Interaction of Enterprises with Financial Corporations: State, Problems, Mechanisms, Improvement of Relationships

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Abstract: Corporations have significant resources that enterprises need to develop. Many enterprises are looking at new tech companies and searching for opportunities to reap the benefits associated with their work. They also offer access to large markets where small companies would like to start operating. These types of entities also provide stability and have the ability to scale actions. Enterprises can quickly master technologies, create products and services based on them, and easily implement changes in operational strategies, which is difficult for very large companies with an extensive decision-making structure. Therefore, each party can offer something that is desired by the other. The relevance of the study is conditioned by the fact that the success of young companies can make a really big impression. Some of them achieve results that allow them to catch up with the current market leaders and take their positions. The purpose is to consider the interaction of enterprises with financial corporations and factors influencing the improvement of their relationships. Possible collaboration between companies and financial corporations can take many forms, such as an acceleration or incubation programme, equity investments. In recent years, there has been a significant increase in the interest of financial corporations in investing in technology companies. Thus, corporations have the opportunity to increase the scale of operations in the field of investment in enterprises. The practical significance lies in solving problems that affect the overall state of interaction between enterprises and financial institutions in Ukraine.Keywords: Corporate Financial Performance, ESG score, Fama & French, Stock Returns, Sustainability.

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1. INTRODUCTION

New technologies make the existing model of functioning of global financial corporations inefficient and not very competitive. In the face of breakthrough innovations that change existing markets and create new ones, they are beginning to open up to collaboration with new actors. According to the concept of open innovation, large companies are increasingly paying attention to technology enterprises. The concept of open innovation, which speaks to the benefits of new and better products and services, is becoming increasingly popular. In a world where competition is still more important than collaboration, it is difficult to create and implement a new approach, which is integration and partnership with innovative companies. Many businesses see the importance of innovation as a factor that allows them to be successful in market competition. Their source is mainly seen in the creative potential of their own employees (Goto et al., 2019). Assuming that employees have a better understanding of the organisation's needs, developing and implementing innovations should be completely natural for them. For this reason, companies are paying more and more attention to employee creativity in the recruitment process. Although the search for innovative solutions within the organisation is appropriate, it is only one of the sources of generating new ideas.

The variety of tools that can be used by financial corporations is quite large. To start effective cooperation with businesses, corporations should try several different tactics. Gradual entry into the ecosystem would allow the company to better navigate the local environment and filter out its elements that provide value (Jackson, 2020). A corporation's approach to cooperation can be multi-level. How a given

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company's policy will be defined in this regard may depend on many factors. The more experience, the more applications and more opportunities for cooperation. Some large companies are able to use individual tools correctly and get significant benefits from interaction. However, not everyone manages to do this smoothly. A special feature of corporate organisational structures is that they often create closed links that do not receive all information about various types of activities that the company carries out. This approach makes it difficult to use the full potential of the organisation. When working with enterprises, it is important to make sure that corporate tools work properly, they must form a complete whole. The easiest way to achieve this model is to gradually include new tools in the offer. Bringing it to the point where the system of communication aspects will develop will lead to a constant flow of various types of programmes, so that the corporation will be able to implement its plans, while offering appropriate support (Okuyama, 2019; Acar and Ensar, 2019).

In order to unlock the innovation potential of an organisation, many financial corporations make a strategic decision to appoint a specialised unit responsible for promoting creative, entrepreneurial attitudes and the internal innovation process. Launching a dedicated innovation team brings an added benefit – this opens up the company to external structures, with fresh ideas and a different perspective on the challenges faced by large enterprises. In 2018, 264 new funds were created worldwide, which is 35% more than a year earlier. Some of them, in addition to raising their own capital, enjoy the support of organisations that trust funds to investors. Effective cooperation in this area requires proper preparation and understanding of the expectations and needs of the other party (Phadermrod, 2019). Creating a clear path for potential collaboration between a business and a large enterprise will be a huge success. It will also greatly facilitate the work of those responsible for individual tools. In addition, it will allow transmitting information about new technologies and trends to various organisational units of the company that can use them. Therefore, a corporation should not only be aware of the advantages and disadvantages of individual tools, but also be ready from the organisational side, so that its entry into the world of enterprises does not turn out to be an impressive failure (Senyo and Osabutey, 2020).

The purpose of the study is to consider the interaction of enterprises with financial corporations and factors influencing the improvement of their relationships.

2. MATERIALS AND METHODS

The theoretical and methodological basis of the study consists of the following approaches: functional, the method of absolute and comparative advantages, structural. The functional paradigm requires taking into account all accepted issues that are being considered. Its essence consists in the presence and collision of internal contradictions and opposite trends in each phenomenon of interaction between an enterprise and a financial corporation, as well as general organisational activity. Such a process can be reduced to an analysis that includes a gradual concretisation of the relevant features, taking into account less important features of the phenomenon in the analysis, that is, the study from details to general. This occurs when there is a relationship between quantified events that can be represented by mathematical functions. The interdisciplinary aspect of the approach allows this branch of science to better explain the economic and social processes taking place in the world. If certain financial features are formed in isolation from a specific social context, cultural system and conditions of economic practice, then economic functionalism cannot formulate predictive conclusions for economic policy.

The method of absolute and comparative advantages is used to assess the competitiveness and comparative advantages of a country by sector of enterprises or certain groups. However, its values are not standardised, which leads to certain consequences. This distribution is usually asymmetric, unstable over time, and sensitive to the number of sectors and the number of countries in the control group. This makes it difficult to compare index values in time and space, and also makes it difficult to determine the appropriate theoretical distribution. This approach uses the transformation of the indicator under consideration using a family of rational functions, where the empirical distributions of the normalised index are grouped according to the Standard International Classification. It explains the mechanism of mutually beneficial cooperation between an enterprise and a financial corporation, according to which the decisive factor is the benefit received from the exchange of both partners, where the attempt to identify and evaluate potential comparative advantages is within purposefully selected groups, directions and dynamics of technological changes in the country. The method of absolute and comparative advantages provides strong arguments in favour of the corresponding specialisation, but the situation becomes much more complex when simplified assumptions of the theory are replaced by more realistic parameters.

The structural approach is based on complementing the view of the neoliberal economy by expanding the role of the state in developing the foundations of sustainable and stable economic growth and an efficient economy. In other words, it provides for the creation of conditions for economic development and fair distribution of the effects of economic activity, which largely depend on the awareness of the subjects of economic life of the country, the main issue of which is economic efficiency, measured not only by the rate of profit, but also by competitiveness, innovation, modernity, social well-being. This depends, on the one hand, on the level of development of a given country, on its commitment to democratic freedoms, economic, political and social history, business culture, and traditions. On the other hand, the interaction of enterprises with financial corporations is the result of observing huge material and social differences in the most developed countries of the world, where the state is irreplaceable and its existence in a market economy is not only an important, but also a necessary financial aspect.

3. RESULTS AND DISCUSSION

Despite the numerous barriers that arise in the way of interaction between enterprises and financial corporations, observations show that this process is becoming increasingly important for each of the parties. This is no longer just a marketing activity, but a partnership that can bring mutual benefits. An individual approach is required for cooperation to be effective. For corporations, this can mean changing internal processes. In turn, for enterprises – structure their dynamic activities. Only after understanding each other's goals, needs, and limitations can joint activities be successful. An example is France, which currently ranks 4th in the world and 1st in Europe in terms of the number of corporations according to the Global Fortune 500. Local market research shows that 75% of corporations are already working on implementing internal processes adapted to facilitate collaboration with businesses. Most often, the corporation's innovation, research and development, or technology departments are responsible for such activities. To facilitate cooperation and the flow of information between so many cells, world leaders often choose to separate structures that do not depend on strict procedures and provide more effective cooperation. Depending on the purpose and level of cooperation, they can take various forms: an innovation laboratory, an innovation centre, and corporate incubators (Fama and French, 2021). Mature businesses are increasingly looking for financial corporations at an early stage of product development that does not yet have a final look. This approach can be useful for both parties – corporations do not spend money on modifying solutions to suit their needs, and enterprises create solutions that are really needed.

Cooperation with banks is an integral part of the activities of every enterprise. What the optimal model of cooperation with banks should look like in practice depends on many factors. First of all, the size of the enterprise and its demand for banking products are important. The situation is quite different with a small company that performs few financial transactions. This is more of a recipient of the basic services offered by the bank than its partner. The situation is different in companies where financial transactions are carried out on a large scale. They create specialised departments that manage liquidity and cooperate with financial institutions. For companies that use banking products to a large extent, banks create customised solutions, individual bank account structures, and settlement models. The biggest mistake a company can make, – to use tools that are not essential to business and the functioning of which is not entirely clear. The bank can present them as very profitable and encourage them to buy. The situation in recent years has shown that this applies not only to small businesses, which often do not have liquidity management specialists in their structure. In addition, large enterprises that were persuaded by banks to use derivatives suffered real losses, even got into serious financial problems (Boot, 2020). The reason was a lack of understanding of all aspects of the purchased tool. Relations of enterprises with banking institutions are one of the most important elements in business or professional activities. Basically, they are determined by the mandatory norms of the current legislation. Due to the fact that these provisions impose specific obligations on both parties, they generally establish a rather strict framework for relations between the entrepreneur and the bank.

The financial sector has been under significant pressure over the past decade. The financial crisis has hit businesses, citizens, and national authorities. Problems remain with the development of new technologies, fragmentation of EU markets and climate change. Given recent developments, the EU's efforts to support the economic recovery need to address repeated threats to the financial sector. Maintaining an efficient and reliable banking system is essential for achieving sustainable economic growth. The market environment is shaped by new digital technologies, dynamic consumer preferences, increased competition and changing rules. Consequently, supervisory authorities regularly evaluate and adjust supervisory practices to ensure effective incentives and monitoring of the banking sector. At the same time, they must find a difficult balance in terms of increasing the sustainability of institutions without undermining the stability of their businesses. Financial corporations have a structural impact on the global economy. This is conditioned by their size and the "transmission belts" of a particular organisational culture – the standards and requirements they apply to their business partners. An important element in starting cooperation is to define expectations for the development programme. This solution can identify measures that allow checking the effectiveness of activities. Another advantage is the ability to adapt the optimal system of cooperation to the set strategic goals. The capital markets union is an economic policy initiative that aims to further develop and integrate the EU capital markets. Capital Markets Union goal – promote risk sharing among countries and enable companies and programmes to receive diversified financing, regardless of their location. The Commission helps EU member states remove barriers at the national level between investor capital and investment opportunities. It provides technical support in cooperation with the Directorate General for Financial Stability, Financial Services and the Capital Markets Union (Grant, 2018; Rumelt, 2019).

Modern financial corporations have realised that maintaining a competitive advantage requires the ability to innovate. The result of the study, which shows the life expectancy of corporations based on the time of their inclusion in the corresponding S&P 500 index, is indicative. In 1958, this term of office was 61 years, and today it is only 25 years. Businesses that research the market know that when looking for ideas, they cannot just be limited to internal sources. Evolutionary modification of goods and services is not able to meet the needs of the modern consumer. Innovative companies, especially in the field of new technologies, disrupt the current order by implementing breakthrough solutions, despite others. Therefore, corporations that think about the future should perceive enterprises not as a threat, but as an opportunity to attract partners who will allow them to increase the value of their business, develop the industry and meet the needs of customers. In the modern world, the need for partnership to work on innovation has reached such a scale that it is difficult to ignore it. As the pace of change increases, corporations are increasingly aware of the need to change their approach to innovation. This will allow developing new ways of cooperation based on flexibility and a partnership approach. In the Netherlands in 2015, on average, this process took place 9.4 months from the first meeting to the beginning of cooperation, and in France in 2017 – 5.6 months. This problem arises from the complex decision-making process in large enterprises.

Cooperation models have two main forms: structured partnership programmes, which focus on the exchange of experience and the implementation of jointly defined goals, and "technology tourism", which is more focused on the measurement of creating an innovative image (Myers and Majluf, 2018). Internal barriers to interaction that arise due to restrictions on large enterprises include five main categories: strategic, procedural, cultural, structural, and cross-cutting. When considering the impact of relational barriers on collaboration, it is worth considering them in terms of the phase of collaboration at which they are identified. The first stage is the beginning of cooperation aimed at finding the right partner and starting a dialogue. A well-chosen person or team can significantly speed up negotiations. The ideal corporate representative should have sufficiently high authority in the organisation, be aware of the technology used, and have a budget to cover the cost of proof of concept. The next step is to establish cooperation. The biggest challenge at this stage is building trust, as well as transparent and understandable information. An enterprise, as a smaller partner, may feel insecure about working with an international giant. Therefore, the corporation should take care of building relationships based on trust and transparency of plans for future interaction. Ensuring healthy, long-term collaboration requires clear and effective communication and a sense of achieving common goals. To reinforce this feeling, it is necessary to identify measures of success that will be periodically analysed together during strategic reviews. Problems that may arise at this stage include personnel changes or changes in the strategic goals of one of the actors, which as a result may lead to an end to the need for cooperation.

Discussion of the key points of excessive fiscal and legislative burden that now fall on the financial sector and hinder business processes, in particular its greater participation in the transformation and recovery of the Ukrainian economy after the consequences of the COVID-19 pandemic, implements development plans, especially in the context of modern civilisational challenges that are rapidly changing, and requires effective work of mechanisms that form the country's economic system (Donaldson, 2019). In this context, it is important to maintain a dynamic and efficient banking sector. Banks are the main supplier of loans to enterprises and the Ukrainian economy as a whole. Improving the operating conditions of banking institutions and enterprises requires removing numerous barriers, including the settlement of soft loans, the removal of regulatory restrictions on the use of property collateral, as well as very low profitability of the entire banking sector, which negatively affects not only the processes of increasing the necessary capital, but also proper relations with investors. It is worth noting that it is necessary to adhere to the widely understood principle of proportionality in regulatory processes related to the financial sector environment. An increase in the number of enterprises, and at the same time the volume of their capitalisation and turnover, an increasingly strong position in derivatives trading, the development of financial instruments connecting the banking market and capital markets, and an increase in the share of savings in capital instruments – all this may indicate that the Ukrainian financial system is moving towards a system based on the capital market. There are only two factors that can curb this trend: the still underdeveloped corporate bond market and the still too weak capital market infrastructure. Therefore, in the long term, the hybrid system of cooperation will be based on banking activities and capital markets (Chkir and Cosset, 2021; Hol and Wijst, 2019).

The growing demand for new financing from both consumers and businesses is likely to have a significant impact on the cooperation banking sector in the near future. Despite forecasts of economic recovery, the banking sector will continue to feel the effects of the pandemic and consistently low interest rates. Therefore, from the standpoint of the enterprise, much will depend on the credit policy of banks. Their rules, including credit checks, correspond to the current and expected economic situation. In 2020, sales of most major credit products on the market declined due to lower demand and increased risk policies. In the future, banks will be even more cautious in providing business loans. The company's position and ability to pay off its debts will be checked even more thoroughly. In the sphere of mutual relations between enterprises and financial corporations, rapid integration between countries is observed. Those organisations that can join this integration process can maintain their existence while keeping up with the competitive environment. However, financial problems associated with the need for capital, which is an important asset for organisations, cause many other problems (Jensen and Meckling, 2019). Organisations can use many methods to overcome financial problems, namely to create new financial opportunities. The ability of businesses to gain a competitive advantage by taking strategic steps that anticipate opportunities and cover up threats depends on the financial structure of the business. In this context, a business should know financial methods very well and be able to use the most appropriate option when creating its financial structure.

Banking institutions bring businesses together through regulatory compliance programmes and training that they develop. Due to digitalisation, it is possible to improve the efficiency of the enterprise, get access to instant data, reports and account information at any time, while the business activities are carried out through devices. Especially in international money transfers, the use of the banking system and smart contracts has increased. Transactions are carried out quickly using alternative payment instruments and alternative currencies. Users can quickly verify their identity digitally through authorised institutions using digital identifiers. Prices, bidding, negotiation and contract processes become transparent. Although this technology, which has brought significant changes in trade, may destroy banks and intermediary institutions in the future, it is expected that the problems of subjects will be solved using artificial intelligence technologies in the commercial system of the future. Regarding the interaction of enterprises with insurance companies, it is generally accepted that as the level of economic development increases, insurance will become widespread, and as the concept of insurance is consolidated in society, economic development will gain momentum (Reeb et al., 2018). Insurance is growing rapidly around the world, and investments and insurance services provided by insurance companies are rapidly diversifying. The assessment of premiums and bills is also very important in this context. If the insurance system is not managed properly, it can cause even more damage.

In the current economic situation, for better financial work, it is necessary to build a "three-stage" structure of the information system. The model of financial transactions is being called into question due to the development of the information industry. Commercial banks need to master some non-public information, have closer ties with businesses, and support them when they encounter difficulties. Most financial services are information-based, and a large number of financial transactions and pricing are based on information systems, so the structure of the information system has a very close relationship with finance. According to the method of information concentration or decentralisation, finance can also have two modes. In the first mode, almost all-important information, including financial and customer information, is publicly available. The enterprise does not control the bank, just as the bank does not control the enterprise. The business relationship between the two parties depends on the choice of market. If a company faces difficulties, banks are not required to help. Another mode suggests emphasising that the information is local and private. A particular bank has more knowledge about a particular company, so it knows more about customers than others, has more advantages in the financial business, and has a close relationship between the two parties. In this case, basic-level financial institutions have an advantage, since mass organisations have more contacts, more knowledge, and more information about grassroots enterprises, and this information is not intended to be shared with others. Similarly, if a business has problems, the bank usually seeks to save the business first, since it is its own client (Freeman, 2019; Hankins, 2020).

In the course of economic activity, relations between banks and enterprises often change. From the standpoint of financing, the enterprise must first clearly understand the requirements and concerns of the bank, and then openly recommend to it all aspects of the company, such as: planning, product technology, market prospects, including clearly stated current difficulties of the company and risks that it faces. The advantages of this are that, on the one hand, banks have a better understanding and recognition of enterprises, and on the other hand, the openness of enterprises makes it easier to gain trust and support from banks. For example, equity, assets and liabilities, cash flow, and revenue growth rates are the indicators that financial corporations are most concerned about. Therefore, a reliable corporate financial system, standardised financial statements and a reasonable financial structure are not only the basis for the survival and development of an enterprise, but also an important basis for trust in a banking institution. The bank assumes that when applying for a loan, for example, an enterprise must first evaluate its credit rating. It can be noted that the quality of an enterprise's credit history directly determines whether it can get a bank loan. The owners of the bank and the enterprise are scattered, as they act as business entities that bear their own risks and liability for their own profits and losses. Therefore, businesses need to keep up with their thinking and understanding on this issue, because it is very difficult to establish relations or financing between banks and businesses.

The nature of interaction between businesses and financial corporations determines that they will inevitably provide financial services. Such a mechanism of the fund of banking institutions and professional experience can reduce the risks of business activities to a certain extent. At the same time, due to the small size and weak strength of assets, banks have an irreplaceable relationship with small and medium-sized enterprises, their ownership rights should be based mainly on small and medium-sized enterprises (Blair and Stout, 2018). The rules of work should be gradually improved in practice, and they should be more flexible. These characteristics form their relationship with each other and the basis for creating and developing the business of both. Most small and medium-sized enterprises take the form of individual entrepreneurship or partnership. In most cases, the owner and operator of the enterprise are the same person. The financial accounting of an enterprise is arbitrary, the transparency of financial information is low, and financial statements, as a rule, do not correspond to reality. As a result, it is difficult for banks to correctly assess the risks of providing loans. According to statistics, the financial management of more than 50% of small and medium-sized enterprises in the country is not reliable. With the further development of the market economy, business costs and the intensity of market competition have significantly increased, as well as the level of their insolvency has significantly increased. Moreover, small and medium-sized enterprises, as a rule, do not last due to weak capital, technology and insufficient ability to deal with risks (Kanda, 2020). In general, this unstable state significantly limits the ability to repay loans, which is why financial corporations face high risks.

Studying the experience of developed countries, it is worth noting the model of the enterprise credit guarantee system, which relates to the introduction of diversified funds, market activities and corporate governance with political guarantees as the main body. Investment entities are developing in a diversified course, and there are more and more guarantee institutions that are financed by enterprises, non-governmental organisations and individuals. According to statistics, among 3.366 guarantee institutions in the country, the number of corporate guarantee institutions reached 2.863, which is 85.14% of the total number. Among the total investment by guarantee institutions across the country, non-state investments reached 71% of the total amount of guarantee funds. From the standpoint of banks and other financial institutions, most of the measures that benefit businesses are taken within the framework of promoting national policies. Relations with financial corporations are a link between links aimed at developing and improving business relations by providing relevant services through carefully studied strategic plans, which are reviewed annually and developed in accordance with the interests of banking institutions. Financial corporations provide businesses with a diverse package of products and services designed specifically to meet their needs. These products range from personal finance solutions to specialised loans, cash flow management services, and credit and direct debit cards in light of an in-depth analysis of market mechanisms and requirements (Porter, 2019; Morin, 2019).

4. CONCLUSIONS

Thus, financial institutions are important players in the economy. Their role is to finance medium and long-term needs, tangible or intangible investments, working capital, short-term needs of the enterprise, and provide an appropriate number of services. A bank loan is a source of debt financing that is most commonly used by companies in most industrialised countries, as well as in developing countries. In addition, the interaction of enterprises and financial corporations at the national level is characterised by numerous risk dimensions that affect its viability and sustainability after the phenomena of mediation and deregulation. As a result, these unfavourable amplifying mutations increase the variability of expected outcomes. The development of relations between the bank and the company is a crucial element in dispelling the problems of information asymmetry and reducing the degree of risk. This idea is also at the centre of the problems that define a bank loan as a means of financing that will solve serious business problems. A productive relationship gives the bank the opportunity to save on the cost of collecting the information needed to make decisions about determining the risk premium to be claimed. In other words, if the relationship is frequent and satisfactory, the bank can better understand the company's operating environment and know its prospects.

This orientation can be explained by the fact that the impact of banking relationships has greater access to sources of direct financing that rely on widely valid valuation tools, while firms in emerging markets resort to banking intermediaries who prefer personal understanding. Moreover, in many developing countries, each case is almost unique, and it is impossible to attribute the probability of bankruptcy to it, referring to objective elements. Indeed, the intensity of relations between a financial institution and an enterprise allows for a better understanding of the company's prospects, solvency, investment opportunities, and financial condition. Financing companies is an important part of the activities of financial institutions. However, access to credit is not the same for all businesses. In large companies, banks go beyond providing loans to provide advice, financial transactions, and market operations, and conversely, for small businesses, financing can be more difficult. Recently, a new trend confirms the possibility that the relationship between the bank and the company implies strengthening the further control that the bank exercises when the company participates in market actions. More clearly, banking relations give the bank the opportunity to establish a fairly appropriate system for evaluating a business based on an assessment of its quality and solvency.

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