

INSTITUTIONAL PLATFORMS OF THE TRANSFORMATION OF THE ECONOMY

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Abstract. Institutional transformations in economies of countries are considered as the basis of their civilizational development. The concept was put forward that in order to ensure transformations in the economy, it is necessary to promote the formation of a specific set of institutional platforms – new institutes and institutions that will create an environment for the formation and development of a socially oriented market economic system of society. The main controversial components of the institutional platform include: institutional changes in the economy, the creation of the corporate sector, the development of human capital institutions. *The purpose of the paper.* The purpose of the study is to promote and reveal the essence of the formation of institutional platforms to ensure reforms of various components of a transformational economy. *Methodology.* Formation of institutional platforms of the transformational economy is investigated on the basis of the theory of institutional changes and such institutions of a market economy as property rights, the corporate sector, and human capital. *Results.* Institutional platforms of transformations are presented as continuous informal changes that are fixed in the formal institutional system of society in the form of legal acts, codes of conduct, and institutions designed to enforce them. It is substantiated that in order to ensure institutional transformations in the economy, it is necessary to form a dynamic institutional platform that determines the system of basic institutions. The process of formation and effective use of the institute of human capital is analysed, which becomes a priority for the economic development of the country's potential. The presence of mature human capital predetermines the country's economic potential and its strategic growth. The main content of the new economy is that human capital turns from a resource to the essence of development itself. An approach to developing an institutional platform for the development of human capital as a process of natural accumulation or the forced introduction of basic institutions capable of ensuring the emergence of new institutions or significantly modernizing existing rules is proposed. It is proved that transnational capital erases economic, political, and cultural national differences, forms a favourable global infrastructure, ensures the development of countries that define the basis of the world corporate economy. It is substantiated that, institutionally, a corporation creates a new type of economic relations, which are reflected in the rules and code of corporate behaviour. Institutional analysis created the conditions for developing a new approach to designing the trajectory of the development of the national economy on the grounds that the formation of a certain institutional system determines the trajectory of the further development of the state and world economy. *Practical implications.* Theoretical research should be the foundation of state policy in the management of the process of creating formal institutions as the basis of an institutional platform. This requires certain clarifications regarding the possible gap between the rules declared by the legislation and the mechanism for ensuring their observance, the basis for further research. *Value/originality.* The theoretical study is carried out personally by the authors of this scientific article.

Key words: institutes, institutions, institutional transformations, institutional platform, corporate sector, human capital.

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1. Introduction

Processes that are not able to change are doomed to extinction. The slowdown of reforms in the economy first reduces its growth rates and then leads to stagnation and crisis. Therefore, the process of institutional transformations is presented as continuous informal changes that are fixed in the formal institutional system of society in the form of legal acts and relevant codes of behaviour and organizations (institutions) designed to control their observance.

Institutional changes mean both a gradual evolutionary replacement of rules and norms that gradually modify the economic system of society, as well as their fundamental transformation. The choice of the nature of institutional changes in countries with a transformational economy determines the trajectory of the development of their economic structure. The uncertainty of such a choice gives rise to a protracted crisis in the reform of the entire social system. In addition, the creation of the necessary formal institutional framework in the form of a constitution and legal acts regulating economic activity did not ensure their implementation. This is caused, first of all, by a more significant, than it was supposed earlier, dependence on the trajectory of the previous development stage. Inertia, the psychology of behaviour of all sectors of society, significantly lags behind the needs of market transformation. In addition, the institutions of control were not ready to fulfil their new functions or were corrupt.

Obviously, the formation of institutional platforms that would target business, employees, and the power to form and comply with new rules and standards of economic activity is required, as well as the need to create institutions (organizations) and mechanisms capable of monitoring compliance with the new rules. The nature of institutional changes in the economic system comes down to this. The new institutional paradigm of economic theory should explain the real processes in real economies that operate on the principles of complex systems of synergistic nature (Dudchenko, Vitman, 2018).

The founders of the theory of institutional change are considered R. Coase, D. North, as well as J. Commons, W. Mitchell, E. Furubotn. Institutional changes lead to the emergence of new and the disappearance of old rules of behaviour (North, 1981) and appropriate mechanisms to ensure their transformation. There are also changes in the structure and nature of economic relations within the existing rules for their participants. Such an approach to the definition of institutional changes takes into account that the existing rules mean not only the emergence of new installations but also new mechanisms that ensure their observance by subjects of newly emerging and already existing installations. Obviously, it concerns, above all, informal rules.

In the literature, the concept of transformation and change is defined somewhat differently. Transformation is seen as a more complex concept but also narrower than the concept of change. Therefore, it can be said that all transformations are changes, but not every change will be a transformation. For example, R. Lipinski defines a change as any noticeable modification of any element of reality (Lipiński, 2017). Meanwhile, the transformation should be understood as a non-trivial and deliberate process of changing one fragment of the environment, carried out at a given time, which is intended to create a new and, above all, a permanent environment. J. Szczepański represents transformation as one of the three main ways of changing reality: reform, revolution, transformation (Szczepański, 1999). Transformation – a process that changes the state of objects in the real world; a change that transforms the nature or essence of something, which aims to change the existing order (Ratusz, Olszyńska).

In order to modernize the economy and political system in countries with a transformational economy, a fundamental study of the experience of stably and dynamically functioning countries is probably required. Unfortunately, this experience is little studied and, most importantly, is not sufficiently taken into account in the activities of government bodies of countries with transformational economies. Therefore, they fail to avoid serious mistakes in creating conditions for the transition to a market economy.

To reform such economies, the Copenhagen Criteria for the selection of new members of the European Union remain very relevant:

- the creation of stable institutions that guarantee democracy, the rule of law, human rights, and the protection of minorities;
- ensuring the functioning of a market economy capable of influencing competition and market forces in the European Union;
- harmonization of domestic legislation with European Union legislation.

The greatest volume of new rules' developments is required precisely by a transformational economy, in which an institutional platform must be created for the transition to new economic relations.

2. Methodology to form institutional platforms for the transformation of the economy

To ensure institutional transformations in the economy, it is necessary to form a dynamic institutional platform. This platform is a process of natural accumulation or forced introduction of basic institutions capable of ensuring the emergence of new rules and regulations. It is first of all about reforming property rights. The right of the private property first arises in the form of separate elements on the basis of privatization, and then its supremacy

in the economic system of society is established. The predominance of the latter is an integral part of the institutional platform that ensures the creation of new economic relations.

In transition economies, there are both discrete and continuous changes. Discrete changes have certain common features with discontinuous evolutionary changes. Rapid changes in formal norms create only conditions for the formation of basic informal rules. The experience of transformational economies testifies that formal rules change quickly, and informal restrictions cannot change quickly, because they rely on ingrained cultural heritage, stable thinking patterns and ways of action.

It is appropriate to refer the following to the basic institutional rules and norms of the formation and development of institutional platforms of the transformational economy (Tkach, 2013):

- specification of all property rights;
- legal support of regulation and management of economic processes;
- creation of conditions for competition;
- synergistic effect of reforming;
- information support;
- free flow of resources and capital.

The formation of an institutional platform in countries with transition economies takes place in two parallel ways. On the one hand, the authorities carry out reforms, which are based on the development and implementation of formal rules. On the other hand, the existing traditions and customs serve as the institutional basis for the preservation of traditional relations, which are based on the usual system of values and the motivation of individuals.

With a sharp breakdown of existing formal rules and norms and the creation of new ones, "scissors" of inconsistencies are formed between existing traditions and new formal institutions. In this connection, the problem of overcoming the existing contradiction arises, which can be solved only through the creation of an effective institutional platform for a transformational society.

The institutional platform should be based on certain principles that ensure the formation of civilized economic relations in society, give impetus to economic growth, and improve the welfare of the population.

These principles include:

- ensuring the unalienable rights and liberties of the individual;
- creation of incentives for the growth of production efficiency;
- equal conditions for the growth of living standards of all social groups;
- effective control over the observance of existing and new formal rules that regulate socio-economic relations of the individual and society with the application of sanctions provided for by law to all violators.

3. Transformation of ownership regimes

The most important condition for creating an institutional platform for economic transformation is a change in the regimes for the use of property rights. Regimes of ownership can be changed through nationalization and privatization. The establishment of a private property regime transforms the state property regime. If privatization is carried out with the help of a change in real lawfulness with permanent formal, then it is called spontaneous privatization (for example, the use of the state-owned property by government employees for personal purposes). Indeed, in real life, depending on the conditions, there can be a significant difference between *de jure* and *de facto* state-owned property. In other words, formally the resources are in state property, and in fact – in the mode of free access, in a communal or private property. The expression of these tendencies is bribery, extortion, illegal commercialization of activities, corruption, the use of violence for personal purposes, and so on.

Legal support of regulation and management of the processes of forming an institutional platform can occur through the development of a mixed economy. In this regard, it is necessary to determine the economic and legal mechanisms of their interaction and complementarity, which are able to create equal conditions for all activities. This is ensured by the flexibility of the tax mechanism, financial and credit leverage, pricing policy.

The complementarity of market and non-market institutions of the economy is that the supremacy of the market mechanism does not fully serve the needs of the economy, so it is also necessary to maximally use non-market forms of management. It is impossible to immediately and finally go to the opposite economic system. In addition, modern economic systems are mixed, in which there are various economic structures.

The synergistic effect of the modern economy is that its individual components create their own effect in the "launching" and functioning of the market mechanism. But since the market form of management is an integral part of a mixed economic system, then in the complex it provides an integral effect, which many times exceeds the simple sum of various structures, which is a consequence of the interaction of all its structural parts as separate elements. This is explained by the fact that the market economy, as a whole, functions completely differently and more efficiently than its elements, taken separately, when each link operates in its own mode and direction.

An integral part of the institutional platform for the transformation of the economy is the creation of a competitive environment. In contrast to the antimonopoly legislation that is widespread in most post-socialist countries, in reality, it does not deny monopolism and even allows it, if this is not an obstacle

to economic development. This is especially important at a stage when unreasoned measures of fight against monopolism can directly or indirectly lead to the strengthening of the monopolistic nature of individual economic units. And conversely, concentration processes can contribute to the development of competition, entrepreneurship, and private initiative, the establishment of affordable prices, free market access, etc. Therefore, the basis of this principle is economic equality for all participants that operate in the market space of the economy, promoting the observance of the “rules of the game” by all economic entities.

To ensure the influence of the institutional platform on the economic transformation, information support should be created. Information security is aimed at ensuring that market structures, entrepreneurial, managerial, regulating the activities of economic agents can be successfully implemented only in a single information space. Informational support of the market should be carried out timely and efficiently by economic information services at any level of management, thereby realizing their infrastructure role, creating a unified information environment. Such an environment must have set parameters. One of them – the adequacy of information support or information resource endowment. The availability of reliable and qualified information in sufficient volume – an indispensable condition for the effective operation of any organization.

The institutional platform also includes the principle of the free flow of resources and capital, which is one of the main conditions for the functioning of a market economy. This principle provides the flexibility of the system self-adjustment mechanism, which contributes to structural changes in the economy, the implementation of anti-crisis protective measures, and so on. The process of allocation of resources (financial, investment, intellectual, innovative, human capital) is realized with the help of relevant institutions. It is with their help that it is possible to ensure the most efficient and optimal allocation of resources in accordance with the real needs of the economic system. Speculative inquiries of firms, responding to the accumulated structural contradictions, find an appropriate market niche, indicating the direction of capital flow.

The application of these institutional rules and norms in the formation and development of the institutional platform of a market economy creates favourable conditions for the development of a system of economic relations.

The modern institutional theory does not give a definite answer to the question of how underdeveloped economies become prosperous. However, knowledge of the fundamental characteristics of institutions, the laws governing the formation of institutional matrices of economic systems’ development trajectories proposed by evolutionary theory allows certain generalizations to be made:

- the basic condition for sustainable economic development – a flexible institutional matrix that adapts to technological and demographic changes, as well as to the breakdown of social systems. Its essential characteristic is the creation of a stable constitutional structure of society, complemented by informal norms;
- the formation of a modern market economy objectively provides for the creation of new institutional entities (associations, concerns, consortia, corporations, etc.) that fill the “vacuum” between government institutions and the market (Tkach, 2013).

In order to determine what an institutional change is, it is convenient to use the “formula” of the description of any rule:

- a description of the situation, describing the conditions of the supplement to the norm and determining how an individual should act in accordance with this rule;
- characteristic of the individual or the addressee of the norm, which allows determining which types of individuals should adhere to the rule;
- definition of a specific action or content of the norm, indicating which of them can or should not be carried out by the addressees of the rule in appropriate situations;
- a description of the sanction for non-compliance with the rule, which allows the addressee of the norm to determine what expenses he will incur without completing the established action;
- characteristic of the guarantor of the norm, that is, the subject applying sanctions to the violator of the rule; this feature allows the addressee of the norm to more accurately determine the expected costs of breaking the rule and make a more reasoned decision (Tkach, 2013).

Institutional changes, in general, can be summarized as follows:

- the constant interaction of institutions and organizations, which, given the rarity of economic resources, generates competition, which leads to institutional changes;
- competition forces organizations that seek to survive, invest in knowledge and skills. Knowledge and skills acquired by individuals and their organizations provide empowerment, and the latter, gradually, change institutions;
- the institutional framework forms the types of knowledge and skills that allow obtaining the maximum gain;
- the perception of opportunities arises from the mental models of players;
- the economy of scale, the effects of additions and mutual influence with the external structures of the institutional matrix make institutional changes extremely slow and dependent on the trajectory of the previous development.

Thus, a rule change – not a change in behaviour that can be caused by a variety of reasons, including random, but a change in the content of the rule components, allowing individuals to decide on their actions.

4. Creating an institutional platform for the corporate sector of the economy

The processes of emergence and development of the institutional platform of the corporate economy can be explained by the evolutionary principle of natural selection at the expense of changing the economic institutions and the diversity of their forms. Global changes in the economic situation stimulate modern corporations to look for ways to increase their own stability (Smerichevskiy, Kryvoviazuk, Raicheva, 2018). The structure of modern corporate theory reflects the main stages of the evolution of the theory of economic relations, first of all, property relations.

The methodological basis for the study of the development of the corporate sector of the economy is based on traditional and specific tools of institutional analysis. The latter include: transaction costs and assets specifics as conditions for making integration decisions; coordination institutions as a means of overcoming the unsatisfactory distributional consequences of the possession of rights-rules; residual rights of control as a tool for managing human capital; stimulating alignment as a way to overcome opportunistic behaviour; incentive contracts designed to ensure an acceptable level of compliance with the interests of regulators and owners; informal (codes of conduct) and formal (legislative restrictions) institutions as motives and conditions for enforcing contracts; corporate culture as a tool for adapting agents to the intended changes.

The institutional platform of a transformational economy characterizes a corporation as a basic, system-forming element of a modern market economy, the accumulated capital of which becomes the source of the institutional transformation of economic system components: property, power, management, labour. The corporation has the ingenious ability to combine capital and, accordingly, the economic potential of an unlimited number of people (Bakan, 2007), accumulates significant financial and other resources necessary for modern volumes of the economy (Yevtushevskiy, Kovalska, Butenko, 2007). Thus, the corporation resolves the contradictions between the need for capital accumulation and the limited size of individual capital (Sirko, 2007), uses the mechanisms of intra-industry, inter-industry, and intra-company flow of capital.

The institutional platform of the corporate economy is formed as a set of powerful structures, within which a concentration of industrial, financial, and human capital, investment and innovation resources is achieved, which is a necessary prerequisite for the transformation of the economy.

Economic models of corporate development determine the behaviour of economic agents and capital allocation depending on the presence and dynamics of institutions. The institutional evolutionary theory identifies two levels of economic dynamics – the level

of institutes and the level of institutions that determine, respectively, two types of evolution – the evolution of institutional rules and the evolution of organizational (institutional) structures. The specificity of structural changes in terms of systemic transformation lies in the obvious subordination of organizational changes to institutional transformations.

A corporation is a consistent adaptation of the form and structure of an institution in accordance with the evolution of institutes as a result of the interaction and mutual influence of processes of evolutionary transformation of the economy and the concentration of capital to meet the needs of effective management.

Corporate dynamics is determined by the institutional framework and depends on the direction of institutional change. In developed countries, it can be represented as a sequential change of informal rules, which entails a change in formal rules. The corporate form of entrepreneurship meets the most important principle of institutional development – ensuring a sufficient diversity of institutional forms based on the use of comparative advantages. Adaptation of economic agents to the consequences of institutional changes occurs through the differentiation of corporate structures. The motive for the creation and development of corporations is the reduction of transaction costs due to integration, and the criterion for inventing the optimal size of a corporation – their minimization. An increase in the size of a corporation occurs as long as the transaction costs of the corporation exceed the market transaction costs.

The need to increase the adaptive capacities of the corporation and reduce the impact of the instability of the external environment on it has become the main systemic reasons for the development of the corporate economy. The motive for corporatization is the search for ways to increase profitability, which is achieved by reducing transaction costs, taking advantage of market monopolization, multiplier effects, and diversification.

Another factor in the development of corporations is the need to attract investment and accumulate capital to finance innovation, the accumulation of which is carried out in accordance with the logic of the industrial development of society. The development of property rights in the form of corporate rights forms the links of economic appropriation in the field of direct production, distribution, exchange, and consumption, which characteristics are reflected in the laws of economic property such as laws of property centralization, trends in the rate of profit to decrease, diminishing returns, rising costs, savings and over-savings.

The objective function of entrepreneurial activity can be realized only under the condition of constant accumulation of capital.

Minority owners of small capitals combine the desire to make money with the desire not to be burdened by business problems. The termination of property control

allows making no effort to exercise own powers and to receive capital income.

At the same time, the majority owners of capital seek to maximize the functioning capital to gain a competitive advantage through scientific and technological advance and economy of scale.

Institutional shifts in the economy are determined by changes in the property system. The institutional basis for the creation and development of the corporate economy was the replacement of individual property by communal property. Transformations of the private-ownership economic system into a corporate one are determined by the needs to invest in the development of industrial production, the need to overcome contradictions between the limited nature of individual funds of individual entrepreneurs and the rising cost of industrial production (due to the growth of the production infrastructure, technologies, equipment, raw materials, and materials). It was the corporation that provided the opportunity to increase capital by the organizational association of individual capitals, satisfying the owner's main interest in reimbursement and capital increase. The concentration of capital contributed to the rapid development of mass production and infrastructure facilities. At the same time, the shareholder form of capital provided the possibility of a constant flexible redistribution of funds between enterprises, regions, industries, and countries in accordance with changes in the efficiency of objects.

The dynamics of corporate development processes are influenced by scientific and technological advance and innovations, market competition, the objective function of business activity, the sectoral distribution of profit margins, the interests and motives of participants in corporate relations, the processes of globalization, sectoral and regional consolidation, the territorial redistribution of world monopolies, the institutional function of a corporation, influence and energy of individuals.

The accumulation of capital transforms the market economy with personalized capital and small-scale production into a system with a high level of capital concentration and production, changing the organizational and legal form of enterprise operation. The transformation of the production system based on the principles of production and capital concentration under the influence of scientific and technological advance, the increasing influence of non-market forms of competition led to the emergence of corporate enterprises as a form of integration of production and capital, which contributed to the assimilation of new, progressive technologies, the growth of mass and rate of return on aggregate capital, and significant increase in competitiveness. The process of creating corporate structures between vertical integration and internationalization changes the set of elements available to the company (types of production, industries, regions, countries).

The need to compete for the achievement of a monopoly, the impossibility of ending the competition and, at the same time, monopolizing the market predetermine the use of such forms of production and capital concentration at the intersectoral level as integration and diversification. At the first stages, a separate type of production is monopolized, an industry (horizontal corporation) or series-connected productions (vertical corporation). In terms of capital accumulation, the search for ways to profitably use capital has given rise to a complex form of production concentration – a conglomerate corporation. In addition, in the conditions of increasing competition, reverse diversification processes acquire development: exemption from non-core industries, asset sales, and concentration of efforts on one type of activity.

The interweaving of two contradictory trends – the subordination of the world economy to the interests of corporate capital and the competition of national economies – creates a unique institutional environment in each individual country. Directions for the development of economic competition should ensure the solution of two, at first glance, opposite tasks: integration into the global economy since excessive protection provokes lagging and loss of competitive advantages, and protection of national interests, sovereignty through the correction of rules of transnational capital in the domestic market.

5. Formation and development of the institutional platform of human capital

The elaboration and development of an institutional platform for human capital should be viewed as a process of natural accumulation or the forced introduction of basic institutions capable of ensuring the emergence of new institutions of human capital or substantially modernizing existing rules in this area. Human capital has become one of the most important non-material factors (Boronos, Plikus, Aleksandrov, 2016). Economic progress and social development depend on the level of intellectualization of life of the population of countries, on the degree of accumulation of national human capital (Radyeva, 2017). The new turn of the economy – the knowledge economy necessitates the formation of human capital on a new institutional platform (Tkach, 2017).

The methodological basis for creating an institutional platform is the process of exploring the possibilities of transition to a new paradigm for the development of human capital. When the conditions of people's economic activity change, there is a need to change standard concepts of the processes – that is, a paradigm shift. The extinction of obsolete and the emergence of new institutions, a change in the institutional environment, and substantial changes in the structure of institutions require a new paradigm for the development of human capital. This is related to the need to use

human capital as a new tool for market development of the economy and the potential of both wealthy and developing countries (Rekun, 2015).

Paradigm is also defined as content. Disclosure of content is impossible without determining its structural elements and place in the metaparadigm: general ideological principles, value paradigms, nature of the interaction between object and subject, the object of cognition, holistic theory, way of thinking, research method, and system of social values.

The institutional paradigm of human capital development can be considered as the main part of the modern institutional metaparadigm.

The institutional paradigm analyses agents' actions not in a free market environment but in a social space consisting of various institutions. The skeleton of the scientific paradigm is formed by two components: the basic categories of the subject and methodology, the theoretical tool of its cognition (Tkach, 2013).

Human capital is limited in its actions by the institutional structure of society (Golovkova, 2017). The formation of an institutional platform for the development of human capital is based on such vectors as the emphasizing of existing and the formation of new institutes and institutions for the development of human capital; search for effective mechanisms favouring the development of human capital.

The motives of human capital as an agent of the institutional environment are no longer those outdated views, in which only personal interests were prevalent and ensured. At the same time, the factor of increasing the elderly human capital becomes important (Krajňáková, 2017). There is a striving for compliance of actions and human behaviour with institutional norms and rules for improving one's own position in the institutional environment.

In the new institutional paradigm, the object is no longer an agent but an institute. And the object of cognition is the correspondence of agent actions to existing institutes. The development of human capital institutes is determined by the system of stimulants but, at the same time, is constrained by a system of restrictions, controls, and penalties.

Creating an institutional platform leads to the evolution of society by replacing some institutes with others.

The institutional content of human capital is determined within the new institutional paradigm. It includes such components as the institutional configuration of human capital development, its

institutional structure, institutional components, their interaction and influence on the formation of human capital.

The institutional platform of human capital can be effective if certain mechanisms work. Therefore, an integral component that links other content parts and ensures their interaction is the conceptual mechanisms of the institutional platform for the development of human capital.

6. Conclusions

1. The formation of an institutional platform is a process of accumulating basic elements that can ensure the emergence of new or substantial modernization of already existing institutes.

2. Institutional platforms of transformations should develop as continuous informal changes that are fixed in the formal institutional system of society in the form of legal acts, codes of conduct, and institutions (organizations) that are intended to enforce them.

3. The concept of an institutional platform allows developing a new approach to designing development trajectories of the national economy on the grounds that the formation of a certain institutional system determines the trajectory of the further development of the state and world economy.

4. The institutional platform for the development of human capital as a process of natural accumulation or the forced introduction of basic institutes capable of ensuring the emergence of new institutes or significantly modernizing existing rules.

5. The institutional paradigm of human capital must be developed as the main part of the metaparadigm.

6. Corporate dynamics is limited to institutional frameworks and depends on the direction of institutional change. The institutional basis for the creation and development of the corporate economy has become the replacement of individual property by communal property. The process of creating corporate structures within the vertical integration and internationalization changes the set of elements available to the corporation.

7. The basic rules and norms for the formation and development of institutional platforms for a transformational economy should include: the specification of all property rights, legal support for the settlement and controllability of economic processes, the creation of conditions for competition, the synergistic effect of reform, information security, and free flow of resources and capital.

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