

THE RELATIONSHIP OF THE CONCEPT OF VALUE MANAGEMENT AND PRINCIPLES OF CORPORATE GOVERNANCE

Mushegh Hovhannisyan

Armenian State University of Economics
assistant in the Department of Accounting and Auditing
PhD in Economics

The principles of cost management companies is closely linked with the principles of the recently developed enterprise in Armenia management. International practice of capital markets, major banks and other financial institutions shows: high standards of corporate governance - a requirement for investors potential partners - the recipients of investment.

The need to improve corporate governance has become one of the most actual problems of large and medium-sized businesses in the last decade.

As defined by the World Bank, corporate governance combines the applicable laws, regulations and practice of management in the private sector, allowing companies to attract financial and human resources to effectively carry out economic activity and, therefore, continue to function, accumulating long-term economic value by increasing the value of shares, and respecting the interests of shareholders and society as a whole.

Corporate governance is concerned with how power is arranged and implemented in the organization. Corporate governance should not be confused with the management of corporations, as it relates to the issue of power in the organization of any legal form, and not only in the corporation itself, which is identified with a public company.

Corporate governance in theory and in practice, is analyzing agency problem as a problem of the separation of powers in the firm. Its essence lies in the resolution of conflicts between the principal and the agent.

In the classical theory serves as principal owner of the firm, as well as agents - top managers.

Surge of interest in the issue of corporate governance in the late 90's was stimulated by the wave of privatization that took place in many countries in transition. In addition, by this time were differences in corporate governance in the countries with a market economy, where not always evolved dispersed share ownership.

Each system has its own model of corporate governance, with their inherent advantages and disadvantages. Thus, the American model is characterized by a well-developed legal framework that defines the rights and obligations of the three key stakeholders: managers, directors and shareholders, and relatively simple mechanism of interaction between the corporation and the shareholders, and the shareholders as at annual general meetings, and in the intervals between them.

It is believed that the independent members of the board, mandatory members of the Board of Directors, openly and evenly distribute the information objectively evaluate the work of managers and stand guard over the rights of shareholders. As a result, outsider systems are considered more controllable and less corrupt. They also contribute to the formation of a more liquid capital markets.

In Germany and Japan, banks and other financial institutions to control most of the corporate sector. Control is exercised through pyramidal structures and the network of cross-holdings. Representatives of the banks selected by the Boards of Directors, but it is a representation of German corporations constantly, and they are attracted to the Japanese model only in crisis situations.

By the middle of the first decade of the 21'st century, the basic preconditions for research in the field of corporate governance have changed:

- The institutional environment (ownership, the legal system, the stock market, the banking system, etc.) has a significant influence on the formation of corporate governance in transition economies.
- The most typical form of ownership in the world is concentrated ownership. The main shareholders are traditionally rich families or fi-

nancial institutions.

- There is a balancing role of the stock market and banks in the financing of the investment process.

Creating a system of corporate governance that responds to the wishes of investors require a very long time and considerable expense.

The company has a corporate governance system increases its attractiveness in the eyes of investors, which is reflected in the premium that investors are willing to pay the usual market price of the securities of such companies.

Supporters of the implementation of corporate governance principles state: an effective system of corporate governance is important as one of the main tools to create shareholder value. The increase in the value of the company, which is expressed by its market capitalization in the case of a liquid stock market, or the price of a possible liquidity in the absence thereof, is one of the key objectives pursued by the owner.

Corporate governance based on Value-Based Management allows you to increase the investment attractiveness of the company, to create a flow of internal and external sources of funding to ensure the maximization of corporate value. In addition, increasing the value of a business can be a purpose for which it is possible to coordinate the interests of different groups of participants of corporate relations.

To demonstrate the mechanism of the effect of corporate governance on the growth of the company's value by using the indicator of economic value added (EVA):

$$EVA = NA * (ROIC - WAAC),$$

Where

NA-Net Assets,

ROIC-Return on Invested Capital,

WAAC- Weighted Average Cost of Capital.

Growth in the value of the company depends on its ability to increase the return on investment and reduce the cost of debt capital.

An effective system of corporate governance affects each of these levers of value creation.

The use of international accounting standards opens up the company access to cheaper financing in Western banks and financial institutions. Independent audit provides the necessary level of confidence in the statements upon which management decisions are made. This reduces the cost of capital (WACC). A low value of WACC allows the company to implement projects that can not be made of its competitors because of the higher cost of capital.

An effective system of corporate governance increases the transparency of the company, allowing investors to judge the financial results of its operations and management processes. This in turn increases the reliability of the company in the eyes of investors, inspires more confidence in the fact that it is able to provide its shareholders with an acceptable level of profitability of investments, thereby facilitating access to capital markets.

Application of operational reporting improves the efficiency of decision-making in order to achieve the best results, and hence contributes to the return on invested capital (ROIC). Accountability of managers to shareholders also reduces the risk of opportunistic behavior to a minimum. Finally, an effective system of corporate governance improves reputation, which is a very important intangible asset.

Consultancy McKinsey conducted a study of corporate governance 188 companies operating in the markets of the six countries with developing economies - India, South Korea, Malaysia, Mexico, Taiwan and Turkey. The hypothesis of a direct link between the level of corporate governance and market capitalization of the company confirmed the results of the study. Corporations that have received high ratings of corporate governance, and had a higher ratio of share price to book value of its assets.

Choosing a model for the valuation of a company depends on the purpose of the object and the specific conditions of the assessment. Many authors have pointed to the shortcomings of traditional assessment methods in Armenian economic conditions. However, we believe that an objective assessment of the business value can be used by several methods.

In our opinion, the combination of the method of net assets (determined by the underlying value of the company as a property complex) in combination with the methods based on indicators of economic benefits will get an estimate of the cost that best addresses all factors of value creation: the size of the net assets yield (equity investment, total assets), the possible risks and the impact of the stock market.

Strong evidence of the influence of corporate governance on value creation can be obtained only on the basis of a considerable number of measurements over a long period of time and take into account the impact of both financial and macroeconomic factors.

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რეზიუმე

მუშეგ ჰოვანისიანი

კორპორაციული მართვის პრინციპებისა და „ღირებულების მართვის კონცეფციის კავშირი“

კომპანიის ღირებულების ზრდა - ეს არის სტრატეგიული მიზანი, რომლის მიღწევითაც შესაძლებელია კორპორაციული ურთიერთობის სხვადასხვა მონაწილეთა ინტერესების ჰარმონიზაცია, და მთავარი მიზანი კორპორაციული მართვისა.

მთავარი ფაქტორი, რომელიც ზეგავლენას ახდენს კომპანიის ღირებულებაზე, არის სააქციო და სასესხო კაპიტალის ღირებულება, ასევე მიღებული შემოსავალი ჩადებული ინვესტიციებიდან. იმ მთავარი მაჩვენებლების შერჩევის საფუძველზე ინდივიდუალურად თითოეული კომპანიისთვის, რომლებიც უკეთ შეაფასებენ ამ ფაქტორების ეფექტს, უფრო ადვილი იქნება ეფექტური მართველობითი გადაწყვეტილებების მიღება.

ჩვენი აზრით, წმინდა აქტივების ღირებულების (აქტივებს-ვალდებულებები) მეთოდის

კომბინაციით ეკონომიკურ სარგებელის ინდიკატორებზე დაფუძნებულ მეთოდთან ერთად ადვილი იქნება კომპანიის შეფასება, რომელშიც ერთდროულად გაითვალისწინება კომპანიის ღირებულების გაზრდაზე ყველა მოქმედი ფაქტორი: წმინდა აქტივების სარგებელი (საინვესტიციო კაპიტალი, მთლიანი აქტივები), შესაძლო რისკები და ზემოქმედება საფონდო ბაზარზე.