EXPEDIENCY OF INTRODUCTION OF CORPORATE MANAGEMENT IN SYSTEM OF RAILWAY TRANSPORTATION

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ЦЕЛЕСЪОБРАЗНОСТ НА ВЪВЕЖДАНЕТО НА КОРПОРАТИВНИЯ МЕНИДЖМЪНТ В СИСТЕМАТА НА ЖП ТРАНСПОРТ

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ABSTRACT. The present article explains the features of introduction of a corporate control system on a railway transportation of Ukraine which can serve further positive experience of other countries which carry out reforms in the given sphere. Improvement of corporate management of the system of railway transportation is the factor for decreasing the macroeconomic risks at what this influence has system character, i.e. influences simultaneously different economic aspects of activity.

Key Words: railway transport, corporative management, companies-investors, organizational structure, competition, ownership, state joint stockholding company.

Reforming of system of a railway transportation of Ukraine provides to put on branches on cardinaly new principles of realization economic activities which basis is: efficiency, a competition between companies - operators, investment appeal of the given sphere. Maintenance of performance of the given conditions probably at presence of organizational structure which answers market conditions and control systems which has an opportunity most effectively to find ways of achievement of the purposes of the company. Proceeding from organizational structure which will be created during reforming system of a railway transportation of Ukraine (State joint-stock company " Ukrainian railways " which will own an infrastructure, national operators of cargo and passenger transportations whom companies " Ukrainian railways " submit and operators of different patterns of ownership who cooperate among themselves on conditions of a competition and to company " Ukrainian railways " on a contract basis) the corporate control system which all over the world is considered the most progressive and effective company for management will be optimum. During reforming system of a railway transportation and creation of the State joint-stock company " Ukrainian railways " can be considered, as a problem of the state scale which influences a condition of an investment climate in the country and on prospects of development of all national economic system.

Among the leading researchers in the corporate management sphere it would be in place to distinguish: D.V.Zadyhailo [1], O.R. Kibenko [1], G.V. Nazarova [1], G.V. Kolodko [2], P.V. Krush [3], O.P. Kavtysh [3], S.A. Rumiantsev [4], O.M. Vakulchyk [5]. The issue of corporate management administration formulation in the sphere of railway transport nowadays has not got wide usage but taking into consideration the fact that railway transport system of Ukraine is at the reforming stage based on the change of organizational structure, we can claim a valid importance of the administration principles change. The following researchers influenced the issue of corporate management administration particularly in the sphere of railway transport: M.V. Makarenko [6], Y.M. Tsvetov [7], T.I. Lozova [6], G.Y. Olyinyk [6], N.P.Snitko [6], M.S.Sokolovska [6], Y.P.Trukhanov [6], Y.S. Barash [8]. So the issue of corporate administration application in the system of railway transport of Ukraine needs further scientific research, finding of ways to optimize the given process in accordance with the newly-created organizational structure and working out of useful recommendations about the effective realization of the corporate administration principles in railway
sphere.

Nowadays administration of the transporting process on the network of Ukrainian railways is centralized and performed by the Main transport administration Ukrzaliznytsia. (pict. 1) [9]:

However organizational structure of the railway administration of Ukraine results in some problems which stop its effective further development. Among these problems we should mention contradictions with goals of different administration ranks, excessive bureaucracy of the railway transport system, ineffective infrastructure usage, excessive pressure from high-rank management onto the subordinated departments, complications with data transmission. Tackling of these problems needs reforms in the industry.

“State program for railway transport reforming” is worked out nowadays with the following reforming directions:
- creation of industry management system adopted to the market environment;
- increase of industry functioning effectiveness by means of ensuring the safety and accessibility of the railway services market for all participants;
- improvement of the investment climate in the industry that will provide fasten the temps of renewal and change of the fixed production assets;
- creation of conditions for ensuring equal access for the users of the railway transport services infrastructure;
- ensuring of the transparency of the financial activities of railway transport;
- decline of the cross subsidization of the passenger transporting by means of cargo transporting;
- strengthening of the labor motivation and increase of the social security level for the workers of the railway transport industry.

Achievement of the regarded goals needs transformation of industry into the market conditions and creation of the organizational structure adopted to the mentioned environment. Such structure has to be created on the basis of division of natural-monopoly and potentially-competitive spheres of activity. The first one should include infrastructure of railway transport which fully belongs to the state as a strategically important object, and the second one has cargo and passenger transporting. Competition in transporting sphere will be provided at the help of creation of national company for cargo transporting and cargo operators companies; companies for long-distance passenger transporting; companies for suburban passenger transporting and private companies-operators of passenger transporting directed for achievement of industry services effectiveness and quality, usage of innovations, application of additional capital into the industry. All kinds of activities not connected with transporting should be separated and removed from the railway transport because they can be oriented to other consumers of services. So a new structure - adopted to conditions of the market environment and capable of achieving optimal proportions between economic effect ensuring and keeping necessary price level and quality of transport services will be established within the process of transformational changes in railway transport industry (pict. 2).

Organizational structure in general – formal rules worked out by manager for: labor division and distribution of official authorities for individual workers and groups; definition of the control sphere and subordination in the organization; coordination of all functions to enable the organization act as single body [10, 11]. For effective functioning of the company including the one with natural monopoly evidences it is necessary to form a particular structure, form and methods of management.

The most favorable structure for management of enterprises that own natural monopoly elements is divisional structure. Depending on the formulated organizational management structure it is valid to create a suitable administration system within the company. However taking into consideration the complicity of the production processes in such structures and the presence of few goals of the participants in different levels its effectiveness cannot be provided by means of the only one organizational management system type. That’s why to provide favorable organizational climate in such structures it is necessary to use elements of different types of organizational management system. According to many scientists corporate management is the most progressive and effective form for administering of huge enterprises. Taking into consideration the tendency to the gradual corporatization of such structures as natural monopolies and using the results of research of its properties corporate administration system can afford to act more effective in market conditions due to the support from the balance of interests for all participants of corporate relations, scientific expediency, ensuring of high transparency of activities, social and ecological responsibility for the functioning.
State administration of railway transport of Ukraine “Ukrzaliznytsia” "Укрзалізниця"

South-western railway
Prydniprovska railway
Donetsk railway
Lviv railway
Odesa railway
Southern railway

27 directorates of railway transporting
1684 stations
68 locomotive depots
51 van depots
16 van passenger depots

Specialized enterprises and railway carriage repairs

Ukrainian state centre "Ukrspetsvagon"
"Ukrretrans"
Ukrainian centre of track works mechanism
Railway carriage works
Vinnytsiatransprylad
Starokostiantyntsiyiv concrete sleepers plant

Enterprises for transporting and expedition management and calculation centres

Main informational and calculating centre
Central connection station
Ukrzalizpostach
"Intertrans"
"Lisky"
Ukrainian state calculating centre of international transporting
Trade and public catering enterprises

Objects of social sphere
"Ukrzaliznytsia", educational institutions, medical institutions
project institutes, editorship of the newspaper "Magistral"

Fig. 1. Organizational structure of "Ukrzaliznytsia"
However there is no one model of corporate management in pure condition but there are companies which have more or less properties of the particular model. Choosing the corporate management model it is necessary to consider not just the organizational management structure but also the peculiarities of production in particular industry, political and economical situation in the country, level of legislature perfection, development of banking structures etc and select the most suitable system depending on these characteristics.

Fig. 2. Organizational structure and development of the competitive environment in the system of railway transport of Ukraine after reforming

So in case of creation of SJSC “Ukrainian railways” in the reforming process its functioning should be based on corporate management principles. However there is no model of corporate management in Ukraine at the present moment. A new suitable model which owns all acting legal, economical and political conditions of our country and combines their peculiarities with individual elements of American and German corporate management models will be established in the process of railway system transport reforming and creation of “Ukrainian railways” (pict 3.) [6].

Taking into consideration the present condition in railway transport sphere and social-economic situation in the country the management system should combine the following characteristics of American and German management models:
American corporate management model:
- financial information – data about capital structure quarterly;
- elections of board of directors members and appointments of auditors need confirmation from shareholders;
- necessary confirmation from shareholders for reforming options plans, absorptions and acquisition controlling stake;
- transparency of information about names and individuals of companies invited to revisions of the corporation activities;
- present inside competition;
- management distributes profit between company departments and results in inside competition;
- system of values – predominantly individualistic.

German corporate management model:
- prevalence of institutional investors and investors-insiders;
- obligatory presence of data about each candidate for the supervisory board;
- distribution of net income requires confirmation from shareholders;
- ratification of executive and supervisory boards decisions is approved by shareholders.;
- shareholders control selection of supervisory board and appointment of auditors;
- company’s activity is directed for receiving a joint benefit for all participants of corporate management;
- regulation of mutual relations between corporation participants is performed dominantly by means of perfect legislature and keeping interests of shareholders, employees and workers;
- weak decentralization level;
- creation of different type of company’s funds.

Combination of the given models is explained by the fact that “Ukrainian railways” similar to the majority of launching domestic companies in Ukraine trying to instill corporate management principles cannot use numerous advantages of the shareholding property using any model because of the following reasons: insufficient development of marketable investment market that results in necessity of attentive supervision upon the company management; imperfection of the banking system—banks cannot act as significant shareholders and control corporate activity due to the lack of administration experience; legislature needs significant improvement; distrust to the shareholding property types in post-socialistic countries that causes difficulties in domestic and foreign investment; in many cases of state shareholding property the latter realizes its interests contrary to the interests of involved party and shareholding partnership by itself; unprofitableness of shareholding enterprises; absence of experience for realization corporate management principles. That’s why combination of particular elements of American and German corporate management models is most suitable for realization of corporate management in SJSC “Ukrain-
ian railway” taking into consideration modern tendencies of the development of economic, social and political processes in Ukraine.

Conclusions

Results of the conducted research inform about absolute expediency of corporate system management introduction in railway transport industry of Ukraine. Firstly, the State joint stockholding company “Ukrainian railways” will be created which structure by itself requires changes in management system. Secondly, corporate management system is considered to be the most progressive for large-scale enterprises in the world. Thirdly, parallel preservation of the state ownership for objects of infrastructure and introduction of corporate management principles for “Ukrainian railways” will enable the state to keep control upon the activities of the strategically important natural and monopoly establishment and use instruments typical to the corporate management system in particular the following:

- introduction of the corporate culture into the activities of “Ukrainian railways”;
- policy of dividends payment an general re-distribution of the company’s assets;
- contract relations of “Ukrainian railways” with companies-operators, creditors, investors, society an bodies of state power;
- through the organization of the company’s activities – financial reports, uncovering of the corporate information.

Establishment of corporate relations in the industry and new organizational structure appropriate to the majority of powerful transport corporations which are potential investors for domestic railway transport system will encourage attraction of funds because such analogy positively influences making decisions for investment.

References