

MODELS OF CORPORATE FINANCIAL MANAGEMENT IN THE CONTEXT OF GLOBALIZATION OF FINANCIAL MARKETS

DOMBROVSKA Sofiia, PhD Student

Email: sonya0493@rambler.ru

Odessa National Economic University
8 Preobrajenska Street, 65082, Odesa, Ukraine

Web page: www.oneu.edu.ua

ABSTRACT. The article examines topical issues of using models of corporate financial management. The purpose of the article is to systematize models of corporate financial management and substantiate the prospects for their development in the context of globalization of financial markets. Used modern methods of comparative analysis, systematic and integrated approach to scientific research. The theoretical and methodological aspects of improving corporate financial management taking into account the processes of globalization are considered.

KEYWORDS: *corporation, management models, corporate financial management, financial market, globalization.*

Introduction

Strengthening of globalization processes, integration of domestic corporations into international processes give rise to necessity to modernize scientific approaches to form innovative models of corporate financial management. Certainly, the key attribute of the current international economic relations is the globalization of financial markets. The processes of international integration have led to financial globalization and financial instability. Fund market, the banking system, foreign trade relations significantly affect the formation of an effective model of corporate financial management. The efficiency of corporate financial management is hard to reach without the deep understanding of the national institutional terms. Therefore, the research of international experience in the formation of national models of corporate financial management is the actual task. The extrapolation or copying of existing models are not important, but rather the determination of the fundamental principles is important in accordance with the particular qualities of the business environment and the level of social and economic development of the country, in which the model of corporate financial management is being formed. The solution of these problems will help to increase the efficiency of the country's corporate sector, improve the investment climate and develop the institution of corporate social responsibility.

A short analysis of the main bibliographical references in the field of research.

The problems of globalization of financial markets are considered in the works of many scientists. Features of the formation and development of the corporate sector of the economy are analyzed in their works by G. M. Andrusenko, V. I. Antonenko, A. Yu. Berezhna, O. S. Bondarenko, L. Sh. Mamatova., A. Yu. Leos, O. M. Lozovsky, O. M. Polinkevich and other researchers.

Scientists have identified groups of risks of financial globalization, which associated with the irrationality of economic policy at the national level, and the uncontrolled development of financial markets in the context of globalization. Economists point out the need to reform the supranational regulation of the world financial market because the international financial institutions do not adequately meet the challenges that they face in

modern conditions. The role of international financial institutions has declined amid the growing importance of global capital, as evidenced by the growth rates of capital imports and international financial transactions.

At the same time, as scientists note, it is obvious that the evolution of corporate financial management models is determined by the national characteristics of a particular country, namely, the socioeconomic prerequisites for implementation, the level of institutional and legal support for the functioning of the business environment, the availability of financial resources, technologies and human factor.

Thus, the problems of financial globalization are considered mainly at the macro level, and the issue of rationalizing economic policy for integration into the international financial market at the national level remains insufficiently studied. The basics for the functioning of the financial sector of a particular country in the context of countering the contradictions of the development of the world financial market require a theoretical development.

A description of the research methods used. In the article were used the following modern general scientific and special research methods. There are the method of structural and logical analysis on the formation of the logical structure of the research, methods of comparative analysis in the research of the models' evolution of corporate financial management. In addition, graphical method for drawing figures and an abstract-logical method and generalizations were used in formulating conclusions and recommendations for improving the corporate financial management system in the context of integration into international space and globalization of financial markets.

Findings and discussions. The structure of financial management of the corporation of each individual country has specific properties, at the same time, there are many common features of corporate financial management, which allows specialists in the field of world corporate processes to identify the main models of corporate financial management.

However, the models are not mutually exclusive their components mutually penetrate in different countries, and may indicate the absence of obvious advantages or disadvantages of one of the models. Thus, a comparison of corporate relations in different countries allows us to conclude that the system of corporate financial management in each state combines unique elements from different models.

Corporate financial management should be based on two main principles [1, p. 123]. The first postulate is to find ways to reduce the general corporate risk. The general risk of a corporation implies a whole set of risks for the company's assets, therefore, it is supposed to combine all these risks into one portfolio. To implement this postulate, it is necessary to study all the necessary information about the position of the external economic environment, about financial markets, external and internal factors, corporate risks, what causes them, analyze the dynamics of risky operations, identify patterns, draw up summary reports and statements on the work done. It is necessary to study the securities market, to be aware of events that directly affect the change in the value of the corporation's securities.

The second postulate implies the need to consider the capital of a corporation in the form of its two main elements: own and borrowed capital. The essence of the postulate is to constantly analyze the position of the capital structure, identify ways and reserves to reduce borrowed capital and cover it with own funds.

Thus, the functioning of the corporate financial management system must be based on the principles, tasks and methods, which follow from the structure and current position of the corporation (figure 1).

PRINCIPLES	TASKS	METHODS
<ul style="list-style-type: none"> •priority of the corporation's strategic goals over financial goals; •integrity and unity of the corporate governance system; •the consistency of the economic interests of all participants in the group in accordance with the hierarchy of goals; •priority of economic interests of profitable business entities over interests of unprofitable business entities. 	<ul style="list-style-type: none"> •formation of financial resources adequate to the development needs of company; •distribution of financial resources by areas (main, financial, investment) activities of the company; •optimization of the structure of sources (own, borrowed) financial resources; •minimization of all types of expenses (tax deductions, optimization of production costs, etc.); •control over the use of funds; •forecasting the financial condition to anticipate the possibility of insolvency or bankruptcy of organizations. 	<ul style="list-style-type: none"> •financial planning, forecasting the possibility of a financial deficit at a certain point in time or period; •reserving funds for a possible deficit (reallocation of funds, attracting external sources of financing); •maintaining transparent financial accounting and reporting status; •conducting inspections by representatives of the owners of financial accounting and reporting; •constant control over all financial flows of the company (control over cash flow).

Figure 1. Principles, tasks and methods of the corporate financial management system

Source: developed by the author based on [10]

There is a wide variety of different financial models in corporate financial management. The corporate financial management model is an analogue of a certain action or process that occurs within the framework of financial management and makes it is possible to understand the specific properties of the modeled process for the given research objectives [10, p. 162]. Financial management models allow to describe a variety of processes that occur within the framework of the enterprise's activity (for example, management decisions on financing, the policy of managing the assets and liabilities of the enterprise, directions and goals of investment, long-term strategies and tactics, planning and forecasting financial results, etc.).

The essential aspect of the corporate financial management system evolution has the nature, causes of occurrence, development features, implementation mechanisms and the final results to which the processes of modern transformations lead. The functioning of the corporate financial management system is inherently a complex phenomenon, therefore, in the process of its development is an element of certain unpredictability. One of the main reasons for the emergence of evolutionary processes in the corporate financial management is that any system and its components are capable of self-development, therefore, they naturally strive to maintain their balance. At the same time, with the growth of internal tension, the evolution of the system and its individual elements, controlled from outside or from within, is possible.

The main models of financial management are descriptive, predicate and normative [7, p. 90]. Descriptive models are designed to describe the ongoing processes that arise when assessing the property of an enterprise or its financial condition. Such processes at the

enterprise include: all analytical calculations of financial nature: analysis (horizontal and vertical) of the balance sheet, its main indicators, analysis of cash flows, etc.; calculation of final indicators and their dynamics according to financial and accounting statements, etc. All calculations in such model are based on the company's financial statements. The indicators can be evaluated over several years to identify certain positive or negative trends in the company's financial development. Also, this model allows to describe the financial condition of the enterprise today and give a long-term forecast for the future. Calculations and forecasting at the enterprise should be carried out by the specialists who are able to competently apply descriptive models, be able to use them.

The predicate models are designed to predict the development of the company's financial condition using analytical calculations and coefficients, relying not only on the data of accounting and financial statements, but also on global market trends. Unlike descriptive models, predicate models are based on calculations rather than describing company processes. So, in predicate models are widely used:

- calculation of analytical financial tables that are forward-looking;
- calculation of the break-even point and the level of the minimum possible sales;
- calculation of the company's development trends in various areas;
- situational and factorial analyzes, etc.

Regulatory models allow the management of the company to see the actual results according to the data of financial analysis and compare these results with the planned ones. That is, this model gives an idea of the actual implementation of the planned targets, and in a detailed context. Based on these results, it is possible in the future set standards for certain areas of activity, which are real for implementation.

Thus, corporate financial management models allow a descriptive, analytical and regulatory way to determine at what stage of development a firm is, what awaits it in the financial future, and what the company is actually capable of in terms of production.

Depending on the level of centralization of management, there are three main management models used in corporations:

- centralized financial management model;
- combined financial management model;
- decentralized financial management model.

In the model of centralized corporate financial management, the powers of financial services of organizations within a company are transferred, according to an agreement between participants and management, to a separate structure that centrally manages all the company's finances in the absence of financial services in each organization, except for accounting departments [3, p. 58]. The central finance service develops a financial management strategy, maintains accounting and management records of all organizations that make up the company; authorizes and controls the payments of each of them; reduces the budgets of organizations; forms the consolidated budget of the company; legal registration of operations. Centralized financial management is carried out through the head of the organization and allows you to fully control the financial activities of company.

The model of combined corporate financial management assumes partial decentralization of management functions by distributing them between management bodies or by establishing procedures, regulations, and standards for their implementation by group members [8, p. 696]. Direct financial management within the framework of its powers is carried out by the financial service created in the organization. Central financial services

provide direction through the direct manager of the organization. This management model is appropriate for use in diversified companies organized on a divisional basis. The central financial service is usually vested with the following powers in relation to the organizations included in the group:

- development of a financial management strategy in the company;
- determination of performance indicators of the managed structures;
- attraction and distribution of financial resources between organizations;
- development of the composition, content and frequency of consolidated and current financial statements submitted by organizations to the central service;
- control over the reliability of financial statements by the method of audits;
- analysis of the financial condition of each organization;
- legal registration of financial transactions, etc.

At the divisional level, the direct head of the service sets financial management tasks for organizations within the framework of the financial management strategy developed by the central financial service this organization, which is part of the group of companies, develops and organizes methods for their implementation in accordance with the goals of the group. As well as operational control of the financial service, determines the structure and size of the financial service, depending on the nature of the organization's activities and the volume of operations performed.

The financial service of each organization independently carries out the current financial planning of its activities, develops and maintains its own system of internal and external financial accounting, conducts current payments, and implements control of current financial activities.

A combined financial management model is preferable in companies where the activities of the structures that make up it are geographically fragmented or diversified.

The decentralized corporate financial management model assumes a high degree of decentralization of governance. The central financial authority determines the financial management strategy, provides the organization with the necessary financial resources upon request, but does not interfere with the operational activities of the organizations [9, p. 160]. In accordance with the proposed strategy, the group members, within the framework of certain powers (agreement), independently develop financial management plans, manage cash flows, financial investments, carry out settlements and payments, maintain financial and management accounting, ensure compliance with the uniformity of information methodology, reporting, a sufficient level control.

Thus, the models of corporate financial management have similar features and differences, the importance of highlighting which is necessary in the conditions of the formation of modern model. On the other hand, any model of corporate governance has a certain conservatism, that is, the formation of its elements is directly conditioned by historical peculiarities. In addition, none of the models we have considered is free from disadvantages and is not universal (table 1). Currently, there is a pronounced trend towards convergence and interpenetration of various corporate financial management systems.

In modern, rapidly changing economic conditions, a decentralized structure of corporate financial management is more preferable, because it has a higher reaction rate to ongoing changes and flexibility of financial resource management, lower labor intensity and planning duration.

Table 1. Advantages and disadvantages of corporate financial management models

Corporate financial management model	Advantages	Disadvantages
Centralized financial management model	<ul style="list-style-type: none"> ▪ the emergence of the effect of operational synergy; ▪ reduction in management costs, including for the maintenance of financial services in each organization, as a result of combining dissimilar businesses; ▪ the effect of the combination and distribution of complementary resources; ▪ saving costs for research and development (when combining production and research structures); ▪ improving the quality of control due to the unification of management and accounting functions; ▪ reduction of unit costs for the services of lawyers, auditors, consultants, advertising agents, etc. 	<ul style="list-style-type: none"> ▪ limited adaptation of management; ▪ slow response to environmental changes.
Combined financial management model	<ul style="list-style-type: none"> ▪ transfer of responsibility for the achievement of indicators to each level of an economic entity within the company; ▪ increasing the efficiency of management by decentralizing the adoption of operational management decisions; ▪ the effect of financial synergy is manifested; ▪ reducing the cost of attracting debt capital; ▪ reducing the risk of bankruptcy as a result of business diversification; ▪ growth in return on capital; ▪ the possibility of using elements of hidden financing; ▪ tax cuts, i.e. the ability to reduce tax payments on your free cash flows. 	<ul style="list-style-type: none"> ▪ possible deviations of the activities of business entities from the strategic goals of the company; ▪ decrease in the efficiency of resource use due to a decentralized cash management policy; ▪ high costs of maintaining the management staff due to duplication of functions.
Decentralized financial management model	<ul style="list-style-type: none"> ▪ acceleration of financial processes by increasing the efficiency of management; ▪ more efficient use of financial resources to achieve the set goals; ▪ creation of a clear system of functional links between departments, united by common goals and interests. 	<ul style="list-style-type: none"> ▪ the composition of financial services of organizations may vary depending on the market situation and the functions performed.

Source: developed by the author based on [9]

The so-called family capitalism and family business groups have spread to almost every country in the world. This corporate governance system is common in Asia and Latin America, Canada, and European countries such as Sweden, Italy and France. In this model, management is carried out by members of the same family. Capital is concentrated and distributed through family channels, and control of the business is wholly owned by the

family. Examples of such business groups are the Wallenberg dynasty in Sweden, the Bronfman dynasty in Canada, the Oppenheimer family group in South Africa and the Lee Kai Shi family group in Tavana, the Agnelli business group in Italy.

The optimal model is the national institutional three-tier model of corporate financial management, which including the macro-, meso- and micro-levels with the corresponding regulatory mechanisms and factors of influence inherent in each level. Therefore, a comprehensive approach should be formed to the understanding of the term "corporate financial management", which is applied not only to the activities of business entities, but also at the level of a particular region and state.

Conclusions

In world practice, corporate financial management systems were formed under the direct influence of the securities market. An important aspect of the growth and development of companies is access to capital. At the same time, the shareholders, when becoming the owners of the company, act as the main suppliers of capital [2, p. 20]. This is the main factor in the formation of the corporate financial management system: in exchange for the risk that associated with the company's investment, shareholders receive certain rights.

Therefore, in our opinion, the evolution of the corporate financial management should be understood as transformation of forms and methods of corporate management and as reorientation of the functioning of companies and society with the aim of their transition to the base of universal values and the development of social capital.

The necessary conditions for the development of corporate financial management should be creating transparent capital markets that offered significant incentives to entrepreneurs and would attract investments at acceptable costs; protection of property rights and interests of all shareholders, as well as interested parties [4, p. 104].

This will allow more efficient allocation of resources, make decisions in favor of companies and more effectively use their knowledge and skills for managers.

An effective corporate financial management system contributes to the development of public administration based on the rule of law, effective investment policy and the development of market infrastructure.

In addition, an important factor in improving the corporate financial management system, in our opinion, is the very level of corporate culture in a company. It is not without reason that some experts argue that corporate innovation potential is to a decisive extent determined by the human factor, which is closely related to corporate culture [6, p. 123].

At the same time, an effective corporate governance system presupposes: compliance with internal and external principles of corporate governance, a balanced system of corporate risk management and corporate control, as well as compliance with the requirements of corporate social responsibility.

In conclusion, we note that each model of corporate governance is based on the cultural, historical and technological characteristics of the country in which they originated. Their formation was and is influenced by specific economic, political and social conditions. No corporate governance model is perfect or even better. Each of them is effective in its own way, and the corporate governance structure specific to one country is difficult to transfer to another country. At the same time, it is difficult to ignore the existence of a request from investors, regulators, society to search and disseminate not even a model, but the best

corporate governance practices, on which the well-being of stakeholders and the efficiency of the economy as a whole depend.

Recommendations

The development of socially responsible corporate management is associated with such factors as the need for companies to enter the international financial markets, the requirements of stock markets and the introduction of new stock indices based on sustainable development criteria, an increase in the business reputation of companies, the development of human capital and labor productivity, and the end – the progressive development of companies in the long term, taking into account the growth in value and market capitalization.

Thus, corporate financial management is a system of relationships, governing rules and procedures for making managerial decisions regarding the activities of an enterprise and the implementation of control procedures, as well as the distribution of rights and responsibilities between divisions in accordance with the enterprise [5, p. 51]. Its effectiveness lies in increasing the level of competitiveness and profitability of the enterprise by ensuring equilibrium of influence and balance of participants in corporate relations, financial transparency and the implementation of rules of effective management and proper financial control.

As a result of the measures taken, the supporters of different approaches to the organization of corporate governance should agree that, regardless of the corporate governance model used, it should contain such elements as:

- transparent ownership structure and company organization;
- ensuring awareness of all shareholders and their participation in the management of the company;
- effective protection of the rights of shareholders who do not own a controlling stake;
- providing high-quality information about the company's activities.

The main indicators of the efficiency of corporate financial management are indicators reflecting the degree of compliance in the company with the principles of corporate governance, characterizing the results of the company's financial and economic activities and reflecting the risks of corporate financial management. Today, the improvement and development of corporate financial management will allow enterprises to coordinate problems related to the distribution of profits, personnel management, and can become a powerful mechanism for influencing the economic development of the country.

Without an effective corporate financial management system, it is impossible to ensure the further development of the securities and capital markets, and to increase the efficiency of companies. Also, the problem of improving corporate financial management as a system of relations between shareholders, the state, management bodies, other stakeholders, the public is one of the most relevant in world economic theory and practice. A high-quality corporate financial management system acts as a condition for the efficient operation of companies, opens access to world capital markets, and also from the point of view of business ethics, consolidates the social obligations of companies to society, it allows the formation of social corporate responsibility of domestic companies.

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