SECTION «STATE ADMINISTRATION»

INSTITUTIONAL TRANSFORMATION OF THE STATE AS A PROFESSIONAL CORPORATE SHAREHOLDER IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT: CASE OF UKRAINE

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Abstract. The *purpose of the chapter* is to substantiate the institutional transformation of the state into a professional corporate shareholder as a prerequisite for effective governance of joint-stock companies with state participation in Ukraine. The study focuses on the transition from an administrative model of state-owned enterprise management to a State Ownership Policy approach, in which the state acts primarily as an owner rather than as an operational administrator. *The study's methodology* combines institutional, comparative, systemic, and historical approaches. The evolution of governance models is examined from the bureaucratic paradigm through New Public Management and New Public Governance to the contemporary concept of the State Ownership Policy. Institutional analysis is used to identify the structural causes of ineffective state-ownership governance in Ukraine and to establish relationships among ownership policy, corporate governance, strategic management, risk management, and performance evaluation. The analysis is supplemented by examination of selected Ukrainian state-owned companies, including Naftogaz of Ukraine, NPC Ukrenergo, Gas Transmission System Operator of Ukraine, and Energoatom. *Results of the survey* demonstrate that Ukraine has established a substantial legal and organizational infrastructure of modern corporate governance, including supervisory boards, internal audit,

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risk management, compliance mechanisms, and corporate transparency. However, the institutional transformation of the state as the owner of corporate rights remains incomplete. This has resulted in an institutional asymmetry: corporate governance procedures at the company level have been progressively modernized, while the exercise of state ownership rights continues to rely substantially on administrative logic. The resulting dysfunctions include fragmented ownership responsibilities, the absence of a coherent state ownership policy, formalization of supervisory board activities, predominance of short-term decisions over strategic management, insufficient integration of risk management into strategic planning, and an unresolved relationship between commercial objectives and public policy obligations. *Practical implications* consist of the proposed institutional chain for forming a professional state shareholder: state ownership policy → professional state shareholder → professional supervisory board → professional management → strategic management → integrated risk management → performance evaluation → creation of long-term value. The model can serve as a framework for assessing the institutional maturity of state ownership governance and identifying priorities for further reform. *Value/originality* lies in shifting the analytical focus from individual corporate governance instruments to the state itself as the institutional subject of ownership. The chapter argues that the effectiveness of corporate governance reforms depends not primarily on the further proliferation of procedures, but on completing the transformation of the state into a coherent, accountable, and professionally organized corporate shareholder. This approach provides a conceptual basis for moving from formal compliance with international standards to effective governance of state assets and their contribution to sustainable economic and public value.

INTRODUCTION

The current stage of development of Ukraine's state-owned sector is characterized by a profound transformation of approaches to governing state-owned companies. Deepening European integration, the need to improve the efficiency of state asset management, and the growing role of state-owned companies in ensuring economic and national security have made the reform of corporate governance in accordance with international standards increasingly important. Over the past decade, Ukraine has established a

regulatory framework for such reform, including the implementation of a substantial part of the recommendations of the Organization for Economic Co-operation and Development (OECD) concerning the governance of state-owned assets.

The legislative changes introduced have created the necessary preconditions for a modern corporate governance system, including independent supervisory boards, specialized board committees, internal audit, compliance, risk management, and corporate transparency. However, practical experience demonstrates that the formal introduction of individual institutions does not in itself ensure the principal objective of the reform: improving the efficiency of state ownership and creating long-term value from state assets.

As a result, a specific form of institutional asymmetry has emerged. At the level of individual joint-stock companies, corporate governance is increasingly aligned with international standards, while the mechanisms through which the state exercises its ownership rights remain largely rooted in an administrative logic of governance. The multiplicity of entities exercising state ownership rights, the absence of a coherent state ownership policy, insufficiently defined strategic objectives of the state as a shareholder, and the dominance of short-term political priorities over long-term corporate interests significantly constrain the effectiveness of even those corporate governance institutions already established.

Thus, the key challenge at the current stage of reform is not so much the further improvement of individual corporate governance procedures as the completion of the institutional transformation of the state itself as the owner of corporate rights. Without establishing a professional state shareholder capable of defining state ownership policy, formulating strategic expectations for companies, and assessing the achievement of those expectations, other elements of corporate governance – including supervisory boards, strategic planning, risk management, and corporate control systems – will remain insufficiently integrated.

Despite a substantial body of research addressing corporate governance in state-owned enterprises, supervisory boards, reform of the state-owned sector, and the implementation of the OECD Guidelines [1–7], the institutional development of the state as a professional corporate shareholder remains insufficiently explored. This particularly concerns the

role of state ownership policy within the corporate governance system, the relationship between the state's ownership functions and the activities of corporate governance bodies, and the development of an integrated institutional model linking state ownership policy, strategic management, risk management, performance assessment, and long-term value creation from state assets.

1. Evolution of Models of State-Owned Enterprise Governance

For most of the twentieth century, state-owned enterprises were viewed primarily as instruments for implementing government economic policy. Accordingly, their governance was based on the logic of public administration, with the enterprise effectively functioning as an extension of the executive branch of government. However, the increasing complexity of economic relations, globalization of markets, and growing demands for the efficient use of state assets have fundamentally transformed theoretical approaches to the exercise of the state's ownership function. In contemporary international practice, the state is increasingly regarded not as a direct administrator of an enterprise but as a professional shareholder that defines the company's strategic objectives, monitors their achievement, and ensures the creation of long-term value from state assets.

The origins of the traditional governance model can be traced to the classical bureaucratic concepts developed by Woodrow Wilson, Frank Goodnow, and Max Weber [8–10]. Within this framework, state-owned enterprises functioned as components of the administrative system, while legality, discipline, procedural compliance, and implementation of government decisions constituted the principal criteria of effectiveness. Ministries directly supervised production activities, approved personnel decisions, and controlled the use of resources. Although this model ensured a high degree of administrative control, it offered limited incentives for strategic development and failed to orient enterprises toward value creation.

At the end of the twentieth century, the concept of New Public Management brought a fundamental reconsideration of the state's role in the economy. The works of Christopher Hood [11] and David Osborne and Ted Gaebler [12] emphasized the need to shift from procedural control to performance management, expand the use of corporate mechanisms, separate ownership from management, and increase the autonomy of executive

bodies. The principle of "steering rather than rowing" [12] implied that the state should determine the strategic direction of development while leaving operational management to professional executives. It was at this stage that the idea of moving from administrative management of enterprises toward the management of state ownership rights was first articulated.

The development of the New Public Governance approach, associated with Stephen Osborne [13], as well as Keith Emerson and Tina Nabatchi [14], broadened these perspectives by shifting attention from market mechanisms toward network governance, stakeholder interaction, and the co-creation of public value. Within this model, state-owned enterprises are viewed not merely as economic entities but as components of broader institutional ecosystems responsible for implementing public policy, maintaining critical infrastructure, and achieving socially significant outcomes. Consequently, the effectiveness of corporate governance is determined not only by financial performance but also by the state's ability to balance economic and public objectives.

The theoretical foundations of this transformation were also shaped by classical works on corporate governance, particularly those of Adolf Berle and Gardiner Means [15] and Michael Jensen and William Meckling [16], which demonstrated that corporate performance depends substantially on the quality of interaction between owners and management. In companies with state participation, this problem is more complex because the state simultaneously acts as a legislator, regulator, policymaker, and corporate owner. Consequently, a central task of reform is not merely to improve enterprise-level governance but also to institutionally separate these functions.

Further developments in institutional economics, particularly the works of Douglass North [17] and Oliver Williamson [18], demonstrated that the long-term effectiveness of organizations depends less on individual managerial decisions than on the quality of the institutions that govern their participants' behaviour. This implies that corporate governance reform cannot be limited to the creation of new procedures or governance bodies if the underlying model through which the state exercises its ownership function remains unchanged.

A logical outcome of these theoretical developments was the emergence of the OECD Guidelines on Corporate Governance of State-Owned

Enterprises [19–22]. Unlike earlier reform approaches, these Guidelines shift the focus from individual state-owned enterprises toward the state itself as a professional owner of corporate rights. A central element of this approach is the *State Ownership Policy,* which defines the objectives of state ownership, principles governing the exercise of ownership rights, the separation of ownership, regulatory, and policymaking functions, and the system for assessing the performance of state-owned companies.

Thus, the evolution of contemporary corporate governance theory demonstrates a gradual transition from the state as administrator to the state as professional shareholder. This transformation has become a central component of international state-sector reforms. At the same time, the subsequent analysis demonstrates that, despite substantial improvements to Ukraine's corporate governance framework, this institutional transition remains incomplete. This is a fundamental source of many systemic problems in the governance of state-owned companies.

The evolution of contemporary approaches to state-owned enterprise governance also demonstrates that mechanically transferring private-sector corporate practices to state-owned companies does not ensure the expected results. Although state-owned joint-stock companies use the same corporate governance institutions as private companies – including general meetings of shareholders, supervisory boards, executive bodies, internal audit, internal control, and risk management – the institutional logic underlying their operation differs substantially from that of private business (Table 1).

In a private corporation, the owner generally pursues a relatively homogeneous objective: increasing the company's value and obtaining returns on invested capital. This objective determines the corporate incentive system, management performance criteria, and strategic time horizon [15; 16].

By contrast, the state as shareholder simultaneously performs several interrelated but not always compatible functions. It remains the owner of corporate rights, formulates public policy, regulates relevant markets, ensures the delivery of socially important functions, and bears responsibility for national security and sustainable development. This multifunctionality determines the specific nature of corporate governance in state-owned companies and makes the direct transfer of private-sector models impossible without institutional adaptation [21; 22].

Table 1

Comparative Characteristics of Corporate Governance Models

Criterion	Private joint-stock company	Joint-stock company with state participation
Primary objective	Creation of long-term business value and shareholder returns	Creation of long-term economic and social value and implementation of the state's strategic functions
Nature of the owner	Private investor or group of shareholders	The state acting as a professional corporate shareholder
Ownership policy	Determined by the owner or board of directors	Formulated by the state in accordance with State Ownership Policy
Key ownership document	Corporate strategy and shareholder resolutions	State ownership policy, individual ownership policy, and ownership expectations
Primary governance objective	Economic efficiency of the company	Balance between economic efficiency and achievement of public objectives
Role of the supervisory board	Representation of shareholder interests and strategic oversight of management	Implementation of the state's ownership expectations, strategic oversight, and balancing commercial and public objectives
Role of executive management	Achievement of corporate KPIs and growth in business value	Implementation of corporate strategy, fulfilment of state ownership expectations, and delivery of the company's public mission
Performance criteria	Financial results, market value, return on capital	Financial and non-financial KPIs, strategic outcomes, and long-term economic and social value creation
Risk management	Integrated into the company's development strategy	Integrated with corporate strategy, ownership policy, and national resilience objectives
Management time horizon	Long-term growth in business value	Long-term corporate development beyond the political cycle
Owner–management relationship	Principal–agent relationship	Multilevel system: state as shareholder – supervisory board – management
Additional constraints	Primarily market-based	Legal, budgetary, regulatory, social, security, and political constraints
Ultimate outcome of corporate governance	Growth in company value and shareholder returns	Creation of long-term economic and social value from state assets

Source: developed by the author

Another fundamental feature concerns the structure through which ownership rights are exercised. In a private company, shareholder functions are generally concentrated in a single owner or a consolidated group of shareholders. In the state sector, they are distributed among the Cabinet of Ministers of Ukraine, central executive bodies, the State Property Fund of Ukraine, and other authorized entities. Historically, this model emerged as an administrative system for managing state property; under contemporary conditions, however, it substantially complicates the exercise of state ownership rights. Multiple decision-making centres undermine policy coherence, amplify short-term political influence, diffuse accountability for corporate performance, and complicate the development of a unified state ownership policy.

Consequently, international practice in state-owned enterprise governance has increasingly shifted its focus over the past two decades from reforming individual companies toward reforming the state as an owner. The updated OECD Guidelines on Corporate Governance of State-Owned Enterprises [21; 22] are particularly illustrative in this regard. One of their central elements is the State Ownership Policy, which defines the objectives of state ownership, principles governing the exercise of ownership rights, the separation of ownership, regulatory, and policymaking functions, and accountability mechanisms for the state shareholder. Under this approach, the effectiveness of supervisory boards, executive management, internal control, and risk management is not regarded as a self-sufficient outcome of reform but rather as a function of the quality with which the state exercises its ownership role.

Accordingly, corporate governance in state-owned companies should be understood as a multilevel system in which state ownership policy, the activities of the state shareholder, the supervisory board, strategic management, risk management, and performance assessment constitute an integrated institutional mechanism. A failure at any link inevitably affects the functioning of the entire system, regardless of the degree of formal compliance of individual procedures with international standards.

Therefore, assessing the outcomes of corporate governance reform in Ukraine should not be limited to the implementation of individual OECD recommendations or improvements in the performance of supervisory boards. More important is determining whether Ukraine has established

the institution of a professional state shareholder capable of consistently implementing state ownership policy and exercising strategic governance over state corporate rights. This issue is examined in the following section.

2. Initial Results and Problems of Corporate Governance Reform in Ukraine

The fundamental changes in Ukraine's state-owned sector initiated after 2014 constituted one of the country's most extensive reforms in the field of state ownership governance. The main drivers were European integration, cooperation with international financial institutions, and the need to harmonize national legislation with international corporate governance standards. During the subsequent decade, Ukraine established a modern regulatory framework for companies with state participation that substantially reflects the approaches of the Organisation for Economic Co-operation and Development (OECD) to the governance of state-owned enterprises.

The main reform measures covered virtually all key elements of corporate governance. Legislation introduced independent supervisory boards, improved procedures for their formation and operation, established requirements for director independence, created legal foundations for audit, nomination, and remuneration committees, and expanded mechanisms for internal audit, compliance, internal control, and risk management. Requirements concerning corporate transparency, accountability, and shareholder rights were also strengthened [23–27]. As a result, the corporate governance framework of state-owned companies was substantially aligned with contemporary international standards.

A major milestone in this process was the adoption of Law No. 3587-IX, which comprehensively modernized the legal architecture of corporate governance in state-owned companies [28]. The law not only clarified the powers of entities exercising state corporate rights and improved the functioning of supervisory boards, but also introduced instruments such as state ownership policy, individual ownership policies for specific companies, and ownership expectations. The emergence of these instruments marked a shift from exclusively procedural regulation of companies toward an attempt to establish a modern model for the state to exercise its ownership function.

At the same time, analysis of the reforms demonstrates that their principal focus remained corporate procedures rather than the institutional transformation of the state as a shareholder. Legislation specifies in considerable detail how supervisory boards should operate, how their members should be appointed, and how committees, internal audit, compliance, and risk management should function. Much less attention, however, has been devoted to strategic-level questions of corporate governance: who actually performs the functions of the state shareholder, who formulates a unified state ownership policy, who defines companies' strategic objectives and state expectations, and who evaluates the effectiveness of the state's exercise of its ownership rights.

Importantly, even Law No. 3587-IX, which introduced the concepts of "state ownership policy" and "ownership expectations", primarily establishes the legal prerequisites for a transition toward a professional state shareholder rather than completing that transition [28]. The law introduces new ownership-policy instruments but does not create a single institutional centre for exercising the state's shareholder function, does not fully eliminate the multiplicity of bodies representing the state as owner, and does not establish a comprehensive system for assessing the state's performance in exercising its corporate rights. Similarly, although the law provides detailed requirements for supervisory boards, it does not establish a unified methodology for defining strategic state ownership objectives and corresponding key performance indicators.

Thus, the reform has provided relatively comprehensive answers to the question *"How should corporate governance bodies operate?"* while leaving open the question *"How should the state act as a shareholder?"* This constitutes the principal institutional limitation of the reforms undertaken.

At the company level, corporate governance has become substantially more professional, whereas the mechanism through which the state exercises its ownership function has largely retained an administrative logic. New corporate institutions operate within an established decision-making system in which shareholder powers remain distributed among various state bodies, strategic objectives are often defined on a case-by-case basis, and corporate decisions remain significantly influenced by current political priorities.

Consequently, Ukraine has developed an *institutional asymmetry of state corporate governance,* defined as a systemic gap between the level

of corporate institutional development within state-owned companies and the institutional development of the state as a corporate shareholder. Under this condition, modern corporate governance mechanisms operate without an adequate state ownership policy, strategic goal-setting or professional exercise of the state's ownership function.

As a result, individual corporate governance instruments – including supervisory boards, KPIs, risk management, and internal control – lose their systemic coherence, acquire a predominantly procedural character, and fail to ensure the achievement of strategic state ownership objectives.

This conclusion is supported by an analysis of policy documents in the field of state ownership governance. Although these documents declare the need to reform the public sector, they have not yet established a comprehensive State Ownership Policy in the sense envisaged by the OECD Guidelines [21; 22]. A single entity responsible for exercising the state's shareholder functions has not been established; a unified system of strategic objectives for companies with state participation has not been developed; and a common methodology for assessing the state's performance as the owner of corporate rights has not been introduced.

Thus, Ukraine's corporate governance reform has largely shifted *from corporate procedures to the state as the owner*. By contrast, the State Ownership Policy concept underlying the contemporary OECD Guidelines presupposes the opposite sequence: first, a professional state shareholder is established, state ownership policy, strategic objectives, and ownership expectations are defined, and only then is the corporate governance system of individual companies built upon this foundation.

The principal result of the reforms, therefore, has been the creation of a modern regulatory and organizational architecture for corporate governance. At the same time, the institutional transformation of the state as corporate owner remains incomplete. Under such conditions, even the comprehensive implementation of individual corporate governance instruments inevitably generates institutional asymmetry between modern corporate procedures and the actual practice through which the state exercises its shareholder function.

Accordingly, over the past decade, Ukraine has established a modern regulatory framework for corporate governance in state-owned joint-stock companies [23–28]. Legislation has incorporated a significant number of

OECD recommendations concerning supervisory boards, independent directors, internal audit, risk management, corporate transparency, state ownership policy, and ownership expectations. However, the introduction of modern corporate procedures alone has not resulted in an effective system of state ownership governance.

The key question is therefore no longer simply how comprehensively Ukraine has implemented international corporate governance standards, but *why this reform has not produced the expected outcome*. The principal reason is that the reform has focused predominantly on modernizing the corporate institutions of individual companies, while the institutional transformation of the state itself as the owner of corporate rights remains incomplete. Consequently, most current corporate governance problems share a common institutional origin and represent manifestations of a single systemic dysfunction.

First, Ukraine has yet to establish a professional state shareholder as a unified centre for exercising state corporate rights. Formally, the state remains the majority owner of a significant number of strategic joint-stock companies, but its corporate rights are exercised by the Cabinet of Ministers of Ukraine, central executive bodies, the State Property Fund of Ukraine, and other authorized entities. This arrangement complicates decision coordination and prevents the development of a coherent state ownership policy. Different government bodies consequently pursue sectoral, political, or budgetary priorities that may conflict with the long-term interests of the state as a corporate owner.

The institutional consequences of this multiplicity of entities exercising state ownership rights are particularly evident in the case of *Gas Transmission System Operator of Ukraine LLC.* Despite corporate reform carried out in accordance with the requirements of the EU Third Energy Package and unbundling procedures, strategic management issues have repeatedly extended beyond purely corporate procedures and depended on decisions taken by different state institutions. As a result, even under a modern corporate governance model, the company has faced the challenge of reconciling the interests of the state as owner, policymaker in the energy sector, and guarantor of energy security. This example demonstrates that reforming a single company does not, in itself, eliminate institutional

asymmetry if the mechanism by which the state exercises its ownership function remains unreformed.

The problem, however, is not limited to the multiplicity of governance entities. More importantly, the state has yet to define its own corporate interests regarding most state-owned companies. Fundamental questions remain unanswered: Why does the state own a particular asset? What economic and social value should that asset create? What strategic outcomes does the owner expect? By what criteria should the achievement of those outcomes be assessed? In the absence of answers to these questions, it is impossible to develop either an effective corporate strategy, a system of strategic performance indicators, or an effective accountability mechanism for corporate governance bodies.

This also largely explains how supervisory boards function. In Ukrainian practice, supervisory boards are sometimes treated as the principal instrument for implementing OECD recommendations, whereas in international practice, the supervisory board is only one element of an integrated corporate governance system (Table 2). Its effectiveness depends on the existence of a professional shareholder, a clearly formulated state ownership policy, defined strategic objectives, a system for assessing management performance, and an appropriate corporate culture. Without these prerequisites, even a professionally constituted supervisory board cannot fully perform its functions because it lacks strategic guidance from the owner.

Thus, the differences between the OECD model and Ukrainian practice concern not so much the activities of supervisory boards themselves as the institutional environment in which they operate. In the OECD model, the supervisory board is only one element of an integrated corporate governance system that begins with the professional exercise of the state's shareholder function. In Ukraine, however, major efforts have focused on improving supervisory boards without completing the institutional transformation of the state as the owner of corporate rights. This explains why the introduction of modern corporate procedures has not, by itself, produced the expected improvement in the effectiveness of corporate governance in state-owned joint-stock companies.

Table 2

The Supervisory Board as an Element of the Corporate Governance System: OECD Model versus Ukrainian Practice

System element	OECD model	Ukrainian practice	Consequence
Who defines corporate objectives?	Professional state shareholder through State Ownership Policy	Different governance bodies	Absence of a unified corporate policy
Ownership expectations	Clearly defined, formalized, long-term, and measurable	Partially formulated, often declarative or situational	Unclear expectations for companies
Role of the supervisory board	Strategic oversight of achievement of the owner's objectives	To a significant extent, procedural compliance monitoring	Formalization of board activities
KPI formulation	Derived from the owner's strategy	Focused on current indicators	Short-term, reactive management
Independence of supervisory board members	A means of ensuring professionalism	Often treated as an end in itself	Excessive emphasis on formal independence and state representation
Risk management	Part of strategic management	Predominantly an internal control function	Low crisis preparedness
Relationship with management	Assessment of achievement of strategic objectives	Monitoring of current tasks	Difficulty assessing performance
Primary success criterion	Long-term value and fulfillment of the state's mission	Current financial results and execution of instructions	Conflict between objectives
Role of companies	Clearly balanced commercial and public objectives	Conflicting objectives	Difficulty assessing effectiveness

Source: developed by the author

The concept of independence of supervisory board members also requires reconsideration in this context. In public discourse, independence is often equated with the absence of previous ties to government bodies or even with foreign membership of the board. However, the OECD Guidelines [21] treat independence as only one prerequisite for effective

corporate oversight. Professional competence, strategic thinking, sector-specific expertise, and the ability to assess long-term development risks are of decisive importance. These qualities, rather than the formal status of an independent director, determine the supervisory board's capacity to exercise strategic corporate oversight.

The absence of a professional state shareholder predictably leads to the dominance of short-term management over strategic governance. If the owner does not formulate long-term development objectives, executive management inevitably focuses primarily on current political, financial, or administrative tasks. Under such conditions, corporate governance loses its strategic character and becomes a mechanism for operational responses to emerging challenges rather than an instrument for creating long-term value from state assets.

The consequences of this approach are particularly evident in strategic companies of Ukraine's fuel and energy sector. A notable example is *Naftogaz of Ukraine National Joint Stock Company*. According to Article 5 of its charter [29], the sole purpose of the company's operation is to "generate profit from economic activity," although in practice the company performs a substantially broader range of functions related to ensuring the country's energy security, maintaining the stability of the gas market, developing critical infrastructure, and implementing state energy policy. This discrepancy between the formally defined corporate objective and the company's actual functions significantly complicates the formulation of an adequate system of corporate objectives and performance indicators. It was also reflected in management priorities: when a new chief executive was appointed, one of the key tasks identified was to build up natural gas reserves for the forthcoming heating season [30]. Although this was critically important under wartime conditions, it represents only an operational management horizon and cannot substitute for a long-term vision of the company's development, investment policy, asset modernization, or integration into the European energy market.

Similar problems can be observed in the activities of *the National Nuclear Energy Generating Company Energoatom*. The company simultaneously serves as the largest electricity generator, the operator of strategic critical infrastructure, a participant in integrating Ukraine's energy market into the European market, and one of the key elements of the country's energy

security. Under these circumstances, assessing its performance solely by financial indicators or dividend payments does not capture the effectiveness of its strategic mission. This further confirms the need for a state ownership policy that defines not only the state's financial expectations but also the long-term strategic objectives for each state asset.

At the same time, management performance assessment in these and other strategic enterprises tends to focus predominantly on financial results, dividend payments, or the fulfilment of individual operational instructions. By contrast, long-term value creation, asset modernization, human capital development, innovation, digital transformation, and the strengthening of business-model resilience remain secondary evaluation criteria. Consequently, corporate governance tends to orient management toward short-term efficiency rather than long-term development.

The dominance of short-term management also directly affects the corporate risk management system. Under the international COSO ERM and ISO 31000 standards, risk management is an integral component of strategic management rather than merely an element of internal control [31; 32]. In most Ukrainian state-owned joint-stock companies, however, risk management continues to function primarily as a set of internal procedures and remains insufficiently integrated into strategic planning.

A notable example is the experience of *NPC Ukrenergo* following the beginning of Russia's full-scale aggression. The company was forced to adapt its governance system in real time to unprecedented threats while maintaining the operation of Ukraine's Integrated Power System amid systematic destruction of critical infrastructure. Many management decisions were reactive and made only after emergencies occurred. This indicates that, even where modern internal control procedures exist, strategic risk management has not been fully integrated into corporate governance as an instrument for preparing for high-intensity crises. Ukrenergo's experience demonstrates that corporate resilience depends not only on managerial professionalism but also on the state shareholder's capacity to identify strategic risks in a timely manner and to establish long-term requirements for the company's governance system.

Another manifestation of the incomplete professional-state shareholder model is the unresolved coexistence of corporate and public functions within state-owned companies. Unlike private businesses, most strategic

joint-stock companies simultaneously perform special obligations (PSOs), operate critical infrastructure, implement socially significant programmes, and perform national security functions. The problem lies not in the combination of these functions themselves but in the absence of clear mechanisms for their institutional separation, financing, and performance assessment. As a result, companies' financial performance increasingly depends not only on the quality of management but also on the scale of unfunded obligations imposed by the state. This substantially complicates the objective assessment of management and corporate governance bodies.

The analysis, therefore, supports a fundamental conclusion: most corporate governance problems in state-owned joint-stock companies have a common institutional source. They are not primarily caused by deficiencies in individual corporate procedures or insufficient professionalism of supervisory boards; rather, they reflect the incomplete transformation of the state from an administrative manager into a professional shareholder.

Further reform of state ownership governance should therefore focus not only on improving supervisory boards, strategic KPIs, internal control, or risk management, but primarily on establishing a professional state shareholder capable of consistently implementing the State Ownership Policy. Only under this condition will individual corporate governance instruments function not as isolated mechanisms but as an integrated institutional system oriented toward the long-term creation of economic and social value from state assets.

3. Institutional Chain for Establishing a Professional State Shareholder

Most corporate governance dysfunctions in state-owned joint-stock companies have a common institutional source. They arise not from deficiencies in individual corporate governance elements – such as supervisory boards, KPI systems, or risk management – but from the absence of an integrated model for the state to exercise its ownership function. This means that improving individual corporate procedures without transforming the state itself as a shareholder cannot ensure a sustainable increase in governance effectiveness.

Accordingly, the author has developed a conceptual model referred to as the *"institutional chain for establishing a professional state shareholder."*

Its starting premise is that effective corporate governance can emerge only when all its institutional elements operate as an integrated and mutually dependent system. Each subsequent link builds on the functioning of the preceding one, while weakness in any individual element reduces the effectiveness of the model as a whole.

The first link is the *State Ownership Policy*. It defines the strategic rationale for state ownership: why the state retains control over a particular company, what economic and social objectives it pursues, what outcomes it expects from the company, and according to which criteria those outcomes will be assessed. The policy should also establish principles for exercising corporate rights, limits on state intervention in companies' operations, and a clear separation of the state's roles as owner, regulator, and policymaker. The absence of such a policy is a major source of the institutional contradictions identified above.

The next link is the *professional state shareholder*. Its primary function is not the operational management of companies but the formulation of corporate strategy, the definition of ownership expectations, the approval of strategic performance indicators, and the assessment of results. Unlike the administrative model, the professional shareholder focuses not on current managerial decisions but on ensuring the consistency of ownership policy irrespective of political cycles. This is the level at which ownership expectations, financial and non-financial KPIs, and criteria for assessing corporate governance bodies should be established.

The third component is the *professional supervisory board*. Its purpose is not merely to comply with legislative requirements or to represent the interests of particular government bodies, but to exercise strategic corporate oversight. The supervisory board translates the expectations of the state shareholder into requirements for executive management, oversees implementation of corporate strategy, evaluates management performance, and maintains a balance between the company's commercial and public objectives. Accordingly, the key criteria for board composition should include professional competence, strategic thinking, sector expertise, and the ability to conduct independent risk analysis, while formal independence should be viewed as only one of the prerequisites for effective board performance.

The next link is *professional executive management*, responsible for implementing the approved corporate strategy. Its performance should be assessed not by the number of administrative instructions executed but by the achievement of strategic objectives defined by the state shareholder. Management is responsible for efficient asset utilization, implementation of investment policy, production modernization, digital transformation, human capital development, and financial sustainability.

The fifth link is *strategic management*, which translates general state ownership policy into concrete development programmes for an individual company. Its time horizon should extend beyond the political cycle and focus on the creation of long-term value from state assets. Strategic management integrates investment policy, technological modernization, digital development, environmental transformation, and other dimensions of long-term corporate development.

The sixth component is *integrated risk management*, combining strategic KPIs, enterprise risk management, internal control, and internal audit. Unlike the traditional approach, risk management is treated not as an auxiliary control function but as an integral component of strategic management. Each strategic objective should be accompanied by an assessment of risk appetite or acceptable risk levels, response mechanisms, internal control procedures, and criteria for assessing the effectiveness of management decisions. This is particularly important in the context of wartime risks, cyber threats, and other high-intensity crises.

The seventh link is the *performance assessment system*, which should cover not only financial indicators but also the achievement of strategic objectives. It should take into account asset efficiency, investment activity, technological development, risk management quality, innovation, corporate resilience, fulfilment of special obligations, and other financial and non-financial outcomes. At this stage, a feedback mechanism is established, enabling the state shareholder to adjust ownership policy and companies' strategic development priorities in a timely manner.

The final element of the institutional chain is the *creation of long-term value from state assets*. Unlike the traditional approach, under which the performance of a state-owned company is assessed primarily through profits or dividend payments, the proposed model adopts a broader understanding

of value. This includes financial sustainability, investment attractiveness, technological development, the ability to perform the state's strategic functions, support for critical infrastructure, the creation of public value, and the maintenance of long-term competitiveness.

The proposed institutional chain demonstrates that a professional state shareholder is not a separate government body or a new management procedure. It is an integrated institutional system in which the effectiveness of each subsequent link depends on the quality of the preceding one. This approach makes it possible to view corporate governance reform not as a collection of isolated changes in individual governance bodies but as a sequential institutional transformation of the entire system through which the state exercises its ownership function.

The scientific contribution of the proposed model lies in presenting corporate governance in state-owned joint-stock companies as an integrated causal mechanism in which State Ownership Policy, the professional state shareholder, the supervisory board, management, strategic management, integrated risk management, performance assessment, and long-term value creation constitute a single system. This logic should provide the methodological basis for further reform of state ownership governance in Ukraine.

CONCLUSIONS

The study demonstrates that the contemporary international model for governing companies with state participation is based on the concept of *State Ownership Policy*, according to which the state should act primarily as a professional corporate shareholder rather than as an actor of operational administration. An analysis of the evolution of theoretical approaches to state-owned enterprise governance reveals a gradual transition from a bureaucratic model of public administration toward an institutional model cantered on the state's exercise of its ownership function.

It has been established that state-owned joint-stock companies have a fundamentally different institutional nature from private companies. Unlike the private sector, where the owner is primarily oriented toward maximizing business value, the state simultaneously acts as shareholder, regulator, policymaker, and guarantor of public interests. This requires combining commercial objectives with special obligations, national security

requirements, and the maintenance of critical infrastructure, thereby necessitating a specific model of corporate governance.

The study demonstrates that the corporate governance reform implemented in Ukraine over the past decade has established a modern regulatory and organizational infrastructure that is substantially aligned with the OECD Guidelines. At the same time, the principal focus of reform has been on the corporate institutions of individual companies – supervisory boards, internal audit, risk management, compliance, corporate transparency, and other elements of corporate control. The institutional transformation of the state itself as the owner of corporate rights, however, remains incomplete.

As a result, *institutional asymmetry* has emerged, whereby modern corporate governance mechanisms operate within a traditional administrative model of state ownership. This asymmetry constitutes a fundamental source of most systemic problems in the governance of companies with state participation. These include the multiplicity of entities exercising state corporate rights, the absence of a unified state ownership policy, the formalization of supervisory board activities, the dominance of short-term managerial decisions over strategic development, insufficient integration of risk management into strategic planning, and the lack of effective mechanisms for reconciling the commercial activities of state-owned companies with their socially significant functions.

The scientific contribution of the study lies in establishing a causal relationship between the absence of a professional state shareholder and systemic dysfunctions in the corporate governance of state-owned joint-stock companies. Unlike approaches that treat supervisory boards, strategic planning, risk management, and KPI systems as separate areas for reform, this study demonstrates their shared institutional origins and proposes a conceptual framework to address them comprehensively.

The practical contribution of the study consists in developing an *institutional chain for establishing a professional state shareholder* that integrates State Ownership Policy, the professional state shareholder, the professional supervisory board, professional executive management, strategic management, integrated risk management, performance assessment, and long-term value creation from state assets into a single interconnected system. The proposed model may serve as a methodological

basis for assessing the maturity of corporate governance in state-owned companies, identifying priorities for further reform of state ownership governance, and improving public policy in this field.

Accordingly, further corporate governance reform should focus less on improving individual corporate procedures and more on completing the institutional transformation of the state into a professional corporate shareholder. Only under this condition will supervisory boards, strategic planning, KPIs, risk management, and the internal control function as an integrated system oriented toward creating long-term economic and social value from state assets.

The key reason for the limited effectiveness of corporate governance reform is therefore not a lack of individual corporate governance instruments but the incomplete institutional transformation of the state as a corporate shareholder. The implementation of international recommendations without changing the underlying model through which the state exercises its ownership function inevitably produces institutional asymmetry between a formally modern corporate governance system and an administrative practice of strategic decision-making.

The subject of further reform should consequently not be an individual corporate governance institution, but the system through which the state exercises its ownership function as an integrated institution of public governance. This transformation would create the conditions to move from formal compliance with international standards to the substantive effectiveness of corporate governance of state assets.

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