

ADMINISTRATIVE AND LEGAL SUPPORT FOR THE MANAGEMENT OF INTEGRATED ECONOMIC STRUCTURES IN A GLOBALIZED BUSINESS PROCESSES

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Abstract. The *subject* of the study are organizational and economic relations arising in the process of administrative and legal support of management of integrated economic structures in a globalized business processes. *Methodology.* Instrumental and methodological apparatus of the study consists of the applied methods of organizational economic analysis, statistical methods, sample observation, economic and mathematical modeling method, grouping, generalization, expert evaluations, methods of economic theory, marketing, etc. The *aim* of the article is to study the basics of administrative and legal support of integrated economic structures management in the globalization of business processes. The *results* of the study consist in the development of specific provisions and recommendations aimed at improving the management of the formation and integrated economic structures functioning in the context of business processes globalization. The proposed recommendations will improve the level of administrative and legal support of corporate governance and efficiency of companies' groups. *Conclusion.* The following conditions of effective management of integrated economic structures in the context of business processes globalization are highlighted: compliance with the target unity in the activities of integrated economic entities; orientation of participants to achieve a synergetic effect of integration interaction; creation and maintenance of economic motivation for joint activities; orientation to reduce corporate risks of integration interaction; compatibility of resource potentials of the main interacting organizations; ensuring the controllability of integration interaction processes in the interests of the owner. Organization of rational economic relations within them and with external structures is of great importance to improve the efficiency of economic activities of integrated economic structures. These are relations with public authorities (GR-management), suppliers and customers, banks, insurance organizations, employees of enterprises, owners. The effectiveness of the group of companies largely depends on the availability and level of system development of internal regulatory management of consolidated finances. The purpose of internal regulations system is to fill gaps in the norms of existing administrative and legal legislation in the regulation of economic, managerial and financial activities of integrated economic structures.

Key words: administrative and legal support, macroeconomic policy, globalization, business processes, management, GR-management, economy, integrated economic structures, competitiveness, production efficiency, international market, administrative law.

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1. Introduction

The development of business processes globalization in the economy involves increasing the independence of subjects in the choice of directions, forms and methods of management and causes an increase in their responsibility for the results of

the relevant management systems. In this regard, the development and formation of new economic structures that can improve the efficiency of the economy at all levels is of particular relevance. An example of such structures could be integrated economic ones.

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Integrated economic structures are created to increase the competitiveness and efficiency of production, and the formation of rational technological and cooperative ties, as well as to enhance capacity and investment attractiveness.

Currently, integrated economic structures are actively involved in the implementation of national programs and large-scale innovation projects, as well as carrying out activities in strategically important areas of the economy. In addition, they protect the interests of the national economy in the international market, the regional economy at the level of the country and form to a large extent the state and regional budgets.

They, as a rule, unite enterprises of various industries located on a separate territory, which determines the specifics of the formation of technological, financial and cooperative ties.

Unification of material, financial, information and labor resources, diversification of activities, centralization of management processes – all these factors contribute to increased stability in the domestic and international markets, as well as reduce business risks, obtain synergistic effects and sustainable economic development. Integration of enterprises allows you to move to a qualitatively new management level, which makes it possible to apply different forms of action coordination, interests and managerial motivations of group members, thereby opening up real prospects for improving the efficiency of production.

The spread of integrated structures in the economy is growing. The number of business associations and the number of organizations participating in the groups is constantly increasing. As a result, there is growing interest in the managerial aspects of the creation and operation of companies' groups, including the problems of managing consolidated resources.

At the same time, it should be noted that the development of globalization and integration processes in the economy of many countries is hindered by the lack of clear administrative and legal norms regulating the processes of creation and operation of integrated economic structures (Calhoun, 2014).

2. The essence of integrated economic structures in the modern world, their forms, types and structure

In general, integration is understood as the creation of the whole by combining the parts. In the modern economic dictionary integration is defined as the association of economic actors, deepening their interaction and the development of ties between them.

Based on the modern economy analysis in the context of business process globalization, the following conclusions can be made:

– integration is a universal phenomenon that applies to various objects and phenomena, including economic ones, such as national economies, regions, and enterprises;

– economic integration is manifested both in the expansion and deepening of production and technological ties, the joint use of resources, the pooling of capital, and in the creation of favourable conditions for each other's economic activity and the elimination of mutual barriers;

– integration should be considered both as a process and as a result. As a process – it is the union of economic subjects to achieve a common goal (the creation of a certain product that meets the requirements of the final consumer) in satisfaction of private interests of subjects; as a result – the formation of a complex structure consisting of a set of interrelated and interacting economic subjects, with new qualities and connections, which are absent in separate entities (Forsythe, 2011).

Group members, regardless of their legal independence loss, become an integral part of a common structure. They are united by a common goal of development, production and financial ties.

Integrated economic structures are created and function in different forms and types, depending on the objectives of the group, the economic content of the association, legal status, and so on. The groups vary in the degree of centralization of production and management functions, as well as by models of building the organizational structure (Grief, 1993). However, there are also common features inherent in all associations, which determine the functioning of the group as an integrated structure. Such characteristic peculiarities of integrated structures should include:

– the association of two or more legal or natural persons, in other words, business entities;

– integration of resources (raw materials, financial, intellectual, information, labour and others);

– the pursuit of a unified developmental goal to achieve the interests of the group as a whole;

– the presence of economic dependence (production, financial, other);

– implementation of coordinated activities;

– centralization of certain management functions (with varying degrees of centralization);

– the presence of a structure.

Members of the group can be any legal entities – commercial and non-commercial organizations, as well as natural persons – individual entrepreneurs. A number of authors, considering the status of members of integrated groups, include branches in this list (Fernandez, 2016). But since branches are separate subdivisions of an organization and do not have the status of a legal entity, while they do not bear property liability for their debts, including tax debts, their

inclusion in the single group of business entities seems to us unreasonable.

Depending on the purpose of the association, the composition of participants varies greatly in the types of activities that they carry out. If the goal of integration is to achieve an economic effect by centralizing the sales function, then organizations producing similar goods or products are included in the group. If a group is created to reduce production risks through diversification, then it is formed of participants operating in different areas of business. This group often includes financial institutions, namely banks, insurance companies and investment firms (Machlup, 1962).

With the exception of several forms of integrated structures, whose activities are regulated by special administrative and legal norms, the group's composition is formed on the basis of the goals and objectives of the associations. The quantitative composition of the integrated structure is not limited. The creation of one affiliated undertaking in an organization is already enough to form a holding association, that is, the minimum composition of the group is two participants. There is no maximum number of participants. There can be many, depending on the goals and scope of the association (Porter, 2003).

The organizational-legal form of the participants of the group can be any, but the most commonly used forms are joint-stock companies, limited liability companies, partnerships. For example, it should be noted that the current administrative and legal norms in Ukraine limit the formation of subsidiaries and affiliates to several organizational and legal forms, which does not correspond to the current business practice and the realities of economic life.

One of the main features inherent in groups of economic actors is the integration of resources belonging to its individual participants. Participants combine raw materials, financial, intellectual, information, labour and other types of resources. This factor is fundamental for achieving a synergistic effect, for increasing the efficiency of activities as a result of the merger.

The pursuit of a unified goal in the activities of the group is the most important feature of an integrated structure. Prioritizing the interests of the group as a whole is a principled position. Each participant of the integrated structure, as an independent legal entity, has its own goals and objectives of activity. At the same time, they should be subordinated to a single goal of the group's development, common interests. Tasks for each participant are set on the basis of the general goal statement, in accordance with the goals of the group's activity and those resulting from them (North D., 1990).

Any association is impossible without the dependence of the participants of this association on each other, the system of close links between

them. The content and form of dependence can be different: legal dependence of subsidiaries in relation to the parent company; production dependence in the formation of a single process chain "supply of raw materials – production – sales of products"; financial dependence arising from the centralization of financial flows and investment management functions, and so on. In integrated structures builds a complex system of relationships and interdependencies, covering all areas of life of the group – the constituent, production and technical, financial and managerial. These relations are mediated through the authorized capital (fixed in the constituent documents), as well as through the system of contractual relations between the group members (Gasnov, 2008).

The most common form of people's mutual dependence is considered to be a property relations. They are based on participation in the authorized capital of a particular legal entity. The connections secured through the system of participation in the capital of the enterprises belonging to the group are the most stable. Ownership of a controlling stake in subsidiaries ensures a unified corporate policy and control over the activities of group members by the parent (parent, central) company.

The implementation of coordinated activities follows from the goal of achieving the common interests of the group. Without coordinating the various productive, economic and social activities of all participants, it is impossible to achieve a single development goal. Coordination makes it necessary to synchronize the actions of individual enterprises and the entire structure as a whole, as well as centralizing the management functions of the group. Due to the scale and complexity of coordinating different types of activities, as well as the mandatory separation of the owner and management functions, it is necessary to organize the allocation of corporate governance specialized function.

The degree and levels of centralization may vary. Depending on the purpose and economic content, associations of business entities may be created:

- a rigidly centralized structure with unified management of all group processes;
- partial centralization, in which centralization covers only a part of the processes.

For example, centralization of scientific and production development functions is typical for integrated groups created in the form of concerns, in syndicates commercial activities are centralized – sales management functions, in financial and industrial groups and holdings, as a rule, all functions of corporate property management, finance, personnel are centralized.

The degree of centralization depends largely on the organizational structure and management model used in the group of companies.

The coordinated activity of any group is conditioned by its structuring. The structure of the group implies

the organization of the key decision-making center and the possibility of the member enterprises' operational control. The organizational structure of the group can be:

- simple or single-level – for example, the parent company and its subsidiaries;
- branched or multilevel – if there are subsidiary undertakings of a subsidiary undertaking;
- complex – if there are several control centres (Rosenberg, 1982).

The formation of the structure depends on the legal form of the association of economic entities into a group. For example, there is currently no clear legal basis for the creation and functioning of integrated groups in the Ukrainian legislation. The legislation contains only the legal basis for the activities of subsidiaries and dependent companies, associations (unions) and organizations united under a simple partnership agreement. A number of legislative acts regulate the formation of financial-industrial groups and holding associations. Antimonopoly laws regulate certain aspects of integrated groups. In this regard, the group's organizational structure is based both on certain provisions of the legislation governing its activities and on developed internal regulations. It takes into account the global experience of large corporate associations in the context of business processes globalization (Ortina, 2014).

3. Integrated economic structures: growth and friendliness

The creation of integrated economic structures is a process of consolidation of the company's activities, which indicates its growth. In the process of forming integrated economic structures, the following main types of integrated growth are distinguished:

- Internal growth or expansion from within. This is the process of creating subsidiaries, dependent or other member companies of the group at the expense of own or borrowed sources. This group growth type is considered organic;
- External growth. This is the process of joining existing companies to the group as its members.
- Consolidation of existing integrated groups among themselves.
- Division of large companies during restructuring.

Forms of accession may be different – for example, the purchase of shares or stakes in the company, the signing of a simple partnership agreement, the contract with the management company with the transfer of certain management functions and others.

The essence of the strategy of internal (organic) growth is that the accumulated profits and borrowed funds are invested in the existing business. There is an increase in production capacity, an increase in production and sales. Internal growth is inherent in young companies with a high internal potential for

improving business efficiency, growth in product innovations, entering new geographical markets.

External growth is typical for companies that have exhausted the opportunities and potential of internal growth and seek external expansion and development. The most common forms of external growth are mergers and acquisitions (M&A). M&A is a common definition for transactions that are instruments of corporate control transfer, including the purchase and exchange of assets.

The "division" of large companies formed a significant number of integrated structures during their restructuring. This method was typical for many Ukrainian enterprises in the early 90s during privatization and the transition to self-sufficiency. As a result, a large number of subsidiaries with 100% participation of the parent company were established from the ex-production structures (Varshavsky, 2019).

External growth of companies can be provided by horizontal, vertical, regressive vertical, progressive vertical and conglomerate integration.

Horizontal integration is an association of economic entities producing similar goods, types of products and using similar technologies. Horizontal integration is carried out by technologically independent enterprises interested in increasing sales of products.

Vertical integration is the merger of business entities of a single technological cycle from raw materials to finished products (companies participating in the same technological chain "supplier – producer – seller", when one of the participants is a supplier or consumer in relation to the other). This type of association is also called "product lifecycle association".

Regressive (reverse) vertical integration is aimed at the growth of the company through the acquisition or strengthening of control over suppliers. A firm can either create subsidiaries to handle supplies or acquire companies that already do supplies. This is the method by which the company creates (integrates) its own input stages of the technological chain.

The advantages of reverse vertical integration are reduced dependence on fluctuations in component prices and supplier requests. In addition, supplies, which are a cost center for the company, can turn into a revenue center.

Progressive (direct, forward-going) vertical integration is expressed in the growth of the company through the acquisition or strengthening of control over structures located between firms and the end user, that is, distribution and sales systems. In this case, the output stages of the technological chain are integrated. The advantages of this type of integration are manifested in the expansion of intermediary services. Vertical integration can also be complete and narrow. When complete, all inputs and outputs are combined. An example of a narrow one is the purchase by a company of only a part of the incoming elements and the production of the rest on its own (Shats'ka, 2018).

Conglomerate integration is an association into a group of economic entities from different industries that are not related to each other by type of activity.

The economic advantages of such associations are achieved by diversifying activities and reducing risks.

Associations differ in the degree of voluntariness (friendliness) as follows: voluntary and compulsory associations. A defensive association can distinguish a kind of voluntary association (Kodama, 1995).

A friendly association is when all the conditions of the process are agreed between the owners of the interested companies.

Compulsory association is a form of integration in the absence of consent of the absorbed company.

Defensive merger – designed to make the company less vulnerable to "hostile takeover". In essence, it is an association by agreement of the parties. However, the purpose of such an alliance is not so much business development as its protection.

It should be noted that hostile takeovers in Ukraine occupy a larger market share of corporate association transactions than in countries with developed economies. The main reasons for this are:

1. Economic weaknesses in business and opportunities for political and administrative pressure on it.
2. Imperfection of legislation and the possibility of its abuse.

We highlight the following main methods of hostile takeover:

- aggressive purchase of shares of the target company in the secondary market – from employees, brokers, financial organizations and others;
- lobbying for transactions with blocks of shares remaining with the authorities, carried out in the form of residual privatization, trust management, etc;
- buying up debts or transforming them into property-equity interest;
- assets acquisition of companies liquidated in bankruptcy;
- abuse of court decisions to invalidate earlier transactions or issues of securities, restrictions on the rights to own blocks of shares, to hold general meetings, and so on.
- theft of shares by manipulating the register of shareholders, making illegal transactions regarding the disposal of shares, etc (Gronroos, 1990).

4. Administrative, legal and economic means of improving the management of integrated structures in a globalized business processes

To organize the management of integrated economic structures is important to analyze the peculiarities of economic relations in them. In theory, there are several major groups of relations, depending on their economic content, which enter into business entities in the process of economic activity on the formation, distribution and use of financial resources. These are

financial relations with public authorities, suppliers and customers, banks, insurance organizations, employees of enterprises, owners.

To analyze the totality of financial relations formed by the participants of an entrepreneurial group with other market participants and among themselves, subjects and types of interaction can be divided into groups.

There are external and internal types of financial relations.

External financial relations are formed between the members of the group of companies and other subjects of the economic process (external to the group) (Greener, 2009).

When implementing external financial relations, each member company of the group interacts:

- with state authorities represented by tax, customs, law enforcement, antimonopoly, judicial authorities, securities market control bodies, state and local authorities;
- with credit and insurance organizations, investment and non-state pension funds, and other financial institutions (not included in the group);
- with suppliers, customers, buyers, sellers and other counterparties related to the production and sale of products, services, works (not included in the group);
- with non-profit organizations (which are not members of the group).

Internal financial relations are formed between the participants of the business association (within the group):

- the enterprises of the group interact with the shareholders (participants) of the association;
- the group's enterprises, through their representatives (managers), enter into financial relations with the employees (labor collective) of these enterprises;
- the organizations belonging to the group participate in financial relations with each other;
- subsidiaries and dependent organizations interact with the main (parent, central) company (Shevchuk, 2019).

Due to the legal and economic dependence of the enterprises participating in the group on the parent (central, managing) companies, internal financial relations play a decisive role in the formation of the entire system of financial relations in integrated structures (Ferreira, 2019).

Another grouping of the totality of financial relations is due to the main feature of integrated structures, which is that they are both a set of individual companies-business entities; and a single economic complex, an independent unit of entrepreneurship, a "single business". There is a combination of the interests of the group as a whole and the interests of an individual member of the group. This factor determines the formation of a two-level system of financial interaction between the group and market participants.

The first level. The Group as a whole, as a single economic entity, enters into relations with the state, suppliers, customers, financial institutions and other counterparties through its authorized representative (parent, central or management company). The totality of financial relations of this level is aimed at the realization of the overall business development goals of the group of companies as a whole.

The second level. Each company participating in the group interacts with the same persons as an independent legal entity. At the same time, the goals and objectives of the business development of this participant are realized (within the framework of the group's general objectives).

Thus, it is possible to distinguish three classifications of types of financial relations that are formed in integrated economic structures:

- on the subjects of interaction and the economic content of financial relations;
- external and internal types of financial relations;
- according to the level of the subject of financial relations from the integrated structure (two-level system of relations).

Financial management of any organization is carried out using a financial mechanism. In financial management, the fiscal mechanism is part of the economic system and is a set of forms and methods of financial management of the organization in order to achieve maximum profit (Daft, 2012).

The structure of the financial mechanism as one of the elements includes auxiliary systems: legal, regulatory, informational, program. Their role in the financial management system should not be underestimated. They are not auxiliary to financial instruments and methods. It is within the framework of administrative, legal and regulatory support is determined by the possibility of applying these or those methods and tools of financial management, as well as the construction of certain organizational management models.

In this regard, the study of financial management processes in integrated economic structures in the context of business process globalization is impossible without analyzing the peculiarities of regulatory and legal support of the activities of companies groups. In addition, these features are determined by the norms of current legislation governing the creation and operation of companies groups, as well as their practice of application.

The system of administrative and legal support of the financial management process of integrated economic structures consists of:

- legislative and other acts;
- internal documents and local regulations.

Legislative regulation is a priority, basic, it determines the legal status of business entities and forms the basic principles of the creation and functioning of the group, the formation of financial relations, as well

as establishes the boundaries of legislative acts and internal regulations.

According to many experts, the current legislation in the developing market economy of Ukraine is not able to provide sufficient completeness of the legal regulation of entrepreneurial activity. In relation to the regulatory support of the functioning of integrated economic structures, this conclusion is even more relevant. Such factors as the group's complex structure, the diversity of activities, the participation of enterprises with different organizational and legal norms, and imperfect legislation make it necessary to develop internal documents regulating the management process as a whole, and financial management as its most important part (Shevchuk, 2019).

The effectiveness of a group's financial activities largely depends on the presence and level of system development of internal normative regulation of consolidated finances management process.

The internal regulatory support system for group financial management is developed by the group members (as a rule, this function is performed by the parent, central or management company) in accordance with the principles and rules established by applicable law, taking into account the goals and objectives of the group. The system includes:

- documents directly provided for by the legislation;
- documents created based on the needs of the group's activities.

The internal documents created in the group are binding on all participants in the financial relationship. In addition, they are taken into account and have force in legal proceedings.

A problem in the management of integrated structures is the fact that the legal form of the board of directors, supervisory board or other group's supreme management body in general does not exist, since the current administrative and legal norms do not consider an integrated group as a single legal entity. In a group with a simple organizational structure, where the parent company owns controlling stakes in subsidiaries, the director board (supervisory board) of the parent company may take on the functions of the group's supreme governing body. In groups with a complex structure, without a clear system of dependence through equity participation, the issues of top management of the association as a whole, the coordination of the organization should be resolved through a system of intra-corporate normative regulation.

The tasks of internal regulations system in the financial management of integrated economic structures are as follows:

- filling gaps in the norms of the current legislation in the field of regulation of the economic, managerial and financial activities of the group;
- coordination and regulation of group members' financial relations;

- resolving issues related to conflicts of all participants in financial relations;
- establishment of the procedure for the formation and use of funds and reserves (including centralized ones), profit distribution;
- consolidated accounting system formation, financial analysis, planning and control;
- distribution and consolidation of functions, powers and responsibilities of each participant;
- ensuring document flow between the participants of the structure.

As a basic document of the system of internal normative support of financial management in the group of companies, it is advisable to develop a general (conceptual) provision, which will determine the following:

- principles of the organization and functioning of the integrated group;
- functional distribution of powers and responsibilities among the group members;
- a list of centralized functions performed by the parent (central, managing or other authorized) company;
- basic requirements for the procedure of development, coordination and approval of draft internal documents;
- types of internal regulations by the scope of their application (Martin, 2015).

To characterize the types of internal documents, it is advisable to highlight the following of the Regulation:

1. Internal normative regulation of the Group's management bodies. The section may include provisions on the supreme management body of the group, on the Management Board (Management Company), on the Audit Commission and others.

2. Local acts regulating relations with the founders (shareholders, participants) of organizations belonging to the group (regulations on the procedure for forming the group's capital, consolidating resources; on the procedure for the formation, distribution and use of centralized funds; on profit distribution, directions of its use and payment of dividends).

3. Documents regulating financial relations with employees are regulations on the system of remuneration and incentives, on social security, on training and professional development, and others.

4. Internal documents establishing the procedure for financial reporting within the group (for accounting, tax and management accounting purposes, provisions on the document management system, preparation of consolidated financial statements, etc.).

5. Regulatory documents defining the procedure for financial analysis and planning (regulations on the budgeting system, on the formation of strategic, current and operational plans, on the system of financial indicators).

6. Provisions establishing the basic principles for the formation of the investment, financial, tax and credit policy of the group.

7. Internal acts regulating the process of internal financial control (Le Grand, 2019).

Thus, a set of internal regulatory documents can serve as an effective tool for organizing and regulating the process of managing consolidated finances in integrated structures.

5. Conclusion

Economic integration is the unification of economic entities, the deepening of their interaction, the development of links between them. It is manifested both in the expansion and deepening of production and technological relations, the joint use of resources, the pooling of capital, and in the creation of favourable conditions for each other's economic activity and the elimination of mutual barriers. As a process, it is the association of economic subjects to achieve a common goal (the creation of a certain product that meets the requirements of the final consumer) while satisfying the private interests of the entities; the result is a set of interrelated and interacting economic actors with new qualities and relationships that are absent from the disconnected subjects.

Integrated economic structures are proposed to be understood as a set of economically related business entities that share resources and coordinate their activities to achieve a common goal (creating a product that meets the requirements of the end user) and the sustainable functioning and development of each entity.

The following conditions for effective management of integrated economic structures in the context of globalization of business processes are highlighted: compliance with the target unity in the activities of integrated economic entities; orientation of participants to achieve a synergetic effect of integration interaction; creation and maintenance of economic motivation for joint activities; orientation to reduce corporate risks of integration interaction; compatibility of resource potentials of the main interacting organizations; ensuring the controllability of integration interaction processes in the interests of the owner.

It is established that to improve the efficiency of economic activities of integrated economic structures, a major important aspect is the organization of rational economic relations within them and with external structures. These are relations with public authorities, suppliers and customers, banks, insurance organizations, employees of enterprises and owners. The specificity of relations is due to the main feature of integrated structures, which is that they are both a set of individual companies-business entities, and a single economic complex, an independent unit of entrepreneurship. There is a combination of group interests as a whole and the group's individual member's interests. The group's efficiency largely depends on the presence and development level of the internal regulatory management system for consolidated

finances. The system of internal regulations is aimed at filling gaps in the existing norms of administrative and legal legislation in the field of economic, managerial and financial activities of integrated business structures.

Features of economic analysis, planning and control in integrated economic structures are due to the need to perform these functions at different levels: of the individual enterprise; of a particular direction, implemented by several companies; of the structure as a whole. From the need to coordinate the collection and processing of primary information for its generalization and analysis, the organization of coordinated activities for the formation and implementation of planning tasks follows the expediency of centralization of these functions. In this regard, the financial service of the parent company or a specialized management firm is engaged in analysing the economic activity of integrated economic structures, making forecasts, long-term and medium-term plans.

Setting up management systems begins with a system of high-quality collection and processing

of management information. It is the information of management accounting, which relates to the tactical and operational levels of management that is the basis for making competent management decisions at all levels. The main users of this information are founders, senior, and middle managers.

Building an effective accounting system in integrated economic structures in modern conditions is impossible without automation of accounting operations. The use of modern automated system will allow to solve such problems of bookkeeping organization as provision of connection between accounting and management reporting, organization of bookkeeping by a large number of analytical attributes, elimination of duplication when entering information and reduction of complexity of management reporting, integration with other information systems. To build a unified bookkeeping system at the enterprises of integrated economic structures, it is necessary to develop and approve the relevant regulations and forms required for use by all participants.

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