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## **INSTITUTIONALIZATION OF INTERESTS IN THE NATIONAL ECONOMY: ECONOMIC AND LEGAL ASPECTS OF THE MODERNIZATION OF THE CORPORATE SECTOR**

**Summary.** The article summarizes the main approaches to the institutionalization of interests in the national economy, as well as the economic and legal aspects of the impact of institutionalization on the modernization of the corporate sector. The purpose of the work is to substantiate the concept of the "mechanism of institutionalization of interests" to describe the process of forming a new social order that meets the requirements of the information society. It is noted that the formation of the information society in Ukraine lags behind the leading countries of the world, which, in addition to the war, is largely connected with the low efficiency of the institutional structure of the national economy, which inhibits innovative development. Emphasis is placed on the fact that the slower institutional and cultural changes occur, the cheaper labor is. It is substantiated that the theoretical basis for solving the problem of defining the "mechanism of institutionalization of interests" is the institutional economic theory, the theory of corporate management, and the theory of economy. It is suggested that institutionalization should be understood as socio-economic processes that shape the organization of subjects, turning their interactions into an institutional system, the elements of which turn into a generally accepted practice, which is preserved in an unchanged form for a number of generations, being confirmed in the real behavior of people. It was concluded that the institutionalization of interests in the national economy provides a degree of subordination of individual interests to public interests and affects the modernization of all sectors of the national economy, including the corporate one. A peculiarity for the corporate sector is that the role of institutionalization in this sector is that it is a factor in reducing uncertainty and a basis for forecasting the behavior of business entities. At the same time, the result of the institutionalization of interests can be considered the creation of a clear institutional role structure of interests, approved by the majority of participants in socio-economic relations, in accordance with norms and rules. In this regard, it is emphasized that the mechanism of institutionalization of interests in the national economy is also related to the creation of organizations and institutions that organize the functioning of the relevant institute, management and control of its activities, which again affects the modernization of the corporate sector. Characteristic signs of institutionalization

of interests in the national economy are summarized. According to the results of the generalization, it is indicated that one of the criteria for the degree of completeness of the process of institutionalization of interests can be the massive predictable behavior of the bearers of interests in accordance with institutional patterns of behavior. It was determined that the institutionalization of interests in the national economy can be studied in two contexts. First, as a historical process of birth and establishment of new institutions, which allows us to reveal the reasons and conditions for their emergence. And, secondly, as the functioning of institutions within the framework of the socio-economic system in connection with the process of adaptation of the interests of individuals, collectives, sectors, during which mechanisms are formed that ensure stability and sustainability of development. The types of mechanisms of institutionalization of coalitions of interests for the modernization of the corporate sector are systematized. Based on the results of the research, it was concluded that in the interests of the formation of the information society, a transition from strict state regulation to a policy of flexible stimulation of the development and modernization of the corporate sector of the national economy is necessary. At the same time, the state's activities should be aimed at implementing mechanisms and institutions that stimulate interest in innovation and investment in human capital, ensuring social justice and solidarity.

**Key words:** corporate sector, economic and legal aspects, institute, institutionalization, mechanism, modernization, national economy.

**Introduction and problem statement.** The leading slogan today for most countries of the world is the transition to the information society. In Ukraine, the formation of the information society lags behind the leading countries of the world, which, in addition to the war, is largely due to the low efficiency of the institutional structure of the national economy, which inhibits innovative development. The implemented institutional transformations do not ensure the coordination of the interests of various groups in the national economy, as they do not meet their needs and are therefore too slowly introduced into economic life. For example, in Ukraine, interest in work, expressed in concrete results, quality of work, is not yet adequately reflected in the level of remuneration, especially in war conditions. Meanwhile, experts note that the slower institutional and cultural changes take place, the cheaper labor is, the longer the gap between the modern (corporate) and traditional (purely production) sectors of the national economy will shrink in the countries of catch-up civilizations.

It is impossible to concentrate society's efforts on the goal of modernization without solidarity and coordination of interests in the national economy.

**Analysis of recent research and publications.** The theoretical basis for solving the problem of defining the "mechanism of institutionalization of interests" is the institutional economic theory, the theory of corporate management, the theory of economy, etc. However, there are few fundamental theoretical studies directly related to the topic of this work in the domestic literature. In modern economic theory, there is a fairly wide set of versions and approaches in understanding institutionalization. Thus, some economists (A. Oliynyk [3], D. Lvov [1]) understand the transformation into various forms of associations by institutionalization. Others (D. Hodgson [5], A. Shastytko [6]) – the process of forming functional, regulatory and power relations between the institutional subject and environmental subjects. Others (O. Williamson [2], A. Tkach [4]) claim that institutionalization is the process of establishing an external norm in social practice, its actual confirmation in the real behavior of people, in the legal field.

**The purpose of this work** is a substantiation of the concept of "mechanism of institutionalization of

interests" to describe the process of forming a new social order that meets the requirements of the information society.

**Results of the study.** Each of the above definitions reveals an element of the institutionalization mechanism. Therefore, institutionalization should be understood as socio-economic processes that shape the organization of subjects, turning their interactions into an institutional system, the elements of which turn into a generally accepted practice, which is preserved in an unchanged form for a number of generations, being confirmed in the real behavior of people.

Since the motivating motive of people's activity is their interests, it is necessary to talk about the institutionalization of interests, the result of which is the system of institutions in the national economy.

We consider institutions as formal or informal boundaries that structure the behavior of economic agents in the economic, social and political spheres. The subjects of such interaction become institutional subjects, i.e. bearers of certain specific norms and rules as a result of the coordination of the relationships of individuals within the framework of this institution, which imposes certain restrictions on the behavior of the interacting parties [7; 8]. Institutions are relatively stable components of social life. They arise as derivatives of interests, the product of the coordination of interests of autonomous subjects of the national economy, which representatives of the new institutionalism pay attention to [2; 4; 6]. This is explained by the fact that the actions of people act in stable and at the same time distinctly different roles.

At the same time, they are recognized in society as significant, necessary and consistent with public interests, that is, the institution is the result of certain compromises. Thus, the institutionalization of interests in the national economy provides a degree of subordination of individual interests to public interests and affects the modernization of all sectors of the national economy, including the corporate sector, to which our article is devoted. The generalized characteristic of institutes is their functionality. This is due to the fact that economic agents are trying to realize their interests together and are looking for ways to interact. These interactions are

reflected in institutions, the main purpose of which is not to be just the rules of the game, but in the functional organization of interactions of people, groups and communities [1; 3].

The desire of economic agents for coordinated actions is an impetus for the development and modernization of the corporate sector of the national economy [7]. Therefore, the role of institutionalization in this sector is that it is a factor in reducing uncertainty and a basis for forecasting the behavior of business entities. Institutes offer a scheme of action in those areas where this scheme did not exist and therefore there was uncertainty in it. Thus, in the process of institutionalization of the corporate sector, spontaneous behavior is replaced by predictable behavior. Society, creating institutions, establishes certain types of social interaction, positioning them as permanent and mandatory. Further, on this basis, a system of sanctions is developed. The final stage of the institutionalization of interests can be considered the creation of a clear institutional role structure of interests, approved by the majority of participants in socio-economic relations, in accordance with norms and rules.

The institutionalized role is the most permanent set of behavioral expectations in a given institution, the refusal of which is the most severely punished. Role prescriptions require some complementary sameness in the relations of those who fulfill particular institutional roles. The role system is often expressed in formal codes that are only part of the general behavior that creates the institutional role. There are norms of behavior in separate roles [5; 6]: this is how an institutional basis is created for further interaction of interests in the corporate sector of the national economy.

It should be taken into account that both the establishment of the "rules of the game" and the resolution of conflicts can be carried out by economic entities themselves without the intervention of the state. For this purpose, they create special institutional structures – self-regulatory organizations, which are delegated certain powers and part of the rights of business entities. In other words, the mechanism of institutionalization of interests in the national economy is also related to the creation of organizations and institutions that organize the functioning of the relevant institute, management and control of its activities, which again affects the modernization of the corporate sector.

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The subject of institutionalization of interests in the national economy is a social community that has a common interest and strives for its implementation and protection. The object of institutionalization of interests is a circle of problems, facts, phenomena that affect the interests of economic agents.

Therefore, the characteristic features of the institutionalization of interests in the national economy are [5; 6; 8]: the basis of institutionalization is the process of coordination of interests; in the process of institutionalization of interests, social practices become regular, long-lasting; the institutionalization of interests conditions the formation of a set of norms and rules that set the context for the existence and interactions of business entities; institutionalization of interests connects (integrates) the behavior of interest bearers; the institutionalization of interests is accompanied by the creation of organizations and institutions that ensure the stability of the functioning of the relevant institute, management and control of its activities.

One of the criteria for the degree of completeness of the process of institutionalization of interests can be the massive predictable behavior of the bearers of interests in accordance with institutional patterns of behavior. Compliance of actual behavior with institutional models will be most complete if subjects internalize the interests of these models. The result of the assimilation of institutional norms is the appearance in the structure of the consciousness of subjects of interests of such qualities, thanks to which they perceive the interests of other subjects as their own in those aspects in which the norm in question requires it [4; 6].

Thus, the function of institutionalization is to ensure the synergy of interests, and this, in turn, is most characteristic of the corporate sector of the national economy.

The institutionalization of interests in the national economy can be studied in two contexts. First, as a historical process of birth and establishment of new institutions, which allows us to reveal the reasons and conditions for their emergence. And, secondly, as the functioning of institutions within the framework of the socio-economic system in connection with the process of adaptation of the interests of individuals, collectives, sectors, during which mechanisms are formed that ensure stability and sustainability of development. Considering the institutionalization of interests as a historical process, one can observe the convergence of institutions. In the first stages, individual interest in Eastern Europe took precedence over national interest [1; 3]. Under these conditions, the search for an optimal institutional system should be directed towards the harmonization of two systems – legal and customary, which is also most characteristic of the corporate sector of the national economy. Therefore, the modernization of the corporate sector of the national economy ensures the balance of the interests of society as a whole, its individual groups and individuals.

Within the framework of the second approach to the study of the institutionalization of interests in the national economy, the functions of institutions are

studied. In our opinion, the discussion in the literature about how appropriate it is to combine the functioning of various institutions in the institutional system is of greatest interest. If the interest disappears, then the existence of the institute turns out to be pointless: there is a violation of functions institution of a qualitative nature, which leads to the deinstitutionalization of interests, that is, the transition of interests to the previous phase and behavior becomes unpredictable. Therefore, the mechanism of institutionalization of interests in the national economy gives socio-economic relations, which are the basis of institutions, an orderly, normative character, which makes it possible to implement the principles of corporate governance.

Ukraine, presenting a high demand for investments to modernize the corporate sector of the national economy, on the one hand, has its own investment resources, and on the other hand, it is unable to provide them with high stable growth rates due to the war. The national economy needs its own innovative breakthrough to the "knowledge economy", which can be provided by mechanisms of institutionalization of coalitions of interests for modernization. Let's highlight the following mechanisms.

The first type is a mechanism of activity of elite groups, whose role in institutionalization is similar to that of architects. In institutional design, political elites must take into account the dynamically changing interests of leading social groups in the course of military operations and transformation of society.

The second type is a mechanism for forming network corporate relations [7]. In the industrial age, the most

common type of organization was bureaucracy. Today, bureaucracy is becoming inefficient, so new types of organizations are needed, such as network corporations.

The third type is a mechanism for increasing the degree of subjectivity, that is, the level of awareness by subjects of the institutionalization of their interests. In the information society, the human factor becomes the key factor of production, the quality of life increases, which causes changes in social life, determines the priority of social, corporate values over purely economic ones.

The fourth type is a mechanism of social networks and movements, which is of interest in connection with the activation of gender, ecological, consumer movements in innovations of various types. Most often, social movements are formed on the basis of socio-professional groups. The more important the role of this or that socio-professional group in the technological process, the more active the actions of this group to protect its interests. At the same time, the social network protects the interests not only of its direct participants, but also of all people who have similar interests.

**Conclusions.** Therefore, in the interests of the formation of the information society, a transition from strict state regulation to a policy of flexible stimulation of the development and modernization of the corporate sector of the national economy is necessary. At the same time, the state's activities should be aimed at implementing mechanisms and institutions that stimulate interest in innovation and investment in human capital, ensuring social justice and solidarity.

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## ІНСТИТУЦІОНАЛІЗАЦІЯ ІНТЕРЕСІВ У НАЦІОНАЛЬНІЙ ЕКОНОМІЦІ: ЕКОНОМІКО-ПРАВОВІ АСПЕКТИ МОДЕРНІЗАЦІЇ КОРПОРАТИВНОГО СЕКТОРУ

**Анотація.** У статті узагальнено основні підходи до інституціоналізації інтересів у національній економіці, а також економіко-правові аспекти впливу інституціоналізації на модернізацію корпоративного сектора. Мета роботи полягає у обґрунтуванні поняття «механізм інституціоналізації інтересів» для опису процесу формування нового соціального порядку, відповідного вимогам інформаційного суспільства. Зазначено, що в Україні становлення інформаційного суспільства відстає від провідних країн світу, що, крім війни, багато в чому пов'язано з низькою ефективністю інституційної структури національної економіки, яка гальмує інноваційний розвиток. Зроблено наголос на тому, що чим повільніше відбуваються інституційні та культурні зміни, тим дешевшою є робоча сила. Обґрунтовано, що теоретичною основою для вирішення проблеми визначення «механізму інституціоналізації інтересів» є інституціональна економічна теорія, теорія корпоративного управління, теорія господарства. Запропоновано під інституціоналізацією розуміти соціально-економічні процеси, які формують організацію суб'єктів, перетворюючи їх взаємодії в інституціональну систему, елементи якої перетворюються на загальноприйнятну практику, котра зберігається в незмінній формі протягом ряду поколінь, підтверджуючись в реальній поведінці людей. Зроблено висновок про те, що інституціоналізація інтересів у національній економіці забезпечує міру підпорядкування індивідуальних інтересів суспільним інтересам та впливає на модернізацію всіх секторів національної економіки, в тому числі і корпоративного. Особливістю для корпоративного сектора визначено те, що роль інституціоналізації в цьому секторі полягає в тому, що вона є чинником зниження невизначеності й основою для прогнозування поведінки суб'єктів господарювання. При цьому результатом інституціоналізації інтересів можна вважати створення відповідно до норм і правил чіткої інституційно-рольової структури інтересів, схваленої більшістю учасників соціально-економічних відносин. У зв'язку із цим наголошується, що механізм інституціоналізації інтересів у національній економіці також пов'язаний із створенням організацій та установ, які організують функціонування відповідного інституту, управління і контроль його діяльності, що знову ж таки впливає на модернізацію корпоративного сектора. Узагальнено характерні ознаки інституціоналізації інтересів у національній економіці. За результатами узагальнення зазначено, що одним з критеріїв ступеня завершеності процесу інституціоналізації інтересів може бути масова передбачувана поведінка носіїв інтересів відповідно до інституціональних зразків поведінки. Визначено, що інституціоналізація інтересів у національній економіці може бути досліджена у двох контекстах. По-перше, як історичний процес зародження і встановлення нових інститутів, що дозволяє розкрити причини та умови їх виникнення. І, по-друге, в якості функціонування інститутів в рамках соціально-економічної системи в зв'язку з процесом адаптації інтересів індивідів, колективів, секторів, в ході чого формуються механізми, що забезпечують стабільність та стійкість розвитку. Систематизовано типи механізмів інституціоналізації коаліцій інтересів за модернізацію корпоративного сектора. За результатами досліджень зроблено висновок про те, що в інтересах формування інформаційного суспільства необхідний перехід від жорсткого державного регулювання до політики гнучкого стимулювання розвитку та модернізації корпоративного сектора національної економіки. При цьому діяльність держави має бути спрямована на впровадження механізмів та інститутів, котрі стимулюють інтерес до інновацій та інвестицій в людський капітал, забезпечення соціальної справедливості та солідарності.

**Ключові слова:** економіко-правові аспекти, інститут, інституціоналізація, корпоративний сектор, механізм, модернізація, національна економіка.