



## Economic Environment Activities of Russian Corporations

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### ABSTRACT

The article investigates the activity of enterprise structures in the conditions of the external environment, which includes both the legislative provision, as well as the macroeconomic situation. In particular, the corporation, in its current activities are guided by the following key indicators: The dynamics of the exchange rate; the level of market prices for manufactured products; the dynamics of stock indices of activity; the level of bank lending rates; the tax environment; dynamics and structure of investment. Centrifugal forces led to the collapse of confidence monopolized and centralized organization of the economy; encouraged independence and allowed rental companies prompted the director's body to their gradual subordination of groups of employees, shares the position of the heads, i.e. corporatism acquired hue loyalty authorities. The tension in the foreign exchange market, along with the complete absence of corporate securities market make the regional financial instruments are virtually the only way to protect against inflation and income in Russia. We consider the general financial condition of Russian companies, which can be characterized by summary measures according to State Statistics Committee of Russia.

**Keywords:** Macroeconomic Situation, Russian Corporations, Economic Environment

**JEL Classifications:** E21, O13

### 1. INTRODUCTION

Corporate governance is based on the basis of waste and existing standards in the field of finance, securities, management, labor relations, contractual obligations, contractual activities, organizational structure, and marketing. In the presence of the basic state documents and experiences can build a system of corporate relations at the level of a particular corporation, asking, and so guidelines for the entire Russian economy.

In each case the Corporation represented by its senior management (and in the conditions of Russia is mostly the owners themselves) makes a choice in favor of the gradual inclusion of employees in business relations in the sphere of property instead of rigid management hired staff, both Russian residents and migrant workers (Ryazantsev et al., 2015), which leads to the transformation of social attitudes and general social behavior in the host community (Gabrafiqov et al., 2015; Anagnostopoulou and Drakos, 2016).

It should be noted that the present state of this problem is characterized, on the one hand, the practical absence of any developed theory, and on the other - a clear lack of experience in the actual use of corporate structures of possible impact on economic processes through conscious disposal of the part of the national wealth, which is in corporate ownership.

In its activities, business organizations must take into account the conditions of the external environment, which includes both the legislative provision, as well as the macroeconomic situation. In particular, the corporation, in its current activities are guided by the following key financial and economic indicators:

- The dynamics of the exchange rate;
- The level of market prices for manufactured products;
- The dynamics of stock indices of activity;
- The level of bank lending rates;
- The tax environment;
- The dynamics and structure of investments.

These aggregates are measured as a whole in all sectors of the economy, so they can be considered sufficiently objective and used for more detailed analysis of the economic situation and business environment.

Consider the overall financial standing of Russian corporations. It can be characterized by the following summary measures (according to the Russian State Statistics Committee).

## 2. MATERIALS AND METHODS

The process of managing corporate property (COP) to be effective, that is, should be implemented in such a way that the cost of its maintenance and management do not exceed the income derived from the management process. To this end, the management is necessary to use a set of methods and management techniques, which together constitute a single control methodology for COP in a transition economy.

Theoretical (qualitative) analysis of the control object, based on the socio-economic principles, it is always preceded by a detailed study and is a prerequisite for the proper organization of the process control and error-free interpretation of its financial results. A necessary condition for successful management of COP is to understand the essence of a control object or process, knowledge of the causes and characteristics of the particular situation (Joya, 2015; Kamal, Amulla, Karabulatova, Karabulatova, 2016; Osadchy and Akhmetshin, 2015).

In analyzing the financial results of the corporation, in our opinion, it is advisable to use a common algebraic sum of the financial results of corporations, which can be called net financial result.

In our opinion, for the description and disclosure of COP management in the transition economies is necessary to structuring management methods and techniques and to introduce some concepts and definitions, essentially influencing the development and management decisions in the implementation of the objects of the COP control (Karepova et al., 2015).

In this context, in our opinion, it is appropriate to classify:

1. Corporate ownership as a combination of different control objects;
2. COP management.

In addition, based on our classification is necessary to formulate criteria for the COP governance in transition economies.

Based on this classification methodology to analyze management include corporate ownership (Tennant and Sutherland, 2014):

- Subsidiaries (unitary) enterprises;
- Shares of authorized capital and equity shares;
- Corporate real estate;
- Intangible assets of the corporation.

## 3. RESULTS

In January-April 1999 a positive net financial result of Russian corporations in current prices amounted to 115.6 billion rubles

(49 400 enterprises made a profit in the amount of 179.5 billion rubles, 37,700 companies had a loss in the amount of 63.9 billion rubles). Balanced financial result (profit minus loss) is characterized by the following data, structured according to sectors of the economy (Table 1).

At the end of April 1999 current assets of corporations, enterprises and organizations amounted to 3 004.7 billion rubles and increased in comparison with the corresponding period of the previous year by 31.4% (Table 2).

As the table shows, the formation of current assets in January-April 1999 was achieved through debt for goods shipped (works, services rendered) by 46.4% (in January-April 1998 - 43.4%), due to cash balances of enterprises and organizations - by 4.3% (1.9%).

Having examined the consolidated financial condition of Russian companies, will focus on the mechanisms of obtaining profits.

It is obvious that the most appropriate mechanism for profit corporation is the investment activity. Rate investment activity may be using several characteristics, among which is one of the main investment activity.

It should be noted that the result of the investment activity, that is, the economic benefits, which is primarily interested in a commercial organization, is a return on investment. Moreover, net income - the difference between revenues and payments.

**Table 1: Balanced financial result in April 1999 (State Statistics Committee of Russia, 1999)**

Segment	Profit (+), loss (-) billion rubles	In % to	
		April 1998	March 1999
Total	+44.2	3.8	157.7
Industry	+28.3	4.4	123.5
Construction	+1.0	122.5	86.7
Transport	+6.5	2.7	158.6
Communication	+1.2	99.3	77.4
Trade and public catering	+0.6	65.6	-
Wholesale production and technical products	-0.1	-	-
Housing and utilities	-0.6	-	-

**Table 2: Structure of the current assets by industries in January-April 1999, billion rubles**

Segment	Current assets	In % of total	Including	
			Customer receivables	Monetary assets
Total	3004.7	-	1393.7	130.1
Industry	1 522.2	50.7	686.2	47.9
Construction	197.0	6.6	104.5	4.5
Agriculture	139.9	4.7	18.6	1.6
Transport	372.5	12.4	211.8	13.0
Communication	45.4	1.5	17.0	6.1
Trade and public catering	247.0	8.2	108.7	30.8
Wholesale products for industrial purposes	76.3	2.5	38.2	3.2
Housing and utilities	220.6	7.3	142.4	3.0
Other activities	183.8	6.1	66.3	20.0

Investment income payable formed when the capital of the corporation invested third-party tools (external) organizations. In particular, this occurs during the emission credits obtaining investment in other similar situations (Sharp, 1997).

Along with the general deterioration of the investment attractiveness of the Russian economy a reduction of capital inflows was due to the fact that in 1998, did not get to continue the process of attracting investments through the privatization mechanism (in 1997 - 1.3 billion US dollars). An auction with an estimated participation of foreign legal entities on the sale of large blocks of shares of JSC "Rosneft," JSC "Svyazinvest" and JSC "Lukoil" have not yielded the expected budget revenues.

1999 was characterized by stable excess capital outflow from Russia over the tributary - the foreign investments made in Russia. If you registered a net inflow of capital of 3 billion US dollars in 1998, then in 1999 the net outflow of capital, excluding changes in official foreign exchange reserves amounted to 15.7 billion US dollars.

Foreign liabilities in 1999 increased by 1.3 billion US dollars, which is less than the previous year's level by 19.2 billion US dollars.

In 1999, there were net outflows of portfolio investments and reduction commitments for other investments. At the same time, the entire increase in liabilities was due to the influx of direct investments. The volume of direct investments in the country increased compared with the previous year by 4.7%.

More important, despite the reduction in absolute terms, revenue channel of non-residents in the real sector were loans and borrowings. Foreign liabilities of non-financial sector enterprises in the form increased to 9.8 billion US dollars in 1998 compared with 6.1 billion US dollars in the previous year. In this case, 6.7 billion US dollars was used and 3 billion US dollars was repaid.

Despite the fact that the major borrowers in the international capital markets remained major corporations exporting, credit agreements which mostly guarantee the supply of goods, which broke the crisis was reflected in the dynamics of such operations: Raised in the IV quarter of credits were not sufficient to refinance the accumulated debt, and balance "is used - settled" it was negative (-0.1 billion US dollars).

The changes were made and the structure of the main recipients of foreign capital. If in the previous year, the general government accounted for about 72% of the funds raised, that in 1999 about 73% of foreign investments were in the real economy. The banking sector has reduced its liabilities to nonresidents to 0.85 billion US dollars.

The growth of foreign assets of residents was formed at the level of 17 billion US dollars, which is 0.5 billion US dollars less than the corresponding indicator in 1998.

On the other hand, the Russian resident corporate structure of investments in foreign assets has not undergone fundamental changes. Their gains came mainly in the form of other investments

of non-financial corporation sectors and enterprises (86% of the total export of capital). In general, the foreign assets of the economy in 1999 amounted to 170 billion US dollars (in 1997 - 37.3 billion US dollars, and in 1998 - 17.5 billion US dollars) (Table 3).

At least the volume of direct investments abroad by non-financial corporations and enterprises in 1998 decreased and amounted to 1.1 billion US dollars compare with 2.6 billion US dollars in 1997, a result of a Sharp rise in world energy prices in mid to late 2000. Russian currency earnings of exporters increased significantly. Therefore, according to the results of 2000, the value of foreign assets of Russian residents increased significantly (these corporations and companies investing in joint ventures abroad for the extraction of mineral resources), but due to the fall in energy prices in 2001 are expected slight decrease in the value of foreign assets of Russian residents (Center for Economic Analysis under the Russian Government, 2000).

In addition to investments in foreign assets of Russian corporations receive income from operations in the Russian stock market as investing themselves and drawing them through the placement of its securities. In this regard, sharply raises the question of improving the mechanism of the market. For one of the ways to increase the attractiveness of the financial promotion relates to the field of Internet and virtualization Russian corporations (Saenko et al., 2016).

#### 4. DISCUSSION ON IMPROVING THE MECHANISMS OF THE STOCK AND THE FORMATION OF CORPORATE STRATEGY

Stock indices of activity is directly dependent on the willingness of investors to invest in shares and other securities of corporations. In this regard, it should be noted that at the present time, probably, there is no complete information and ideas about how to charge taxes from transactions with Russian securities because these transactions may be entered into outside the stock exchanges and over-the-counter (OTC) trading systems, and cash payments for These are carried out in the offshore areas, of course, for the purpose of tax evasion.

According to experts, the total investment in the stock market is a few tens of billion US dollars, Accommodation which brings investors with income in excess of hundreds of percent per annum. From this it follows that by imposing, even very moderate tax speculative transactions with Russian securities, the state can get a very serious source of revenue in the budget, without prejudice to the process of attracting foreign investments.

**Table 3: Net increase in foreign assets of Russian residents billion US dollars**

Type of investment	1997	1998	1999
Direct	2.6	1.1	2.15
Portfolio	0.2	0.3	-0.25
Other	26.6	16.1	15.1
Total	37.3	17.5	17.0

Experts believe that an effective mechanism of taxation of transactions with securities can be implemented relatively painless for investors. To do this, you need to compensate for the additional tax burden by reducing the excessive costs of investors for re-registration of transactions in the records, put things in order in this area and to accelerate the creation of a central depository. Currently, investors are spending great efforts to re-register the shares in the registers of joint stock companies, which are a lot of small companies scattered throughout Russia. Travel registries involve significant risks, costs time, travel expenses and other costs (Shilina and Shcherbovich, 1995).

Thus, the current system of re-share ownership is not only ineffective, but also creates space for various abuses, creating a number of threats to economic security of the country. At the same time the greatest threat lies in the possibility of a complete loss of all entries of the investors rights to their shares due to technical failures in the registry (Yunus, 2015).

It is a technical fault, precisely because in Russia the majority of shares is non-documentary in nature and exists only in the form of a computer database, which, in turn, are not very reliable. According to experts, if the state will be able to restore order in the area of re-registration of rights to shares, it will not only enhance the attractiveness of the market for investors, but also have the opportunity to collect funds in the form of taxes, which is spent in vain because of lack of infrastructure.

In this regard, a key focus of improving the infrastructure of the Russian stock market is the creation of a federal depository, whose activities could provide the preconditions for a radical change in the securities market. It should be noted that the decision of the Government of the Russian Federation №741 from 10 July 1998 the de jure national depository system was created. This move resulted in several positive consequences.

Firstly, the formation of a unified federal depository reduces the enormous costs of market participants on the trip to the registries and payments for re-registration. Second, the establishment of a mechanism for transfer of securities within the federal depository along with cash payments eliminates the risks of disruption of deals, as well as risks associated with the loss of registrars records that deterred many investors from the Russian market. Thirdly, the organization of performance through the federal depository of all transactions concluded on the stock exchanges and OTC markets, creates the technical prerequisites for additional revenues through the introduction of taxation of transactions with securities.

Building the organizational structure of a federal depository on the basis of the clearing system increases the number of processed transactions and transactions, resulting in increased speed, as well as increasing market transparency. OTC market becomes less attractive due to the introduction of a single mechanism for the re-registration of rights to securities. In fact, it will eventually flow into a single system the change of ownership rights to securities (Golubev, 1995).

In short, from a federal depository systems are expected to increase the reliability and safety of operation. According to experts, it will

also help to reduce the risks of an automated workflow system and the abandonment of paper technology, which ultimately will increase the liquidity of traded securities.

The conditions of operation of Russian corporations, that is, the economic environment, macroeconomic indicators and the stock market, you can go to the formation of the corporation strategy, which, obviously, should be derived from the external environment.

Development of corporate strategy ensures efficient allocation and use of resources: Material, financial, labor, land and technology, and on this basis - a stable position on the market in a competitive environment. In this regard, first of all requires a transition from reactive forms of governance (management decisions as a reaction to the current problem) to the management on the basis of the analysis and forecasts (Figure 1).

### 5. CONCLUSION

In our opinion, the overall corporate strategy should be systematic, that is, to take into account the capital structure and sequence of corporate flows, so it depends on the type of corporate association.

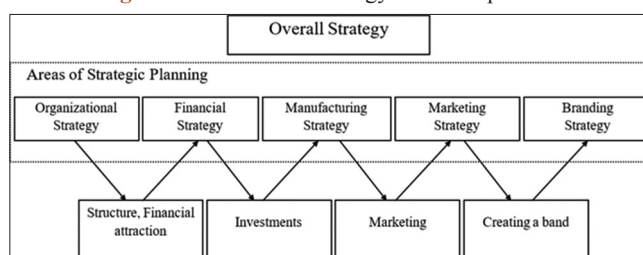
Before considering the trends in the development of Russian corporate governance in the short term - the beginning of the twenty-first century - it is necessary to consider possible ways of painless corporations entering the normal system of corporate governance. To do this, the top management of corporations have to do a lot of versatile, multi-faceted work, based on the requirements of modern management, marketing and business.

This work consists of the following stages:

- A strict definition of the goals of the corporation and how to motivate its owners;
- Restructuring of the corporation to the level of self-governing bodies under the control of the owners;
- The choice of organizational structure, adequate goals: Production and marketing of products, innovation, marketing;
- Development of common principles of the corporation in the form of mission and philosophy of a basic instrument;
- Changes in remuneration philosophy of the staff, especially senior managers.

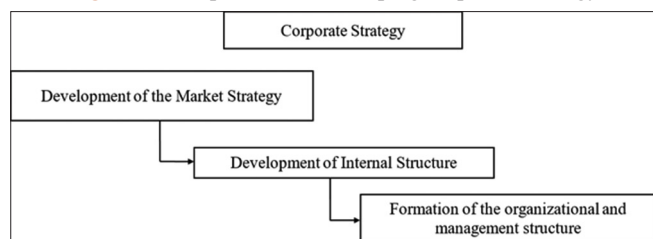
The most effective corporate development strategy is based on forecasts of spent product markets, evaluating potential risks, the analysis of financial and economic conditions and corporate

Figure 1: The overall strategy of the corporation



**Table 4: Net increase in foreign investments in the Russian Federation**

Type of investment	1997		1998		1999	
	Billion US dollars	Weight %	Billion US dollars	Weight %	Billion US dollars	Weight %
Direct Investments	6.2	14	2.8	12	2.9	223
Portfolio Investment	17.3	39	8.9	45	-0.8	-61.5
Other Investments	20.3	47	8.8	43	-0.8	-61.5
Total	43.8	100	20.5	100	1.3	100

**Figure 2: The process of developing corporate strategy**

management efficiency, as well as the analysis of the strengths and weaknesses of the Corporation (Figure 2) (Efremov, 1998).

Proceeding from the Marxist principle of “fair pay for work” to pay, taking into account the real contribution of each employee in receipt of current income as well as in the formation of capitalized corporate profits, are faced with the problem of personal interest of the shareholders. If the stake is significant, and the impact of shareholder weighty decision-making and profit share to be distributed for the financial year, it is significant. If the stake is insignificant, the motivation shifts to obtain a high payment for the results of (Karepova et al., 2015; Saenko et al., 2016).

In this modern management cannot ignore the impact of globalization processes on all participants in corporate structures, which come from the development of intercultural communication in the framework of interpersonal relationships (Karabulatova, 2016).

Due to the fact that Russian economic agents due to certain circumstances, prefer to tend to speculative operations and play on short-term instruments, investment, i.e. long-term, resources in Russia, most of them are of foreign origin (Table 4).

According to the table one can conclude that the inflow of foreign direct investments in the sector of non-financial enterprises decreased compared to 1997 by 2.5 times - from 6.2 to 2.8 billion US dollars.

In the formation of corporate strategy must also take into account the problems encountered in the process of planning how at the corporate and divisional levels. These include issues of access to information, relationships of power and property. Without a clear understanding of these issues it is impossible to determine the optimal strategy for corporations to facilitate their effective operation.

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