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**FORMATION OF CORPORATE GOVERNANCE IN NON-PROFIT
ORGANIZATIONS**

Specialty 5.2.6 "Management"

Abstract

of the dissertation in support of candidature for a degree
in Economics

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The urgency of research. Transforming the social and economic infrastructure of Russia in the modern context has led to the emergence of new civil society institutions, which include non-profit organizations. The role of this sector is huge because non-profit organizations are focused on implementing social functions, revealing public sentiments, as well as ensuring communication between government structures and citizens. The reform of the domestic social sphere, which has been taking place in recent years, has further strengthened the status of non-profit organizations, which, by identifying the social needs of the country's population, determine the directions for mobilizing and redistributing resources among participants in social and public systems.

Business development of non-profit organizations has become a driver for the volunteer movement in the country, which is a unique social phenomenon that allows people to fulfill themselves on a personal level by providing gratuitous assistance. To emphasize that the contribution of NPOs in providing funding to assist those in need is huge, it stands to mention that the NPOs sector was able to support projects worth 10+ billion rubles in 2021 alone. Implementing large-scale social goals and raising funds for social projects have led to the development of special well-coordinated institutional arrangements of non-profit organizations, which make it possible to ensure the processes of managing resources, personnel, and finances.

The emergence of a large number of non-profit organizations in various business fields and their diversified structure are associated with the diversification of NPOs activities and with the control of these organizations by state bodies, public supervisory, and trustee boards. In this regard, increasing confidence in the business of non-profit organizations is achieved due to the corporate governance systems available within their organizational structures.

The increasing role of corporate governance in non-profit organizations is driven by a number of factors, which include the need to monitor the sources of funding for NPOs' business and the targeted expenditures from these sources. At the same time, strengthening state regulations and toughening requirements for

non-profit organizations increase the importance of developing corporate standards covering all governance elements in order to ensure the effectiveness of management mechanisms. Accordingly, establishing a corporate governance system in non-profit organizations will make it possible to correctly allocate responsibilities among their participants and build an optimal scheme of administrative processes when running daily operations and implementing new projects that contribute to the NPOs' mission to address high-profile social challenges.

Today, there is no unified concept of corporate governance in non-profit organizations that meets the practical requirements of society at the current stage of its development. Domestic and foreign academic literature reflect certain aspects of governance in a non-profit environment. However, there is a need for further study of the nature, and development of the theoretical and methodological foundations of corporate governance, its elements and relationships, which together determine the management mechanism for non-profit organizations. There is also a lack of methodological developments in terms of establishing the basic arrangements for corporate governance and employing its tools adapted to the non-profit sector and the specifics of organizational structures in it. The scientific community pays insufficient attention to the possibilities of introducing elements of risk-based management in NPOs, which makes it possible to increase the role of corporate governance in ensuring the transparency of ongoing projects and raising more funds from sponsors and donors. All the above determines the relevance of the research topic covered in this dissertation.

This dissertation research aims at developing theoretical, methodological, scientific, and practical recommendations for improving corporate governance in non-profit organizations.

To that end, the following tasks were set:

- clarify the economic essence and role of corporate governance in modern management, determine the elements, distinctive features, and forms of manifestation of corporate governance in non-profit organizations;

- identify the possibilities of establishing corporate governance in the management system of non-profit organizations taking into account the peculiarities of their functioning and types of corporate relations in them based on the principles of corporate governance and the composition of its elements;
- improve the methodology for assessing the effectiveness and reliability of corporate governance by adapting it to the specifics of NPOs taking into account possible risks and factors that reduce its reliability in a volatile environment;
- develop a corporate governance mechanism that ensures the interests and distribution of governance functions among the participants of a non-profit organization, as well as establish the goals and focuses of corporate governance performed by the corporate participants and founders of NPOs;
- suggest a methodical approach to using corporate governance tools in NPOs to shape the information flows on the basis of which the sound management decisions are made, the transparency of governance is increased and a high level of public standing of these organizations is maintained, allowing them to implement more social projects.

The object under study is the system of corporate governance in non-profit organizations. Applied research was conducted using the materials of a number of non-profit organizations representing various business fields. **The subject under study** is the organizational and managerial relations and processes ensuring the formation and functioning of the corporate governance system in non-profit organizations.

Theoretical and methodological base of the research. Scientific works covering the issues of developing a corporate governance system in non-profit organizations were used as the theoretical and methodological foundations of the research. The research was conducted on the basis of a systematic approach using a dialectical approach, including formal and logical methods, as well as observation, comparison, deduction, induction, historical and systematic methods along with the questionnaire method of NPOs representatives in Russia. These were employed to

interpret scientific and empirical materials in order to draw conclusions and make suggestions.

The information base of the research is the statutory regulations controlling the establishment of corporate governance in Russia-based non-profit organizations, scientific papers on the issues covered in this dissertation, analytical materials, information from the official websites of non-profit organizations along with rating and expert agencies, as well as the results of research on corporate governance in non-profit organizations presented at seminars, round tables and conferences of various levels.

The scientific novelty of conducted research involves the extension of theoretical provisions and the development of scientific and methodological recommendations for the establishment of the corporate governance system in non-profit organizations whose distinctive feature is the ability to assess the effectiveness of corporate governance taking into account the specifics, possible risks, and factors of NPOs functioning, and to build an optimal corporate governance system on the basis of proposed mechanism while considering the interests and distribution of governance functions among all NPOs stakeholders, together with ensuring the transparency of ongoing projects and the possibility of increasing the funds flow from sponsors and donors.

Scientific results obtained by the author personally:

- based on a systematic analysis of the nature and theoretical basis of governance as a process that accompanies an economic system throughout its life cycles, the essence of the corporate governance category has been clarified as a set of procedures and actions of all stakeholders of the organization to ensure the maximum degree of achievement of its strategic goals under the internal and external risks of functioning, using the design and digital technology consistent with the current corporate standards and management principles; the elements, distinctive features and forms of the establishment of corporate governance in non-profit organizations have been determined as well;

- the necessity and possibility of establishing a corporate governance system

in non-profit organizations has been substantiated on the basis of the relationship identified between the governance and other management functions, features of the NPOs functioning and implementation of identified types of corporate relations in them based on their specifics ("management – trustee board", "management – line employee", "management – public representatives", "management – donor, sponsor"); the principles set for the functioning of the corporate governance system in NPOs has been defined, which is supplemented by the principles of ethics and transparency; an elemental model of corporate governance has been built, including subjects, objects, methods and expected result from the functioning of governance system;

- the author's methodology for assessing the effectiveness and reliability of corporate governance in NPOs has been proposed, which is to be implemented using expert and rating tools and whose signature feature is an adaptation to the specifics of NPOs functioning taking into account possible risks that reduce the reliability of corporate governance of NPOs in a complex and volatile environment. The methodology has been tested on a number of non-profit organizations ranked according to the level of governance effectiveness in 9 reliability classes using the matrix of dividing NPOs by the risk degree of reducing the effectiveness of corporate governance, which allows determining the most reliable NPOs as partners for the implementation of socially important projects both for the state and private investors;

- a corporate governance mechanism has been developed, which ensures its implementation in NPOs in various formats (basic, advanced, full) and which is based on the nature of corporate relations and on the degree of their organizational maturity taking into account the specifics of the business of non-profit organizations, their scale, the diversity of their organizational and managerial structures, the interests and distribution of governance functions among the participants of NPOs, including governance tools to satisfy interests of all the NPOs stakeholders and to identify the risks of conducting illegal activities by the NPOs. In order to compensate such activities, the functionality, composition of the

goals and focuses of corporate governance performed by the corporate participants and founders of NPOs have been determined, which will allow avoiding negative aspects in the activities of these organizations and misuse of funds received, increasing the efficiency of project implementation and enhancing the relevance of projects for the public;

– a methodological approach has been developed in order to use corporate governance tools in NPOs. Such an approach is based on a tiered approach to the governance structure, which allows for ensuring transparency of the NPOs business in accordance with their needs in terms of the level of stakeholder confidence or organizational and managerial capabilities, which can be formalized in general regulations on internal corporate governance of a non-profit organization based on the proposed five-block smart model of the governance system. As part of a corporate governance toolkit, the following tools have been proposed: a risk-based management integrating strategic, operational, program, and project management in NPOs, a "risk management maturity assessment" approach allowing to build a chain of processes for each specific event implemented by NPOs, a system of internal governance documentation and reporting, including the proposed reporting forms disclosing information on income, expenses, financial results and distribution of financial resources received by NPOs under sponsorship. These make it possible for NPOs to make informed management decisions, build a more transparent governance system, maintain a high level of the organization's public standing, and implement the maximum number of social projects.

The reliability and validity of the research results are confirmed by the analysis of academic literature and a detailed evaluation of the accumulated scientific results in terms of establishing a corporate governance system in non-profit organizations and developing methodological tools for evaluating its effectiveness, by the use of a set of scientific research methods adequate to its goals and objectives, by the practical evaluation of author's proposals in peer-reviewed scientific publications and at public scientific conferences, as well as by

the use of individual recommendations in practical activities of a number of non-profit organizations in Russia.

The theoretical and practical significance of the dissertation research involves the possibility of using individual conclusions, ideas, and suggestions the author comes up with on the basis of the conducted research in lawmaking and the activities of state authorities, as well as in the course of daily operations of non-profit organizations. The recommendations and proposals made herein can be used in the future when developing improvement and expansion programs for the Russian non-profit sector.

Compliance of the dissertation topic to the passport of specialties of the State Commission for Academic Degrees and Titles. The dissertation topic chosen corresponds to Specialty 5.2.6 "Management" and scientific research directions as specified in para. 12. "Corporate Governance. Forms and Methods of Corporate Governance" and para. 33 "Theory and Practice of Managing Non-Profit Organizations."

Practical evaluation and implementation of the research results. The results of the dissertation research were discussed and approved at international, all-Russian, local university scientific and practical conferences held from 2020 to 2022 in Novosibirsk, Tambov, Oryol, Chelyabinsk, Smolensk, Bryansk, etc. The main provisions of this dissertation have been applied to the business of the Autonomous NPO Foundation for the Development of Territorial Public Self-Government of the Town of Uglich and the Life Line Charity Foundation for Saving Seriously Ill Children.

Following the research, 15 scientific papers have been published with a total volume of 7.2 printers sheets (with the author's contribution of 5.8 printers sheets), including 5 articles published in peer-reviewed scientific publications.

Scope and structure of the dissertation. The dissertation has an introduction, 3 chapters, a conclusion, 187 pages of text, 59 tables, 27 figures, 4 appendices, and 133 reference sources.

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