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**Balance of interests of  
participants corporate  
governance**

The participants of corporate management it is been management of corporation; large and миноритарные shareholders, proprietors of another securities of issuer, creditors and partners, being not the bearers of securities of issuer, organs of state and local administration, consumers. The spheres of interests of participants of corporate management do not coincide mostly. Correlation of their interests is determined by certain circumstances, including by the quantity of shareholders (participants), distribution of control, presence of portfolio, foreign investors, stake of public domain, scale and sphere of activity of corporation, positions of higher manager's composition, traditions folded in a labour collective etc.

The balance of interests of shareholders and managers of the company is the main condition for the increase in the market cost of the company. The agreement in interests should be achieved not only between shareholders and managers, but also of other concerned people such as clients, state organs, suppliers, etc. But due to shareholders' contribution to the company activity for which it is obliged for existence and development, the relationships between owners and managers are the main priority and benchmark in the system of relationships of concerned sides, that's why requires first-order consideration.

**Key words:** corporate governance, corporation, balanced of interests, shareholders, stakeholder.

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**Корпоративтік басқаруға  
қатысушылардың  
мүдделерінің тепе-теңдігі**

Корпоративтік басқаруға қатысушылар корпорацияның менеджменті, ірі және миноритарлық акционерлер, эмитенттің басқа құнды қағазының ұстаушылары, несие берушілер және эмитенттің құнды қағаздарының иелері емес серіктестер, мемлекеттік және жергілікті басқару органдары, тұтынушылар. Олардың мүдделерінің арақатынасы нақты жағдайлармен, соның ішінде акционерлердің (қатысушы) санымен, бақылаудың бөлінуімен, портфельдік, шетелдік инвесторлардың болуымен, бақылаудың бөлінуімен, мемлекеттік меншіктің үлесімен, корпорацияның қызмет ету аясының ауқымы мен саласымен, жоғары менеджерлік құрамының позициясымен, еңбек ұжымында қалыптасқан дәстүрлермен анықталады.

Кәсіпорындағы акционерлер мен менеджерлердің мүдделерінің тепе-теңдігі кәсіпорынның нарықтық құнының өсімінің негізгі шарты болып табылады. Тек акционерлер мен менеджерлер мүдделерін ғана емес, сонымен қатар клиенттер, мемлекеттік органдар, жеткізушілер және т.б. стейкхолдерлердің мүдделерін келістіру қажет. Бірақ акционерлердің кәсіпорынның тіршілігі мен дамуында маңызды болып табылатын капитал секілді үлес қосуы себепті меншік иелері мен менеджерлердің арасындағы қарым-қатынас мүдделі тараптардың ар қатынастары жүйесінде ең басты және басым бағыт болып табылады, сондықтан бұл кезек күттірмейтін мәселе болып табылады.

**Түйін сөздер:** корпоративтік басқару, корпорация, мүдделердің тепе-теңдігі, акционерлер, стейкхолдерлер.

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**Баланс интересов участников  
корпоративного управления**

Участниками корпоративного управления являются менеджмент корпорации, крупные и миноритарные акционеры, владельцы иных ценных бумаг эмитента, кредиторы и партнеры, не являющиеся владельцами ценных бумаг эмитента, органы государственного и местного управления, потребители. Соотношение интересов участников корпоративного управления определяется конкретными обстоятельствами, в том числе численностью акционеров (участников), распределением контроля, наличием портфельных, иностранных инвесторов, доли государственной собственности, масштабом и сферой деятельности корпорации, позициями высшего менеджерского состава, сложившимися в трудовом коллективе традициями и т.д.

Баланс интересов акционеров и менеджеров предприятия является главным условием роста рыночной стоимости предприятия. К согласованию подлежат интересы не только акционеров и менеджеров, но и других стейкхолдеров, таких как: клиенты, государственные органы, поставщики и т.п. Но благодаря вкладу акционеров в деятельность предприятия в виде капитала, которому оно обязано своим существованием и развитием, отношения владельцев и менеджеров являются главным приоритетом и исходным пунктом в системе отношений заинтересованных сторон, поэтому требуют первоочередного рассмотрения.

**Ключевые слова:** корпоративное управление, корпорация, сбалансированность интересов, акционеры, стейкхолдеры.

**BALANCE OF INTERESTS  
OF PARTICIPANTS  
CORPORATE  
GOVERNANCE**

The term «interest» means «benefit or advantage of a person or a specific group of people, supposed benefit and advantage of other people» [1]. The basis of interest are needs of a person or a group of people, performing the role of incentive stimulus of action. Needless to note that the needs lie in the foundation of motivating the actions of people, society, state, and express the necessity to meet goods. Accordingly needs define the main directions of activity of cumulative public subjects, individuals in different spheres. In that meaning the need can be characterized as «purpose, and goal – as the way of its achievement» [2].

Economic interests can also be related to the needs of corporate capital. Economic interests are «economic relations representing the direction of activity of the participants of manufacturing relations for the satisfaction of prevailing and developing needs». «Economic relations of each society, – wrote Engels, – first of all appear as interests» [3].

Interests and needs relate to the main summands of human activity and are characterized with known closeness. The common thing is that the needs and interests are subjective-objective terms referring to related subjects. However, interests and needs are anyway the different terms and should not be matched.

Firstly, the interest goes as the polar and contradictory representative of needs. So, the needs of salesman and customer are focused in the price. But the former is interested in high price, and the latter in the low one (in same other conditions). Society requires the maximum result at work from a person, and the person expects to gain the maximum payment from the society. Therefore, for the same need in good life there can be two and more subjects of the needs, with their specific interests.

Then, the needs evidence about the potential incentive for activity, whereas interest is the active power of actions. Only indication of the interest explains us, what move this or another need and how it does this? Need represents the relation to the thing, service, condition, whilst interest can be defined as the relation of the subject to itself or others.

Interest is compound phenomenon that has its own steps of movement. Generally five phases of movement are distinguished: generation, becoming, demonstration, realization,

and institutionalization. These phases provide instrumentalisation of the term «interest», i.e. make it available for use in applied disciplines, for example in management, theory and management practice.

Corporate sector of economy separates the departments of ownership and management; that is why the key problem is the relationship between shareholders and managers.

The result of managers' possibility to act against the interests of shareholders is the asymmetry of information in corporative relationships.

The theories working on the information asymmetry set the goal to explain how managers could use their authority for personal interest.

Asymmetry of information means that one group of subjects has more complete information than another one. The first to propose this theory was J.Akerlof, who supposed that in some types of markets the quality of specific product is known only by its salesman. Applying to corporative finances, asymmetry of information is that managers being near to the manufacturing, have more information about the situation in the company, therefore they can distort the information provided to the owner. The phenomenon of «inflation of costs» (conscious exaggeration of their values) is widely spread among managers to approve high administrative expenses.

There are several theoretical concepts, considering corporative relationships. This question is the base of these concepts: Do the managers act for the interest of shareholders, and if not, whose interests do they act for.

The most famous theoretical concepts are:

- Concept of «profit for capital and entrepreneurial skills» by A.Marshall;
- Concept of «gaining profits»;
- Concept of «public choice»;
- Concept of «effectiveness»;
- Concept of «large corporations».

**Marshall's concept** is one of the first revealing the problems of corporative relationships. A. Marshall considers exposure of shareholders: «weakness of shareholders taking on themselves the risk of the company is in the absence of appropriate knowledge about specific activity of that company. The leader of large private company takes the main responsibility for the business management, consigning responsibility for main parts to others, but its status is guaranteed by having the opportunity directly judge about how devotedly and discreetly do the subordinates serve his interests [4].

Most of shareholders are helpless even though some of large shareholders can often figure out what

is going on, and set effective and common control above company management.

Relationships between shareholders and managers in activity plays an important role, let's call them corporative relationships. From that condition does depend the existence of the company, choice of direction of its development. That is why corporative relationships are one of the key factors of successful management of the company.

There are one more important tendency – the observed leave of the owners from operational management of the company. In that conditions the need of market subjects in the evaluation of condition of corporative relationships and achieved interest balance is increased. There are different approaches to define basic interests of shareholders and managers and their evaluation. The main problem is setting balance of corporative relations the wide spectrum of financial and other various interests of the company owners and hired managers. As a consequence, there is uncertainty appeared, which finally refers to the balance of participants of corporative relationships. For solving mentioned problem we propose dynamic performance of balance of corporative interests based on formation of sample dynamic of key indexes, at some degree meeting the interests of shareholders and managers.

Management of the market cost of the company is aimed to its increase not maximization. Increasing the market cost is the result of internal cost seen by the majority of investors.

The more number of potential owners realize its ability to create values for their owners, the higher the cost of business and shares. Evaluating this ability, market subjects do this by themselves or ask for help from analytics group. Independent from who evaluates, it is based on the analysis of the activity indexes. There are sometimes situations when investor makes intuitive decisions, but these are normally exceptions. Therefore cost management of business is performed through management of key activity indexes.

The problem is that investors could see different key indexes. So, for some the value is in the increase of the volume of realization, which, in their opinion, characterizes the competitiveness of products and opportunity to generate significant money flows. For others, the size is important, describes as the cumulative actives index. They suppose that the more property the company has, the more expensive it is. Third group put attention on the size of profit, which is in their opinion the index of effectiveness of the activity and source of their current profits as dividends, etc. Therefore in order to manage the company cost it

is needless to agree various requirements of owners, find balance of interests, which is the criteria for high mark for internal and, consequently, market costs. For mutual agreement of different interests, expressed by various indexes, we would use the construction of so-called sample dynamic of indexed, or method of dynamic normative [5].

In the work of one of the authors of the article the evidence of the following ordering temps of key indexes is introduced [6]:

$$\begin{cases} 1 < Pace(N) < Pace(SA) < Pace(R) < Pace(P) < Pace(D) \\ 1 \leq Pace(D) \end{cases}, \quad (1)$$

где

$Pace(a)$  – rate of height of index  $a$ ;

$N$  – amount of workers;

$SA$  – Sum of cumulative actives;

$PR$  – Profit from realization the products;

$P$  – Profit before taxation;

$FP$  – Profit after paying percent and taxes;

$D$  – Sum of paid dividends.

The degree of approaching actual dynamic to the reference one could be measured in different ways. As an example we can use estimations of normalized distance between matrixes corresponding to the reference and the actual order of pace. To facilitate the estimation the project «New technologies of financial analysis» a special computer program had been developed, where anyone could make necessary calculations.

**Table 1** – Rate of height of basic financial indexes of company after 2014

№	Company name	amount of workers (A),man	Sum of cumulative actives (SA), mil.t	Profit from realization the products (PRP), mil.t	Profit before taxation (PBT), mil.t	Profit after paying percent and taxes (PPPT), mil.t	Sum of paid dividends (D)	accordance to the actual dynamics (%)
1	«SAT & Company» АҚ	1	0,145	2,09	21,213	22,348	21,364	77,78
2	«Имсталькон» АҚ	1	1,106	1,535	1,743	-1000	0	59,26
3	«Атамекен-Агро» АҚ	1,208	0,973	1,388	1000	1000	0	51,85
4	«Innova Investment» ЖШС	1	1,001	0,946	0,647	-8,313	0	41,98
5	«Golden Compass Capital» АҚ	1	473,099	0	0	0	0	60,49
	On the average on a company							77,72

The table doesn't have any manufacture with 100% balance interest of corporate relations, The best situation is in the JSC «Samruk Kazyna» and «Halyk Bank». The degree of approaching the maximum possible balance is equal to 81.25% and 87.5 %. The high level of balance of corporate interests, managers' activity is a signal for potential investors about the aspiration to follow their financial interests independent from the contribution to the company activities.

At the same time, viewing the table, we could note that among the enterprises there are some, which level is above average, balance level of corporate interest is achieved, which allows the company to function without significant conflicts, there are preconditions for successful strategic development

of corporate relations on a low level. JSC «Rakhat» has balance index of 56,25 %, JSC «Alfa Bank» – 51 %, JSC «KazMunayGas» – 50 %.

To refer the corporation for this or that class the balance of corporative interests provided in Table 2 would be taken as a criterion. We suppose the following scale of classification.

Such gradation comes out from the logic of built measurer and is the natural continuation of the criterion, although can admit specific rectifications sourcing from the preferences of concrete investor. Anyway, generally this scale will be used as it is appropriately differentiated, characterizes wide spectrum of results of corporative relationships, has equal intervals, easily interpreted, and provides data in compact and obvious way.

**Table 2** – Scale of classification

from 0 to 20%	- balance level of interests is absent, managers don't tend to follow corporative interests;
from 20% to 30%	- low balance level of corporative interests, however there are some restrictions in the activity of managers, constraining them to show good results for some indexes;
from 30% to 40%	- balance level of corporative interests is lower than average; in order to maintain high social status managers achieve high results for some indexes responding their specific interests;
from 40% to 50%	- average balance level of corporative interests; there is a partial control from the side of owners, which promotes following interests of not only managers but also some other key owners;
from 50% to 60%	- balance of corporative interests is above average; balance level of corporative interests allowing company to function without significant conflicts is achieved, there are preconditions for successful strategic development of corporative relationships;
from 60% to 70%	- high balance level of corporative interests, managers activity is the potential signal for investors about aspiration to follow their financial interests independent from sum of contribution to the company activity;
from 70% – to 80%	- very high balance level of corporative interests, managers' interests coincide with that of the majority of participants of corporative relations, however in some directions of actions the interests of managers prevail;
from 80% to 90%	- very high balance level of corporative interests, moral and material satisfaction directly depends on the achievement of balance of corporative interests, powerful shareholders not only organized effective inside-corporative control, but also could hire management responding to their interests;
from 90 % to 100%	- Highest balance level of corporative interests, all participants of corporative relationships are satisfied with achieved results, managers are high-level professionals that are able to connect their interests with the interests of other subjects; nothing threatens to the development of the company in the nearest future due to the high ability to follow the expectations of interests.

Let's describe a number of management problems, the solution of which requires application of alternative approaches (dynamic norm) [6].

1. Problem of agreement in interests of owners and managers of the company. Today's realities of business are such that the capital belongs to ones, and managed by others. Capital owners (shareholders) hire managers to manage the capital. Their activity should be directed to the increase of wealth of shareholders (dividends, increase of market cost of business). Anyway, in practice managers' efforts are not always directed to satisfaction of shareholders' needs. Interests might not coincide even when both shareholders and managers want the same thing. That is why there is a need in the instrument that would firstly satisfy the balance of interests, secondly, would allow owners to control and evaluate the managers' actions. This instrument should respond not only to the interests of owners, but also provide enough independence for managers and create conditions for their initiative. In practice of corporate management the problem of interests agreement is solved with the help of options for buying shares of the companies governed by managers. The higher the market cost of shares by the time of executing the option, the higher profit will be gained by managers from realization of rights of purchasing.

2. Problem of agreement in interests of all concerned people. It is analogic to the problem of agreement in interests of shareholders and managers. Not only the interests of shareholders and managers should be considered, but also the interests of other concerned people – state, company service, creditors, consumers, suppliers, etc. It is understandable that it is extremely difficult to agree and evaluate balance of such variety of non-coinciding interests; moreover, it is almost impossible in frames of traditional approaches.

3. The problem of measuring and evaluating the results of company activities. Financial report should reflect the true situation at the company. However, this doesn't happen all the time. Due to different reasons, using legal and illegal methods, financiers distort data of financial reports, often embellishing the results.

Finally we could make the following conclusions: solving the problem of agreement in interests in corporate relations based on options actually only increases the division of interests, caused by these options. It is necessary to have a new instrument of coordination of corporate relations with consideration of the wide spectrum of various interests. Some specialists note that the agreement in interests should be achieved not only between shareholders and managers, but also of

other concerned people such as clients, state organs, suppliers, etc. But due to shareholders' contribution to the company activity for which it is obliged for existence and development, the relationships

between owners and managers are the main priority and benchmark in the system of relationships of concerned sides, that's why requires first-order consideration.

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