information about their operations, and by establishing independent oversight bodies to monitor their activities.

There is also a need for greater independence from political influence in the appointment of managers and board members. This can be achieved by establishing clear criteria for appointments and by ensuring that these appointments are made based on merit rather than political connections.

Overall, corporate management of state-owned companies in a corrupt environment in Ukraine is a challenging task. However, with greater transparency, accountability, and independence, it is possible to improve the performance of these companies and ensure that they serve the interests of the public rather than those of the corrupt elite[5].

To address corruption in corporate management of state-owned companies in Ukraine, several measures can be taken:

1. Strengthening transparency and accountability: This can be achieved by implementing measures such as regular audits, disclosure of financial information, and public reporting of key performance indicators. This will help to identify and prevent corrupt practices.

2. Appointment of independent directors: Independent directors who have no political affiliations can be appointed to the board of state-owned companies. This will help to ensure that decisions are made in the

best interests of the company and not for political gain.

3. Strengthening anti-corruption laws: The Ukrainian government can strengthen its anti-corruption laws and ensure that they are enforced effectively. This will act as a deterrent to those who engage in corrupt practices.

4. Implementing best practices: The government can implement best practices in corporate governance, such as separating the roles of CEO and chairman of the board, establishing clear lines of authority, and ensuring that board members have the necessary skills and experience.

5. Encouraging whistleblowers: The government can encourage whistleblowers to come forward by providing them with protection and incentives. This will help to expose corrupt practices and hold those responsible accountable.

Overall, addressing corruption in corporate management of state-owned companies in Ukraine requires a concerted effort from the government, civil society, and the private sector. By working together, it is possible to create a more transparent and accountable business environment that benefits all stakeholders.

**Keywords:** corporate management, corporatization, privatization, corruption, Supervisory Board, transparency, state-owned companies.

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