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## The Implementation of the Comfortable Investment Environment on the Basis of the Effectiveness Assessment of the Corporation

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### Abstract

The issues of formation of corporate control and management have always been at the center of studies by both theorists and representatives of the real sector of economy, which is due to the importance of the corporate sector for the national economy. But on the other hand, the constant interest in the topic is fueled by the contradictions and dualism in theoretical works. The article is proposed as a review paper devoted to the research problems of the efficiency of the corporation's capital concentration, based on the discussion of these problems, the authors plan to develop a universal system of criterion indicators for a comprehensive assessment of the corporation's development results. Since it is impossible to separate the economic and institutional aspects of concentration, the interests of owners and investors in modern conditions, the formation of a universal evaluation system will make comparable the efficiency assessment of corporations of different scales, form of ownership, ownership structure and will answer one of the most important questions about the existence of an objective limit of expediency of further capital concentration. It is new that as the main result of the criterion for managing the capital concentration, the authors suggest harmonization of relations between investors, and in this connection an attempt is made to identify and analyze the contradictions arising between the interests of minority and majority investors in connection with the use of financial resources of corporations. The authors also hope to develop recommendations for the efficiency assessment of capital concentration from the point of view of the minority investor and use the available methods, as well as suggest a number of measures to smooth out the revealed contradictions. The most significant result of the implementation of this method should be an increase in the investment attractiveness of corporations as a result of the formation of the more comfortable investment environment.

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Economic efficiency has always attracted the interest of economists from different schools and directions, who studied its essence, proposed various criteria and systems of quantitative indicators for evaluation. A special place is occupied by works devoted to the research in the field of theory and methodology of assessing the economic efficiency of a corporation. This form of efficiency is a leading link in the economic relations of the national economy. In particular, works from Clark, C., Brown, J.A. (2015) deal with the effectiveness of corporate governance, and studies by Edward E. Lawler III and Jay A. Conger (2015) proposed a model for sustainable performance. From this point of view the recent work is also considered to be interesting (Mercato E.L., Platino V. 2017). Such attention is confirmed by the relevance of studying the issues of assessing the effectiveness of corporations. At the same time, there are many problems that remain unsolved. This is connected with the dynamism of the development of the corporate sector on the one hand, and the multifaceted and multidirectional nature of corporate interests that form the result in the form of a unified corporate strategy on the other hand. Simultaneously, the processes and conflicts that are in this process are at the junction of political, management, and legal sciences, and this is the point at which they are poorly studied.

Studies of the development of the category of economic efficiency done by Barkhatov V.I. and Sorokin D.A. (2011) conclude that both representatives of classical political economy, and physiocrats as a separate stream of economics, actually equated economic efficiency with profitability and economic efficiency with the resource use. Further, they explain the labor force was considered as a main factor. An indicator quantifying efficiency was the rate of return on invested capital, calculated as the ratio of the difference between the national income produced and the cost of labor expended on its production to capital expenditure.

The significant contribution to the study of the economic efficiency of the corporation, consisting in carrying out the assessment at the macro and micro levels, was made within the framework of the Marxist school. The quantitative indicator of economic efficiency, in their opinion, was the "effect" calculated as the difference between the income received and the costs and the rate of profit. The Marxists also laid methodological approaches to the theory of economic efficiency on the basis of the capital structure. With this approach, the economic efficiency of a corporation is determined not by profit, but by the ability of a corporation to satisfy the economic interests of various actors.

The contribution of the Marginalist school to the study of the problem of economic efficiency have also been studied most notably by Motylev V.V. in 1973. Marginalists developed the notion of classics about profit as the main and only criterion for the effectiveness of the corporation. Marginalists approached the application of the microeconomic method, which involves analyzing marginal economic variables as differential effects derived from additional consumption or production units (marginal utility or marginal productivity).

The representative of the neoclassical direction (Marshall A., 1993), studying the economic efficiency of enterprises, paid special attention to assessment of the influence of various factors, including organizational structure, on the effectiveness of the firm, which called methods of ensuring the "vitality" of the enterprise or "the method of joint-stock companies". Marshall's studies were further developed in the works of F. Knight and V. Pareto that in particular considered not only the positive aspects of the joint-stock form of business organization, but also some shortcomings (see Knight F., 1965).

The next stage in the development of the doctrine of the corporate efficiency is represented in the works by F. Modigliani, M. Miller, S.A. Ross, S. Myers and N. Mahluf. They conducted research into the influence of capital structure on the economic efficiency of a corporation. At the same time, V.V. Novozhilov, L.I. Abalkin, A.N. Azrilian, considering the economic efficiency in a planned economy, under economic efficiency understood: "... the ratio of the beneficial effect (result) to the costs of obtaining it." Within this framework, it was defined as the ability of a corporation in the process of functioning to produce an economic effect, that is, the difference between the results of its economic activities and the costs for obtaining and using them. At this stage, Sorokin has concluded that many researchers actually put an equal sign between the economic efficiency and productivity of the enterprise.

In the works of institutionalists, there are some agency relations between entities in a corporation in the focus, which were not considered before. Their optimization is based on three criteria: satisfaction of the needs of the subjects, minimization of transaction costs, and the preservation and development of infrastructure (Coase R., 1937).

The process of maximizing economic efficiency is influenced by such factors as information asymmetry, the type of behavioral function of the subject, the disciplining factors for the manager and the limited rationality of the subjects. E. Nikolaeva and D. Pletnev studied the importance of the role of transnational costs for the business success and presented their research in their 2016 publication.

The considered theories and approaches, do not give an unambiguous definition of the content, criteria, list of quantitative indicators and factors of economic efficiency of the corporation. The most fruitful way to determine the efficiency criterion is to streamline its indicators using the fundamental characteristics of organizations. This criteria allows linking the indicators with the components of the organization and introduce their rational grouping.

The main problem which analysts face is that the threshold value adopted for the normative for some financial indicators is excessively overstated for the enterprise in practice, and its achievement is not only complicated but also irrational. So, for example, the opposite risks in financial management, called left and right, are manifested in the fact that high liquidity at low profitability is not beneficial to the corporation due to low capitalization and profitability, while high yield with low liquidity deprives financial maneuverability, showing the irrational use of financial resources. As a result, the task of analyzing the efficiency of the corporation can be formalized through the prism of selecting a system of indicators for each specific evaluation criterion, with the economic interests of various subjects of corporate relations being the cornerstone, since they determine their interest and motivate them to take part in corporation management (Bereza A.N., Sorokin D.A. 2011). Below are 5 examples of this evaluation system:

1. The effectiveness of the corporation from the point of view of the owners is evaluated in a strategic aspect and reflected by the profitability of the shares, which predetermines their decision to sell or purchase securities. However, it should not be forgotten that the interests of the owner, in spite of their external monotony, are different for a minority investor and a majority investor, as well as the possibilities of satisfying them and the available methods of valuation;

2. The effectiveness of the corporation from the point of view of management is assessed in a tactical, short-term aspect and is considered exclusively through the prism of personal interests, which due to opportunistic behavior may contradict the interests of owners and the corporation as the whole. A positive aspect is the interest of managers. It is to increase the return on assets, since this criterion is the most popular for most systems of incentives for managers. Therefore, the indicators of revenue growth, income, or profitability, in most cases, determine the level of payment for management, the level of its financial security, reputation within the firm and, consequently, other intangible privileges, the volume of which, as a rule, is directly related to the size of the corporation. But even with this approach, economic indicators, corporate sales volumes, or profitability are not always indicators of efficiency;

3. The effectiveness of the corporation for the state is considered in terms of the volume of tax revenues and social payments, while the interest is indirect. This is so because it is not the process of revenue generation that is interesting, but the calculation of the profit that is a taxable base. As a result, the interest of the state manifests itself in the careful control over the correctness of attribution to cost of costs and ensures that the corporation does not understate profits;

4. The effectiveness of the corporation for financial structures is seen as a synonym for creditworthiness, therefore, in the analysis, special attention is paid to the assessment of investment risks and interest is limited to the interest that it is possible to obtain for lending;

5. The effectiveness of the corporation for counterparties is assessed through the prism of the economic efficiency of the joint-stock company, and the interest is reduced to assessing the probabilities of the corporation's fulfillment of its economic obligations. At the same time, for suppliers, as for the financial sector, efficiency lies in the solvency. For buyers, efficiency lies in the rhythm and efficiency of production, determining the price, quality and timeliness of performance of contractual obligations.

The considered criteria for assessing the effectiveness of the corporation for various entities, are expressed in economic indicators, which can be presented in the Table 1

Tab. 1- The system of criteria for evaluating a corporation by subjects of corporate relations

Subjects of corporate relations	Criterion of evaluation / corporate interest (factor approach)	Estimated figures
Shareholders	Maximization of the cost of capital placed in	Profitability of sales, return on

	the assets of JSC / Dividend income or income from the growth of the share price of shares	equity, stock price
Management	Maximizing your own well-being / Wages, share of profits in the form of bonus	Level of wages, level of management expenses, growth rates of the company
Government	Maximization of revenues from fiscal policy / Taxes, payments to budget and extra-budget funds	The volume of tax revenues and social payments
Loan suppliers	Maximization of income from loans / Interest payments on borrowed capital	Risk-weighted percentage, liquidity ratios and solvency ratios

The generally accepted ratio of profitability, which reflects the interests of owners, is considered to be the profitability of own capital and the profitability of sales. In Russian reality the profitability index of production is also applied and calculated as the ratio of profit between sales and cost of sales. In addition, in considering the effectiveness of the corporation from the position of the stock market, the turnover of Russian analysts is rather tightly included such borrowed indicators as EPS (Earnings per share), PER (Price per share) and others. An interesting fact is that despite some applied problems, which are connected with their calculation, the inaccuracy of registering shares in the register, the inaccessibility of financial statements of the JSC, the subjectivity of determining certain benchmarks, etc., these indicators are already used in most cases as abbreviations without translation into Russian, which confirms their popularity or ubiquity and their immediate relevance to the Russian market.

The list of indicators that is shown in the Table 1 is not an exhaustive one and can be supplemented by a number of specific coefficients. The similar situation is in the state bodies, which, using the tax burden indicators as indicators of the efficiency of the corporation, detail them through the levels of tax collection and tax benefits. With the financial and credit sector of the economy, the maximization of payments for the use of borrowed capital for which is supplemented by an assessment of the level of credit risk and is expressed by indicators of liquidity, solvency, and financial stability. It is also noteworthy that for the majority of subjects of corporate relations, the coefficients of detail are criteria for differentiation of personal claims due to the joint-stock companies. For example, with the high growth rates of the share price, shareholders are willing to be content with a lower dividend yield and with the low financial stability indicators. Lending is carried out at a higher rate, and compensation for low tax collection in one of the industries is carried out through the more vigilant tax control into another. There was an investigation into the value of taxation in analyzing the success of enterprises (Barhatov V., Nikolaeva E., Belova I., 2016).

Based on previous studies, there some main conclusions can be formulated. Since various subjects of corporate relations show interest in the activities of the corporation (more precisely its financial result) the tasks of optimization and increasing the efficiency of the corporation are different. The common thing is that the strategy of behavior of each of the subjects of corporate relations in accordance with the JSC is built through the prism of personal interests, and their effectiveness assessments. As a result, they may contradict each other. There is an important aspect of the analysis in this context of the social responsibility of managers (Pletnev D., Barkhatov V., 2016). In order to obtain objective information on the activities of the JSC, an integral evaluation by the market of the corporation as a whole is necessary and not focused solely on certain aspects of its activities. The comparative analysis of barriers and factors of business success is performed by in 2016 by Barkhatov, V., Pletnev D., Campa A. The market valuation can be considered as the most objective for two reasons. First of all, because it unites the interests of various actors, and, secondly, the efficiency of the market, which is determined by the effectiveness of its subjects. Corporations are also included. To carry out such an assessment, the complexity in the reflection of interests is important in making the assessment, so the most adequate is the integrated multi-criteria approach. Requirements to indicators of efficiency assessment can be formulated as follows:

- the ability to take into account various aspects of the effectiveness of the corporation, in which various subjects of corporate relations are interested. (multi-criteria evaluation);

- the possibility of an unambiguous evaluation of the effectiveness of the corporation on a single indicator, without taking into account the interests of different subjects, but also significant ones (the integration of the assessment).

In practice, different approaches to the formation of performance criteria are used, which differ in the number of optimization parameters. Thus, a distinguished formulations arise between mono-criterion and poly-criteria (vector) problems. In the first case, one of the efficiency parameters is subjected to optimization, in the second one it is possible to optimize it by several criteria or even scorecards. Analyzing the economic efficiency, revenue, profit, loss, return on assets, material consumption, etc. are usually optimized. Vector optimization is sufficiently complex, and therefore, methods of linearizing the criteria that allow the transition from the vector form of the criterion to the one-dimensional linear one are often used. In this case additive and multiplicative indexes are used, which theoretically solve the problem of multicriteria estimation, but in practice they have significant drawbacks. These drawbacks follow from the method of their calculation. First, there is an opportunity to compensate for the lack of some qualities at the expense of others, and secondly, expert manipulation of weight coefficients can be obtained, which significantly reduces the objectivity of the assessment, the universality of the methodology, and the comparability of the results.

To eliminate this drawback, it is possible to form a criterion in the form of a fraction. The numerator of the fraction contains the efficiency indicators- which need to be increased- and the denominator - which needs to be reduced. The main drawback of the obtained criterion is that its significant growth can be achieved by reducing the denominator of the fraction with the insignificant numerator. Implementing such an approach are indicators of the "efficiency / costs" type, which allow modeling various types of profitability coefficients, the significance and visibility of which is achieved by imposing justified restrictions on their final value, or the numerator and denominator values.

The third approach is that the optimization of economic efficiency is achieved only in the form of maximization or minimization of one criterion indicator, while the rest of the coefficients of the evaluation system are limited, or accepted as unchanged. The following options for optimizing the performance criterion are possible:

- maximization of the profit (Pfi) at the desired total cost (TC3) and risk level(R3),
- minimization of the total cost (TC3) with the desired profit (Rf3) and risk level (R3),
- minimization of the risk level (Ri) at the desired volumes of the profit (Pf3) and total cost (TC3).

In practice, it is possible to adapt the system of criteria to specific production objectives or the interests of various subjects of corporate relations by choosing different indicators of profitability (revenue, gross, balance profit, etc.) and costs (direct or indirect costs, conditional-constant or conditional-variable cost, etc.). Usually, such systems are used for a fixed set of conditions and the optimal result is chosen by comparing the effectiveness of invariants of systems of indicators. However, in most cases, economic efficiency cannot be unambiguously estimated only for one indicator, and then it is necessary to attract additional coefficients. This significantly increases the number of options for calculations, as some of the additional indicators are desirable to increase, others less, and some leave unchanged. Such a multivariate calculation of economic efficiency is typical for any complex organizational system and the only way to assess it is the multi-criteria integral. The following methods of calculation are available for this system:

1) the ranking in which deliberately uncompetitive decisions (variants of the development of events based on the results of decisions) are identified and culled based on comparison of options for different efficiency criteria. The approach is based on a system of inequalities. For example, the choice is made according to current liquidity criteria ( $CLC(K_{TLi})$ ) and profitability of sales ( $PS(R_{PRi})$ ). In this case, the system of inequalities can be constructed with the separation of the main indicator, the optimization of which is achieved provided that the secondary indicators correspond to the specified constraints.

2) the calculation of the integral index ( $InInx(IPI)$ ) in the form of a fraction. Usually this form is used to increase the objectivity of calculations, while the numerator of the fraction contains performance indicators that need to be increased such as profitability of sales ( $PS(R_{PRi})$ ), and the denominator, which reduces such as the value of the cost per ruble of sales, UTC. Despite these obvious advantages, the integral indicator has significant drawbacks. For example, the problem of the scale of the indicators, given the size (% / rub./rub.), the profitability of sales varying in the range from 10 to 50 percent, and the level of costs per unit of output (from 0.5 to 1), will be almost the same;



3) the calculation of the integral indicator (InInd (IP)) in the form of a sum, when the increase in objectivity of the evaluation is achieved by introducing weights that take into account the significance of the evaluation indicators. Unlike the previous approach, the indicators that need to be maximized are included in the sum as positive terms, and the indicators that need to be minimized are negative. The main drawback and the weak link in this calculation are the weight coefficients consciously selected, which significantly increases the subjectivity of the evaluation;

4) the calculation of the rating of the enterprise, which is characterized by a number of directions:

- the calculation of financial stability indicators of the enterprise: actual and planned, including for each of the options for the management decision;
- the calculation of ratings by groups of indicators: 1) liquidity and solvency, 2) financial stability, 3) profitability and 4) business activity, on the basis of a score as an integral indicator (InInd (IP)) in the form of a sum;
- the calculation of the final rating of the feasibility of the management decision on the basis of a score (the main indicator is the use of solvency, which can be refined through a system of additional coefficients of financial stability, liquidity of business activity, profitability, etc.).

As a result, we can identify a number of factors that determine the economic efficiency of the corporation, they include: the reliability of the goal-setting system, which is interpreted as the adequacy of the corporation's objectives to the conditions of the external environment and its financial capabilities. It also includes the presence of "corporate interests", that is, the availability of motivation and the ability of various subjects of corporate relations to participate in the planning and subsequent distribution of corporate profits. In addition, "continuity" of the corporate governance system, which is expressed in the implementation of tactical managerial decisions based on corporate interests of the subjects of management that are adequate to the strategic goals set. Finally, there is the conformity of production resources by volume and quality, which increases the efficiency of their use.

From this practical point of view, calculating the feasibility rating of a management decision for a corporation is more significant than each of the previously considered approaches separately. This is due, first, to the multistage nature of calculating the final rating, when different methodical approaches are used for each stage of the calculation, thereby compensating for the shortcomings of each other. Secondly, with the multi-criterion and integration of the rating index. The characteristic of the corporation received in this way is not only individual, but also takes into account industry specificity, has some opportunities to adapt to the interests of various subjects of corporate relations, which can be realized by changing weights for different types of financial ratios. For example, when evaluating the effectiveness of management decisions from the perspective of owners, large weight values should be obtained from the efficiency indicators of the share capital, and the effectiveness of the corporation should be considered in the strategic interval of 3-5 years, the effectiveness from the counterparty's position - large weight values for current solvency indicators and tactical planning interval up to 1 years or less, etc.

Thus, the effectiveness of the corporation is a sufficiently multifaceted and complex economic category, interpreted by each subject of corporate relations individually and subjectively. To evaluate it, various methods and approaches have been proposed and each of them has advantages and disadvantages. The main drawback, which significantly reduces the significance and accuracy of the assessment, is the subjectivity of the calculated indicators and the ability of the evaluation subjects to manipulate the calculated data to form the desired result. It is possible to overcome this shortcoming through the implementation of an integrated approach, that is, carrying out multicriteria integrated rating evaluations. In modern conditions it is impossible to separate economic and institutional aspects of concentration, as well as interests of owners and investors, the formation of a universal assessment system based simultaneously on the company's financial productivity indicators and investment attractiveness indicators is necessary to improve the comparability of the analysis results. The author's contribution is not only in proffering strategies that will allow to make existing models more comparable, or allow comparison of the efficiency of corporations of different scale, the form of ownership and the structure of the owner, but the author's contribution also in an attempt to resolve the issue of the appropriateness of further concentration of capital, from the position of harmonization of relations between investors. To sum up, the assessment of the corporation's efficiency through the calculation of a single integrated indicator, significantly expands the possibilities of comparison and universality, however, insufficiently working out the structure of the rating index may negatively affect the quality of the calculation. For example, the first three economic efficiency factors out of four estimate the strategic aspect of

efficiency, but only one tactical efficiency of the production process, which is convenient for owners, especially minority shareholders, for whom only "open" financial data is available for valuation, but will not interest major shareholders and large creditors. Therefore, in future studies, based on the proposed rating criterion, it is planned to analyze the influence of the conflict of interests of minority and majority investors on the concentration efficiency and the quality of its assessment, and also to develop recommendations for efficiency assessment of capital concentration from the point of view of a minority investor and with available methods, and also to offer a number of measures to smooth out the identified contradictions. The most significant result of the implementation of this method should be an increase in the investment attractiveness of corporations in the result of the formation of a more comfortable investment environment.

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