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## **FORMATION OF THE FAVORABLE INFORMATION AND INVESTMENT ENVIRONMENT AS A BASIS OF DEVELOPING STRUCTURAL BUSINESS SHELL**

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The article analyzes the development of integrated corporate structures in Ukraine, defines their advantages and disadvantages. Trends of forming global, more flexible and adaptive economic structures in the world practice are investigated. The authors proved the expediency of presenting integrated corporate structures in the form of structural business shell. Their advantage is determined by the necessity of forming more attractive and transparent investment vehicles for investors. The paper presents an approach to formation the favourable information and investment environment within a business shell.

**Key words:** integrated corporate structure, structural business shell, information provision, simulation, investments.

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## **ФОРМУВАННЯ СПРИЯТЛИВОГО ІНФОРМАЦІЙНО- ІНВЕСТИЦІЙНОГО СЕРЕДОВИЩА ЯК БАЗИ РОЗВИТКУ СТРУКТУРНОЇ БІЗНЕС-ОБОЛОНКИ**

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Проаналізовано розвиток інтегрованих корпоративних структур в Україні, визначено їхні переваги та недоліки. Досліджено тенденції до формування глобальних все більш гнучких та адаптивних економічних структур у світовій практиці. Обґрунтовано доцільність представлення інтегрованих корпоративних структур у вигляді структурних бізнес-оболонки, перевага яких зумовлена необхідністю формування більш привабливих і прозорих для інвесторів механізмів інвестування. Запропоновано підхід до формування сприятливого інформаційно-інвестиційного середовища в межах бізнес-оболонки.

**Ключові слова:** інтегрована корпоративна структура, структурна бізнес-оболонка, інформаційне забезпечення, моделювання, інвестиції.

### **Statement of the problem**

Current activities of business structures can be described as the uninterrupted dynamic multifunctional development with trends of constant diversification of functions, changes in emphasis of socio-economic development and continuous multi-vector introduction of innovations. Formation of geographically distributed integrated corporate business structures for regular, space-time coordination of unstable inclined to permanent diversification demand and integrated multi-structural supply is continuing. Business structures created by a set of inhomogeneous combination of economic and business members are becoming more dynamic [6]. Participants of business structures do not remain isolated entities as it was in terms of the industrial economy. They become dynamic objects of investments in order to get certain economic and social benefits. As a result, methods and ways of the development integrated business shells are fundamentally changed. Obviously, their functioning and development is closely associated with their

investment. Thus, in terms of the information economy a range of problems forming substantially different, transparent and more attractive investment vehicles raises. The paper emphasizes on forming favourable information and investment environment that is caused by the considerations. In the XXI century filling of markets requires rapid and global solutions of targeted investment problems within the target orientation of integrated corporate business structures. Internal and external financial and economic relations, national economies, sectoral and territorial complexes and even individual entrepreneurs or investors form the investment environment of integrated corporate business structures. Investment efficiency is associated not only with the integrated corporate business structures' form and functions, but also extended information and communication infrastructures.

### **Analysis of recent research and publications**

The corporate governance models and methods are widely studied in the modern economic literature. The domestic and foreign experience in the establishment and development of corporate structures are summarized as well. Scientists continue to develop general theoretical bases of formation corporate governance mechanism. Ukrainian and foreign scientists and economists: N. Hrazhevska [3], V. Dykan [2], V. Mandybura, R. Kamrass, M. Kastels, H. Pasichnyk [2], A. Pushkar [7], R. Sandretto, D. Stark, K. Ulyanov, F. Fukuyama, O. Amoshi, M. Prokopenko, L. Fedulova [8] and others, study the problem of integrated corporate structures. However, investment problems of corporate structures development have been weakly reflected.

### **The formulation of objectives**

The formation of the favourable investment environment remains one of the main objectives for economic development of Ukraine. Obviously, investment efficiency is defined by the application level and depth, and the possibility of calculation results. To achieve the objective the authors of this paper have to solve theoretical, methodological and applied problems:

- development trends analysis of modern integrated business structures;
- patterns detection of intensification of integrated business structures functioning;
- investment vehicle analysis of integrated business structures activity;
- methods argumentation of formation favourable investment environment in structural business shells.

### **Presentation of main materials**

Integration has become a characteristic feature of modern business organization development. The basis of modern economics is integrated corporate structures that can combine groups of juridical and individual enterprises which coordinate the activity consolidating assets or contractual relations to achieve their agreed goals. The following tasks are set before any integrated corporate structure: achieving and maintaining competitive advantage in regional and global markets, the deployment of the territorial network organization, focusing on a range of different consumer groups, ensuring stability and sustainable development. Traditional economic activities are transferred to the network environment and acquire new properties, such as changing the rules and participants' awareness level that in complex contribute globalization of the economy.

Functional and economic system is formed by functionally integrated relations between structures of material production sectors and non-production ones which provide transportation, licensing and additional services of appropriate quality. As a result economic globalization involves a set of processes:

- globalization of markets (capital, finance, labour, goods and services);
- globalization of economic forms by creating global business structures.

Formation and development of integrated corporate business structures promotes the international movement of capital, technology, goods and services, both at the macro and micro levels. As a result, there is increasing overall efficiency of production and innovative opportunities that positively impact on economic growth and employment. The integration facilitates the expansion of product marketing, development of local markets through the integration with enterprises from other regions and countries, creation of joint ventures in reclaimed areas.

Because of the strengthening relationship between the human economic activities and the environment considered as a closed ecosystem with limited material resources, the principles of sustainable development have greatly influenced on current integrated business structures development [4]. There is a transition from the economic principle of quantitative growth to qualitative improvement as the future progress direction. Therefore, in industrialized countries development focus is changed into the improvement of innovations based on cooperate and outsource principles.

The Ukrainian economic reforms based on market principles and changes of ownership caused reduction of both production capacities and employment level in economic structures. In addition the increasing competition in the market causes need for frequent innovative transformation of material and technical basis, staff training and marketing mechanisms updating. The economy restructuring manifests itself in the increasing relevant markets segmentation that leads to intensive creation of specialized integrated business structures and the deployment extensive system of information and communication links.

The modern integrated corporate structures have become an essential element of national economic complex in Ukraine, which operates in a certain level of geographically and institutionally organized economy. This development integration interaction of economic entities is caused by the following reasons:

- transformation processes in the domestic economy and changes in economic conditions due to development of innovative technologies; intensification of production differentiation and integration; improvement of international labour division; increasing dependence national economy on the world economy in result of economic globalization.

- the evolution forms of organizational management system that led to the emergence of a new type integrated structures – network corporations, virtual structures, etc.

These factors have caused complications of the organizations' structural components including not only increasing number of their elements, but changes in the quality parameters, as well as conditions, systems and mechanisms complication of their interaction in the form of different levels integration of economic system.

The main integration advantages include advanced opportunities of economy, namely:

- reduce operating costs through transparent coordination of activities;
- optimization of transaction costs;
- growth due to an effect scale;
- savings from an effective system of management based on innovative technologies;
- increasing the availability of financial resources.

The participants of business shell can be identified both in business entity, strategic business fields, or their combinations.

Creating efficient integrated corporate structures is a long evolutionary process obeyed the laws of economic feasibility that includes the following stages:

- union of a limited number of participants (e.g. by horizontal integration of one sector enterprises)
- development of vertical links with subcontractors from other sectors (e.g. through the deployment process chains);
- creation of diversified regional integrated corporate structures from different economic areas.

Normally, the pursuit of optimum performance integrated corporate system involves removing the conflict of internal interest, and hence the excessive concentration of capital. In addition the strictly balanced system of corporate governance is virtually uncompetitive in dynamic and unbalanced global environment. Therefore, in the process of privatization in 1990s artificially created opened-type companies later became the organizational structures with closed corporate relations. As a result these integrated corporate systems have greatly reduced benefits and efficient market mechanisms of balanced system in corporate governance. We can distinguish the following most common mistakes in formation integrated corporate structures under conditions of permanent crises:

- oversaturation vertical links due to guidance desire directly control too many business processes;
- too deep vertical links with a large number of intermediaries;
- their functioning strongly depend on the internal political situation;

- pursuit of securing capital by moving it into an attractive external open advanced areas.

To minimize the negative points they started to use “strategic business fields” characterizing them by the following features [1]:

- performing the market independent tasks using their own products within clearly defined objectives;
- availability of certain external competitors which the strategic unit competes with in the market;
- relative economic independence in the implementation of key business functions (development, production, marketing) and some responsibility for the results of economic activity;
- own planning, accounting and control systems.

Separate products, product groups and product applications represent such strategic business fields. They correspond to operate structural units of concern. Formation of similar structures is close to virtual organizations.

Modern information technologies facilitate the formation of horizontally oriented partner organization alliances that join together participant organization specific goals and coordinated efforts. The main goal of the virtual structure is a combination of key technologies and participant organizations’ skills to meet fully the consumer market demand. Participant organizations’ employees groups combined by using global information and communication networks are able to participate in a single production process in one and different places of the world at the same time. Outsourcing and outstaffing schemes have generally shown themselves quite well ensuring growth of all major investment indicators. Such approaches require new thinking managers: abandonment of a comprehensive control; transition from co-submission to informal coordination and confidence; business ability to predominance of career aspirations; overcoming the hierarchical control.

Virtual organizations provide competitive advantages by significantly reducing costs to working and fixed capitals that encourage their participants to concentrate efforts on the best adapted activities. The open form of the structure enables to attract the most competitive organizations.

The authors introduce the concept of structural business shell that involves a set of business entities with different levels of subordination (from internal departments to fully independent) and relationship system of these entities to each other and the corporate center. Thus a structural business shell has the following features:

- voluntary association of subjects different legal statuses on the contract basis of defined means and interaction level in the corporate media space;
- extended range of industry activities and product diversification of structural business shell entities;
- preservation of self-interest entities within the coordinated mission by business shell participants.

Table 1 presents the main reasons of integrated business shells:

*Table 1*

<b>Reasons of integrated business shells</b>		
<b>№</b>	<b>Reasons</b>	<b>Content</b>
1	Constant and continuous space-time coordination and support structural coherence business processes	Structural (time, territory, components) imbalances arise due to the relative inertness of market infrastructure which is measured by the time between the emergence of demand for goods / services or innovative supply and ability of their implementation.
2	Multiline development, polarization and diversity	The combination of natural and social determination and bifurcation of industrial, commercial and marketing processes is expressed in different vectors, tempo and intensity formation and development.
3	Complicated territorial complex in socio-economic changes	Formation geospatial, material and information flows are caused by geography and unique industrial resources along with the growing role of ecological diversity.
4	Spatial formation of business shell activity centers	There is cumulative impact of financial, information and innovative processes which dynamics cause changes in core position of structural business shell and relationships between its participants.

Structural business shells are created to mobilize existing business entities, implement innovative technologies and synergistically integrate opportunities for entering a system of world economic relations. Characteristic features of structural business shells are extensive involvement of small and medium-sized businesses combined on the following bases:

- forming corporate information space as the main unifying factor of involved participants in business shell;
- gravitating towards intangible regulation of entities activity from the virtual vertical hierarchical basis of structural business shell;
- virtually coordinated development of structural business shell based on consensus of obtaining a synergistic effect.

A business shell in the functional aspect is a structured integration of the following business technologies:

- production technologies (aggregate of means, processes, procedures, methods);
- marketing technologies (choice of a market and sales promotion mechanisms);
- management and financing technologies.

The main features of such structures are their flexibility and adaptability. They can easily change their form, adapt to the new environment and seamlessly fit into the management system. These structures are oriented to fast implementation of complex programs and projects in the framework of large companies and organizations, entire industries and regions. Typically, they interact on a temporary basis, i.e. the period of the project, program implementation, problem solving or goals achieving. A business shell creates conditions for transparent access to investment resources.

The objective of any investment is to get income. Therefore, the turnover of investments includes the period of acquired capital assets operation until the accumulation of financial resources. Investment demand consists of investments directed to the reproduction of fixed assets; new investments (i.e. part of the profit or net income allocated to accumulation fund) and reinvestment (investment funds received as income by investing in the most perspective activities).

Participants of business shell can not rely on the investors' confidence and revenues from external financing unless they take measures to implement effective corporate governance, that are the proper investor protection, reliable management and controlling system, openness and transparency in their activities.

Investing activities management of business shells has the following directions: firstly, to stimulate economic development mechanism; secondly, to coordinate activities of investment management at all levels; thirdly, it must be reinforced with the appropriate information environment depending on the subject of management.

The main problem of investment activity management of integrated business shells is aggregate investment projects management (investment projects portfolio). There are basic methodological principles forming investment projects portfolio, such as: the priority objectives of investment projects portfolio over programmes and projects of certain participant organisations; project competitiveness; uniqueness of approaches and assessment methods; concordance investment portfolio with available labour, production and other resources; optimization of the profit and risk; differentiation and continuous coordination portfolio etc.

The basis for obtaining such corporate management principles is the financial system which has to form a specific institutional environment for facilitating investments. The main information must be included in the balance sheets of participant organizations. The disclosure policy is one of the main indicators of organizing a business shell, a guaranty for its participants from investors and an important factor to raise additional capital (through floatation secondary emission, corporate bonds in the stock market). Timely reliable and comprehensive information about activity of participants in structural business shell is an important background for assessing their financial condition as well as development prospects of business shell for making informed investment decisions.

However, in recent years there are several problems in this area: serial bankruptcy of major global corporations; breakup of audit firms; criminal and civil proceedings against prominent financial

institutions; instability of stock market. Many experts admit that the main reason is the inadequacy of corporate reporting, which leads to the problem of insufficient information in the market. On the one hand the assets can be both external and internal; on the other hand, as we know, not all assets have accounting estimates and are included in the balance sheet. Therefore, indicators formed among accounting and financial reporting recently lost much of value to management and investors [1]. Many prominent experts offer new and original ideas for solving problem of low informing level of corporate reporting forms (e.g. Balanced Scorecard).

Today information support must be directed not to the analysis of status (e.g. to determine the level of confidence), but the synthesis problem (for example, to simulate the process of investing). It should be noted that all financial flows are expressed in the movement of assets (change their quantity, value, proportion). In particular, corporate reports should contain the following information for analysis and evaluation:

- the role and perspectives of business shell participants;
- mutual activities of business shell participants in terms of increase total added value;
- synergistic effect of consolidation of business shell participants;
- the prospects of the business shell as a whole integrated system of its participants;
- business shell participants are the centers of economic added value.

To make effective investment activities business shell participants can propose their own unique materialization methods and techniques of investments into a property or scientific potential. This requires appropriate simulation tools. The main objectives of the simulation are: managing a portfolio of investment projects; investment projects management (cycle of searching, reasoning and implementation of individual projects); management of the investment logistics (organizing resources for the investment projects). The effective investment management requires using methods of simulation functioning processes of a business shell. A characteristic feature of problem-oriented models is a variation of models, identifiers and algorithms. Solving real problems within an optimization scheme the reproduction of multiple control options should have been predicted. Considering the problem of forming investment policy we can assume that the information environment of business shells is one of the determining factors of the investment activities of its participants.

The integrated techniques of simulation investment processes must be built considering the functional and object-oriented simulation. Everything will depend on the specific goals and objectives of simulation, complication of modeled object, professional level of staff and other factors. Features of complex methodologies concerning simulation of logistics business processes and even used software are examined in the table 2.

*Table 2*

**Comparative characteristic of simulation methods**

The main characteristics	Approaches to simulation		
	Functional	Object-oriented	Integrated
Characteristics and features	Formation of business direction as a combination of functions and decomposition by individual participants	Identification of business shell participants set with the defined list of their potential opportunities	Is based on the integrated use of functional and object-oriented approaches.
Benefits and uses	The graphic simplicity and clarity for building model	Increasing the speed of project development within a business shell; reducing the maintenance cost	The accuracy and adequacy of the display object; the possibility of dynamic and situational simulation of business processes.
Drawbacks and restrictions	Describing functions doesn't establish a rigid framework of description that may lead to contradictory models.	The complexity of methodology complicates the formation of information and communication systems for business shell.	Requires the involvement of highly qualified specialists in the subject area as well as information technology.

Each of the given approaches has its own peculiarities, advantages and disadvantages. The choice of approach is determined by the specific purpose and simulation tasks, the availability of software, the specifics of the studied object and financial opportunities of the developer.

The effect of information and communication globalization fully reflects the following aspects of integration processes:

- the development of innovative information and communication capabilities;
- the emergence and rapid development of global information and communication networks;
- computerization of administrative processes.

The development of structural business shells involves the formation of a unified information space where initiators impose their ideology, certain ways of economic and political preferences, interaction model, and rules. These complex tasks are performed both in financially and business as well as in marketing channels equipped with high IT.

We note that most of the information sent via the global communication networks is managed by the international socio-economic structures. All businesses are under pressure of financial international institutions to adapt their economies to international standards.

### Conclusions

A structural business shell must represent an organizational and economic structure, which on the one hand will stimulate the development of key sectors of regional economies, and on the other hand allow the most efficient use of its resources. As a form of rational unity of interests in the region and businesses the integrated business shell can become an effective catalyst for attracting and distribution investments. The task of management investments is to achieve and maintain an optimal balance among resources of the structural business shell. To perform such task first of all it is necessary to worry about how to develop a realistic plan of achieving and to identify ways of implementation. The priority of forming business shell is the creation of a network intelligent technology of information support investment activity in virtual space. It should be based on the investment simulation system and provide such areas of research as:

- analysis of business shell participants' willingness to investments;
- assessment of the investment potential;
- identifying development trends of business shell participants as a result of the investment;
- formation of strategic alternatives and the choice of investment strategy.

### Prospects for future research

It is important to note that promoting investment requires creating an independent group of experts within the business shell. Such a group would have to analyze the results of research, hold conferences for the dissemination of collected information and new ideas, and analyze the experience of implementing scientifically based systems of evaluation business to predict its attractiveness to investors.

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