

**ESPEG model and corporate governance system
for ensuring sustainable development of enterprises****Agnieszka Rachwal-Mueller**

Academic Lecturer
College of Economics and Computer Science
30-150, 17 St. Filipa Str., Cracow, Poland
Postgraduate Student
University of Economics and Business
130 67, 1938/4 W. Churchill Str., Prague, Czech Republic
<https://orcid.org/0000-0001-7871-2356>

Iryna Fedotova

Doctor of Economics, Associate Professor
Kharkiv National Automobile and Highway University
61002, 25 Yaroslava Mudrogo Str., Kharkiv, Ukraine
<https://orcid.org/0000-0002-3277-0224>

Nadiia Bocharova

PhD in Economics, Associate Professor
Kharkiv National Automobile and Highway University
61002, 25 Yaroslava Mudrogo Str., Kharkiv, Ukraine
<https://orcid.org/0000-0003-4371-0187>

Grygorii Azarenkov*

PhD in Economics, Professor
Simon Kuznets Kharkiv National University of Economics
61166, 9A Nauka Ave, Kharkiv, Ukraine
<https://orcid.org/0000-0001-5665-2268>

Abstract. In 2023, there is a pressing requirement to promote enterprise growth and guarantee enduring sustainability, therefore, it is timely to craft an effective model for sustainable progress and establish a corporate governance framework. The aim of the research was to develop innovative approaches to ensure the sustainable development of enterprises through the development of a sustainable development model and corporate governance system. The essence of the concepts of “corporate governance” and “corporate management” is also defined in the article using the categorical method of two-level triadic decoding. The research is based on the principles of sustainable development, systemic and holistic approaches. The article proposes a four-component model of the enterprise sustainable development concept (ESPEG model), which reflects the hierarchical arrangement of the environmental (E), socio-political (SP), economic (E), and governance (G) spheres of the enterprise. This model identifies the directions for the application of management tools to influence specific interacting spheres. The result of the work is an improved model of enterprise sustainable development that enables the structuring of the key components of the concept to ensure effective management of the enterprise based on the balance of its key elements. The model of corporate governance system has been improved, incorporating

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*Corresponding author



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the paradigm of sustainable development and considering the necessity of integrating various management subsystems within the company. The proposed corporate governance system identifies the control loop of corporate management and defines the governing and controlled subsystems along with their components. It has been established that a corporate governance system built on the principles of sustainable development will contribute to achieving positive results in the company's development, ensuring the sustainability of its social, environmental, and economic aspects. The implementation of the proposed corporate governance system will facilitate further research into its essence and application specifics in modern companies

Keywords: management; connections; stakeholders; personnel; two-level triadic decoding; holistic approach

● INTRODUCTION

Achieving lasting impact on society and environment through sustainable development is a vital business goal. Amid challenges such as the COVID-19 pandemic and the Ukraine crisis, fostering resilient enterprises demands innovative models and adaptable systems. As of January 1, 2022, approximately 6 million Ukrainians had left the country, accounting for 14-15% of the permanent population (Ukraine: A quick assessment..., 2022). In Ukraine, military operations resulted in substantial losses, damaging transportation infrastructure, industrial and transportation enterprises, and more. The estimated direct infrastructure damages reached \$114.5 billion as of September 5, 2022 (The total amount of infrastructure..., 2022). These disruptions have reverberated through global logistics, compelling businesses to re-evaluate their management strategies for survival and holistic prosperity. This entails not only navigating immediate obstacles but also contributing to the economy, society, and environmental conservation through job creation, responsible taxation, local collaborations, and eco-conscious efforts. In this context, building long-term enterprise viability becomes crucial. Enterprises must rethink their management approaches to address present challenges and threats, and sustainable development becomes more important than ever before.

In the modern scholarly environment, numerous Ukrainian scientists including Z. Atamanchuk & Z. Makohin (2022) along with global researchers such as G. Diconzo *et al.* (2022) and P. Ludwig & R. Sassen (2022) demonstrate interest in corporate governance issues based on the paradigm of sustainable development. Many of them have investigated the relationship between corporate governance and sustainable development. However, most of them have not devoted sufficient attention to the formation of a corporate governance system based on a systemic approach. The International Labour Organization has long been working towards supporting viable enterprises and ensuring sustainable development: it has developed the “Decent Work for Sustainable Development” (DW4SD) platform and “The 2030 Agenda for Sustainable Development”, with one of the important objectives being the promotion of viable enterprises (Decent work for..., n.d.). Authors such as S. Barile *et al.* (2018) emphasize that the concept of “viable enterprises” is interrelated with the three components of sustainable development: economic, social, and environmental. The International Labour Organization promotes the development not of any enterprises but only those that are economically viable, socially responsible, and environmentally conscious (Decent work for..., n.d.). The works of the authors lack sufficient attention to the study of the interaction among various

elements of enterprise management systems and the impact of such systems on all aspects of sustainable development. Moreover, they inadequately address the role and importance of involving all stakeholders in the development and implementation of corporate management systems, as well as the insufficient focus on the development of mechanisms and tools to ensure and support this interaction. Ukrainian scientist N. Voloshko (2021) provides a detailed analysis of the foundations of international corporate governance, examines key models, and evaluates the alignment of corporate governance in Ukrainian companies with international practices and standards. The findings underscore the need to enhance the company's management system for sustainable development in the market and establish a global standard of corporate governance rules and principles. It can be concluded that the literature offers insufficient coverage of the issue of forming a corporate governance system in terms of ensuring sustainable development of enterprises.

The concept of sustainable development management has emerged as a widely adopted approach in business practice, drawing upon theoretical foundations that prioritize holistic and responsible approaches. This approach, supported by scholarly works by S. E-Vahdati *et al.* (2019), N.E. Kalicheva *et al.* (2019) and V. Naciti *et al.* (2022), has evolved to become an integral component of successful corporate policies. These scholars primarily focus on studying the mechanisms of corporate governance in sustainability, exploring the rights and responsibilities of internal corporate actors and examining their impact on sustainability outcomes. They investigate how corporate governance practices and processes contribute to enhancing sustainable performance. One limitation of the existing literature is the lack of a unified approach to identifying components in the concept of sustainable development and constructing a model for sustainable enterprise development. There is a need for clarification regarding the role of corporate governance within the framework of sustainable development, as well as the systematic and comprehensive formation of corporate management, which is why this research was necessary to conduct. The study aimed to develop the model of sustainable development and the corporate governance system as innovative approaches to ensuring the sustainable development of enterprises. It focused on three main research objectives: developing a model of sustainable development concept for an enterprise; differentiating and clarifying the concepts of “corporate governance” and “corporate management”; forming a corporate governance and corporate management system to ensure sustainable development.

● LITERATURE REVIEW

The analysis of scientific literature on sustainable development-oriented enterprise management reveals a lack of consensus among researchers regarding the components of sustainable development and the development of a model for sustainable development within enterprises. Various approaches and models have been proposed, including the triple bottom line perspective proposed by J. Elkington (1997), which emphasizes the economic, environmental, and social responsibilities of enterprises, and the normative approach by R.E. Freeman *et al.* (2006), which highlights moral responsibility towards stakeholders. Models of sustainable development, such as the “Mickey Mouse” and “bull’s eye” by L. Zaitseva (2019), have evolved over time, with the I. Morandín-Ahuerma *et al.* (2019) sphere balance model being the most widely adopted. According to most scholars, this model of sustainable development is based on a methodological approach in which the ecological, social and economic components are presented as equal parts of a cohesive system (Khan *et al.*, 2021; Peng, 2023).

While most researchers agree on a three-component enterprise sustainable development model, they often overlook enterprise-stakeholder interactions (Cochran & Rauch, 2020; Alkaraan *et al.*, 2023; Cano *et al.*, 2023). However, these models lack considering enterprise-environmental interactions. Although authors commonly understand the three sustainable development components, they often neglect the enterprise-stakeholder relationship while crafting a model. These relationships are vital for effective sustainable strategy implementation. Exploring these interactions is crucial to form comprehensive models encompassing economic, environmental, and social aspects. The ESG (Environmental, Social, and Governance) model and its variations hold promise for enterprise sustainable development (Pedersen *et al.*, 2020). It encompasses environmental responsibility, social obligations and corporate governance indicators, aligned with the UN’s 17 Sustainable Development Goals. While the ESG model offers a hopeful framework, it overlooks stakeholder-enterprise relationships, limiting effective implementation.

The analysis of scientific literature on sustainable development-oriented corporate governance reveals a lack of consensus among different authors such as S. E-Vahdati *et al.* (2019), V. Naciti *et al.* (2022), and G. Dicuonzo *et al.* (2022), not only regarding the specific content and formation of sustainable development-oriented management within enterprises but also the absence of a systemic approach to the formation of a corporate governance system. Authors have often examined individual elements of the corporate governance system or corporate management separately, resulting in some confusion between these concepts. Despite the significant volume of scholarly work in the field of sustainable development-oriented corporate governance (Ludwig & Sassen, 2022; Rahman *et al.*, 2022) and the implementation of corporate social responsibility in corporations (Tandoh *et al.*, 2022; Zaman *et al.*, 2022), researchers have primarily focused on defining models and key directions and stages of implementing corporate management systems. Little attention has been given to the formation of a corporate governance system from a systemic and cybernetic perspective.

Literature underscores the necessity of a holistic, integrated approach to sustainable development-focused corporate governance. Grasping interrelationships between corporate governance and management is vital. Existing definitions lack clear insights into main shared and distinct traits and their interplay. This gap hampers corporate governance theory, impeding well-functioning corporate management systems for companies.

● MATERIALS AND METHODS

The study uses the methods of theoretical synthesis and logical analysis. These methods were used for comparing and synthesizing scientific publications and approaches related to sustainable development and corporate governance. They allowed for a comprehensive analysis of existing knowledge and theories in the field. Dialectical method of cognition was applied to establish the theoretical foundations of the sustainable development model for enterprises and the corporate governance system. It helped in understanding the interrelationships and contradictions within the concepts and principles of sustainable development and corporate governance. Historical approach was employed to study the evolution of sustainable development models and to define the concepts of corporate governance and corporate management. By examining the historical context, the researchers gained insights into the development and transformation of these concepts over time. Holistic and systemic approaches were utilized in developing the model of sustainable development for enterprises and the corresponding corporate management system. They allowed for a comprehensive and integrated perspective, taking into account the various dimensions and interdependencies within the system. Theory of dynamic information systems and the method of two-level triadic decoding were employed to shape and refine the concepts of corporate governance and corporate management. By decoding and analysing the key characteristics of these concepts, a clearer understanding and definition of their essential components were achieved.

The categorical two-level triadic decipherment method (Fedotova & Sanjay, 2020) revealed the sought category through three concepts at the first decipherment level, reflecting the natural essence of the represented phenomenon. This process was repeated at the second level for deciphered concepts. An advantage of using this method was the broader definition of the research object, encompassing socio-economic systems within the systemic economics framework. This approach facilitated a comprehensive understanding of corporate governance and management concepts. The abstract-logical method and the method of generalization were used for forming theoretical generalizations, structuring the sustainable development model, the corporate management system, and formulating research conclusions. It facilitated the logical organization and presentation of the research findings. Graphic visualization techniques were employed to visually present the proposed sustainable development models, the essence of concepts, and the corporate management system. This visual representation enhanced the clarity and understanding of complex ideas and relationships. The work drew on the postulates of the sustainable development concept and relevant scientific models of corporate governance. These

provided the conceptual framework and theoretical basis for the research, guiding the selection of appropriate methods and approaches.

● RESULTS AND DISCUSSION

The model of sustainable development concept for an enterprise

The holistic approach in managing socio-economic systems emphasizes the priority consideration of the system as a whole in terms of the emergence of new qualities or holistic properties in the system's elements, absent in the components that constitute the system. The viability of enterprises is formed under the influence of external and internal factors, with the interaction of elements within the general system serving as its foundation. To determine the main directions of enterprise activities within the framework of the sustainable development paradigm, it is necessary to develop a model of the sustainable development concept for the enterprise and identify its system-forming components based on systemic and holistic approaches (Moldavska & Welo, 2019).

Viewing any enterprise through its similarity to a living organism is inherent in the holistic approach. R. Charef (2022) emphasize that it is crucial "to have a holistic approach, to identify all the stakeholders involved in the asset lifecycle and to work collaboratively". This approach pays great attention to the relationships and interactions between the parts of the whole in the form of a system. E. Schwarz (2002) examined the system from the perspective of the holistic approach and identified three inseparable primary categories present in all systems: objects, relationships, and the whole. These three types of initial ingredients exist on equal terms – relationships are just as "real" as objects. The author argues that a minimal system consists of a triad, which represents two interacting components and one privileged whole with an ontological status. When considering the model of sustainable development for a viable enterprise as a system, attention should be given not only to the constituent elements of the system but also to the interactions between them.

The advantage of modern business lies in its social orientation and efforts to improve conditions in the areas where the enterprise operates, including sustainable development. Companies must care about the environment and develop ecological projects. The company should take responsibility for continuous improvement and increased performance of its environmental management system by ensuring the environmental safety of its activities. Environmental safety is extremely important as it guarantees living in an environmentally clean environment. It contributes to the overall functioning of the environment and provides rational satisfaction of individual ecological needs, as well as the needs of any enterprise and society as a whole. The implementation of an environmental safety system within the enterprise affects the economic, social and ecological spheres, as it involves the implementation of production norms, labour, emissions, waste, resource-saving standards and more (Cherchyk, 2019). Additionally, if a company wishes to remain viable for an extended period of time, it must pay attention to ensuring the preservation of the environment, resource conservation and the health of society, including its employees.

The paradigm of sustainable development, which involves a dynamic process of sequential positive changes

that ensure the balance of economic, social, and ecological aspects of societal life, should form the basis for approaches to solving the viability problems of enterprises. The enterprise, as a socio-economic system, meets the criteria of a complex open system, in which orderliness is achieved through regularity of relationships between the elements of the structure. Orderliness between the subsystems of the enterprise can ensure the maintenance of the system's stability through management oriented towards achieving sustainable development. The stability of enterprises as open dynamic systems serves as a reliable foundation for the functioning of regional and national economies. Conversely, a decrease in their stability leads to a crisis in the entire economic system of the country. In her scientific work, I.V. Fedotova (2020) proposed a model for maintaining the viability of an enterprise based on sustainable development. The proposed model for maintaining the viability of an enterprise incorporates a hierarchical arrangement of the economic, social and environmental spheres of the enterprise's external environment. The suggested directions for implementing management tools are focused on preserving stability, viability and sustainable development of the enterprise. These are the ways to address the adaptation challenge that the enterprise faces within each sphere.

Modern economic and political realities demand the reinforcement of the three-component model of sustainable development. By enhancing the developed model for maintaining enterprise viability, the addition of a political component to the social component of sustainable development is proposed. This political component reflects the political will of the governing representatives to implement the concept of sustainable development. In order to be realistic and effective, the concept of sustainable development must establish mechanisms for making efficient and legitimate decisions that consider the interests of the majority of nations in the context of escalating international political conflicts. At the global level, new institutions and rules of conduct need to be formed and defined, specifying and refining the goals of sustainable development. At the national level, relevant legislative and regulatory acts need to be adopted to support the concept of sustainable development, while monitoring the activities of enterprises. At the enterprise level, the implementation of sustainable development principles and specific goals should be ensured.

Thus, as an open system, the enterprise interacts with the external environment, which is represented by three spheres: ecological, socio-political and economic. However, the three-dimensional concept of sustainable development reflects the interaction of the enterprise with the external environment, and an additional subsystem needs to be added to this model. This subsystem corresponds to the governance component of the enterprise, as depicted in the ESG concept. This component is focused on establishing relationships with stakeholders in the other three spheres of sustainable development (economic, socio-political, and ecological). In the context of the enterprise's pursuit of sustainability and viability, an idealized structure of interconnected subsystems can be outlined. These subsystems, in their interrelation, form the model of the enterprise's sustainable development concept, as illustrated in Figure 1.

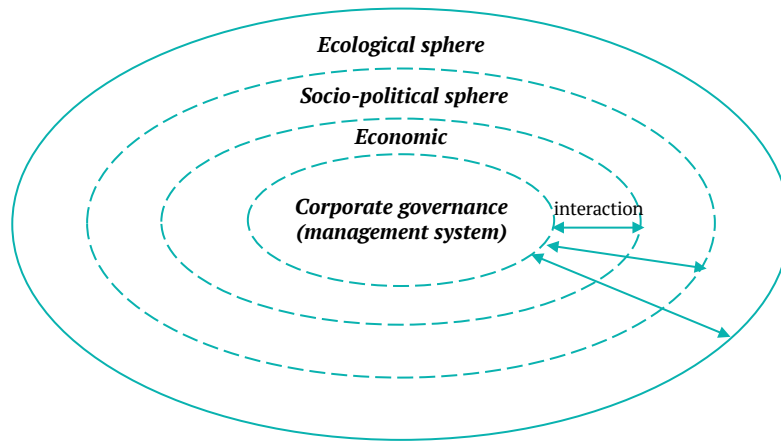


Figure 1. The model of sustainable development concept for a viable enterprise (ESPEG model)

Source: developed by the authors

The proposed model enables the achievement of long-term balance among the key spheres of sustainable development for an enterprise, including the economic, socio-political, environmental, and governance dimensions, with corresponding directions for implementing management tools to ensure the viability of the enterprise. According to the research, the concept of sustainable development is closely intertwined with the concept of viability. The concept of sustainable development is based on an approach where the economic, social, environmental and governance components are considered equal and integral parts of a comprehensive system. Balancing these components, while meeting the needs of society and safeguarding the interests of future generations, is a prerequisite for sustainable development and the key elements of viability.

At the core of the model lies the sphere of corporate governance as a subsystem responsible for aligning the enterprise’s activities with the goals of sustainable development and establishing relationships with other subsystems within the model. Expanding on existing approaches to the concept of sustainable development, this model is referred to as ESPEG, incorporating four components: environmental (E), socio-political (SP), economic (E), and governance (G). Additionally, the model depicts the need for establishing relationships with specific stakeholders within the realm of corporate governance for each sphere

(economic, socio-political, and environmental). The model reflects the directions for implementing corporate governance tools, through which they influence the respective component and address contemporary societal demands for a safe environment.

The proposed model of the sustainable development concept for a viable enterprise illustrates the fundamental components of a management system based on sustainable development principles and the scope of applying management tools to establish a viable enterprise. The research on the ESPEG model aimed to enhance the understanding and improvement of corporate structures in the modern world.

The differentiation and clarification of the concepts of “corporate governance” and “corporate management”

In order to develop a sustainable model of a viable enterprise from the perspective of corporate management, it is necessary to first establish the distinction between the concepts of “corporate governance” and “corporate management”. The relationship between the concepts of corporate governance and corporate management needs to be explored, highlighting their key features. It is proposed to examine the relationship between the concepts of corporate governance and corporate management based on the following aspects: essence, management, responsibility, effectiveness, foundation, etc. (Table 1).

Table 1. The correlation between the concepts of “corporate governance” and “corporate management”

Main aspects	Corporate governance	Corporate management
Essence	It is a system that focuses on the management and control of organizational activities.	It primarily involves organizing and ensuring the effective functioning of the management system.
Governance	It is a system that encompasses management and control over the activities of the organization. The existing management structure and mechanisms of interaction between departments that ensure the protection of the rights and interests of shareholders and investors.	Its primary purpose is to organize and ensure the smooth functioning of the management system. Strategic planning of the company’s activities, taking into account the interests of its owners and other relevant parties.
Decision-making	Responsible for strategic decision-making, implementing mechanisms and monitoring actions.	Emphasizes operational decision-making and execution of management decisions.
Scope of responsibility	Corporate governance is responsible for the development of strategies, decision-making, implementation mechanisms and monitoring of managers’ actions.	Management is responsible for executing the strategies, organizing the implementation of management decisions.

Table 1, Continued

Main aspects	Corporate governance	Corporate management
Key actors	Shareholders, members of the board of directors, top management and other stakeholders.	Top managers, middle managers, workers, and employees.
Effectiveness	Effective corporate governance entails proper control over the implementation of the organization's development strategy, ensuring the interests of all stakeholders.	Effective management involves proficient management of operational processes within the organization, irrespective of stakeholders' interests.
Goal orientation	Long-term strategic planning to achieve organizational objectives.	Short-term planning and execution of specific management objectives.
Foundation	Based on established principles, codes, "best practices" and legal frameworks.	Guided by recommendations and instructions of the general meeting of shareholders and the board of directors.

Source: supplemented by the authors based on the research of D.M. Vasylykivskyi (2018), V. Tsaruk (2020), N. Bocharova (2021)

In the realm of contemporary academic discourse on corporate governance, diverse perspectives exist concerning the definitions of corporate governance and corporate management. Some scholars, such as V. Tsaruk (2020), perceive corporate governance and corporate management as synonymous concepts. They employ the term "corporate governance" interchangeably with "corporate management" and do not consistently differentiate their respective definitions. P. Iliev *et al.* (2021) posits a definition of corporate governance as "the set of firm practices that seek to minimize frictions and mitigate agency costs". Nevertheless, this perspective overlooks the nuanced characteristics inherent in each concept under scrutiny, potentially leading to inaccuracies in corporate decision-making.

An alternative approach involves examining the closely related, albeit not interchangeable, terms "corporate management" and "corporate governance". The latter term pertains to the network of relationships among company owners (shareholders), management personnel (executives), and other stakeholders (governing bodies, creditors, etc.). R. Zaman *et al.* (2022) conceptualize corporate governance as "the structures specifying the rights and responsibilities among the parties with a stake in the firm, as well as the configurations of organizational processes impacting both financial and nonfinancial outcomes at the firm level". However, this perspective fails to account for the peculiarities of the Ukraine's economic system, warranting caution in solely relying on this viewpoint.

A third cohort of scholars, including M.N. Muxtorovich (2023), defines "corporate management" as a set of mechanisms by which the company operates and the process of development and adoption of decisions by stakeholders to perform their functions, change and update existing ones, as well as to form new interests. Corporate management centres on the mechanisms governing business operations. A. Sharma (2022) asserts that "governance aims at balancing the 4Ms (money, manpower, machine, and management) to harmonize the interests of various stakeholders and the company". Corporate governance encompasses a broader spectrum of issues pertaining to corporate functioning, entailing the coordination of interactions among numerous individuals and organizations associated with various aspects of corporate operations.

Widely regarded by most researchers, corporate governance is conceived as a comprehensive concept encompassing diverse dimensions, such as legal frameworks,

organizational structures, personnel management, information systems and cultural values. It also encompasses conventional management functions and the regulation of relationships between business owners and top-level managers. The concepts of corporate governance and corporate management are intricately intertwined, and their interdependencies merit careful consideration. Emphasizing the establishment of corporate management as an integral component of corporate governance within a company assumes paramount importance. Consequently, the varying perspectives on the definitions of corporate governance and corporate management underscore the imperative for a comprehensive understanding of their interrelationships.

V. Tsaruk (2018) proposes various models of corporate governance (insider and outsider) that accentuate the profound interaction between corporate governance and corporate management. Consequently, concurring with V. Tsaruk (2018) viewpoint on elucidating the interrelation and subordination of corporate management to corporate governance, while delineating its purpose entailing decision-making, control, analysis, and the application of management tools, proves appropriate to this research. However, an inclusive examination should encompass characteristics like system input and output, managerial influence and management subsystems. When evaluating systemic impact, M. Arslan & A. Alqatan (2020) recognize the role played by formal and informal institutional determinants, including auditing, politics, law, boards, shareholder awareness, voting, culture and values, in the domain of corporate governance. M.A. Garzón Castrillón (2021) advocate for a systemic approach, defining corporate governance as the system that directs and controls business corporations. Therefore, the expanding research on corporate governance necessitates prioritizing the concepts of corporate governance and management, discerning their shared characteristics and distinctive features. Of particular significance is comprehending the essence and exploring the definition of corporate governance itself, as constructing a corporate governance system requires determining the composition and interrelationships of its key elements, which is unattainable without establishing the essence of the corporate governance system.

To determine the essence of the definitions of "corporate management" and "corporate governance", the application of the Theory of Dynamic Information Systems (TDIS) is proposed. Analyse the possibilities of solving this

methodological task using the example of applying the triadic decipherment of the basic concept to such a large research object as “corporate governance”. The ontological foundations of corporate governance can be presented in the form of a triadic scheme of interconnected basic categories: 0 – elements (“what”), 1 – processes (abilities) (“how”), 2 – results (“why”). In this case, the logic of the relationship between these categories can be interpreted as follows: the application of the company’s abilities (“how”) on interacting elements (“what”) should be directed towards achieving qualitative and quantitative results of activities and development (“why”). The triadic principle provides the necessary and sufficient categorical basis that allows unfolding an adequate TDIS work in full, highlights the following primary categorical triad and substantiates the composition of its elements.

Complex relationships: corporate governance encompasses relationships between the company’s management, the board of directors (supervisory board), controlling shareholders, minority shareholders and other stakeholders. The main interacting elements include the company’s owners (shareholders), its management (administration, board), and other stakeholders (investors, creditors, suppliers, customers, government and local authorities, local population and other interested parties). Complex activities:

management represents conscious purposeful activity of the management subject, which exerts systematic, consistent and planned influences on the object of management in accordance with norms and rules. Complex results: these represent the outcomes of the company’s functioning. A key condition for sustainable development is a positive dynamic of the company’s efficiency. In the market, more efficient organizations survive and thrive. Therefore, it is important to formulate the company’s goals correctly, reflecting its efficiency and effectiveness while adhering to the principles of sustainable development and rational resource utilization.

Each of the first-level concepts, in turn, is elaborated by three second-level concepts: [0] successful complex interactions are formed by the elements: [0,0] enterprise management (administration), [0,1] enterprise owners, [0,2] other stakeholders. [1] Strategic complex activities are revealed through characteristics such as: [1,0] systematicity and balance, [1,1] strategic planning, [1,2] compliance with norms and rules. [2] The complex result includes: [2,0] sustainable development, [2,1] goal achievement, [2,2] rational resource utilization. Each of the first-level concepts, in turn, is elaborated by three second-level concepts. Furthermore, to form the second-level decoding, it is necessary to identify another set of categories that facilitate the decoding of first-level categories (Fig. 2).



Figure 2. Two-level triadic decoding of the concept of “corporate governance”

Source: developed by the authors

The generalization of three hierarchically structured concepts allows formulating the following definition: Corporate governance is understood as a systematic and planned activity for managing an organization (corporation) to establish a balance in the relationships of all participants in corporate governance (owners (shareholders), founders, directors, managers and other stakeholders), while complying with legal norms and rules of conducting business, it aims to attract and rationalize resource utilization in strategic management to achieve the goals of the

organization’s functioning (corporate enterprise) while adhering to the principles of sustainable development.

Corporate governance encompasses all aspects of management, organization, and control within a company to ensure efficiency, stability, and alignment with the interests of various stakeholders. On the other hand, corporate management focuses on specific aspects of managing a company, such as planning, organization, leadership, and control. It emphasizes team leadership and task execution, achieving strategic objectives, and resource management.

Therefore, corporate governance is a broader concept that includes corporate management as well as other aspects such as managing relationships with stakeholders, their protection and more. To formulate the concept of “corporate management”, the following primary categorical triad should be identified and its elements should be substantiated.

Complex system: management is considered as a system of rules, methods and processes through which a company carries out its management and control. In the management system of a company, the subject influences the object, and the means of influence are management methods. Management is implemented through management functions (analysis, evaluation, planning, control, accounting, coordination, regulation, etc.) and management technologies, which represent processes and methods for implementing these functions.

Complex leadership: the management system of a company incorporates various aspects of corporate leadership into a unified and integrated system. This requires interaction and coordination among different functional areas of the company and considers the interests and needs of various stakeholders of the company.

Complex result: these represent the results of a company’s functioning. The criterion of efficiency is the ratio of the result to the resources invested to achieve it. Being more efficient means obtaining greater results with the same resources or achieving the same result with fewer resources. The key condition is achieving the goals of the company based on adherence to the principles of sustainable development. The categories of the 1st level should be defined. Thus, for the 1st level decoding, the basic categories will be: complex system, complex leadership and complex result (Table 2).

Table 2. Two-level decryption of the basic category “corporate management”

Categories of the 1 st level	Categories of the 2 nd level
[0] Complex system	[0,0] – Rules
	[0,1] – Methods and functions
	[0,2] – Processes
[1] Complex leadership	[1,0] – Systematicity
	[1,1] – Integration
	[1,2] – Stakeholder orientation
[2] Complex result	[2,0] – Goal achievement
	[2,1] – Efficiency
	[2,2] – Sustainable development

Source: developed by the authors

The conducted description allows formulating the following definition of corporate management: corporate management is a systematic integrated leadership of corporate organization’s activities, based on balancing the interests of all stakeholders, it operates through a system of rules, methods, functions and processes that enable the enterprise to achieve its goals and enhance operational efficiency while adhering to the principles of sustainable development through rational resource utilization.

Formation of a corporate governance and corporate management system to ensure sustainable development of an enterprise

The ESPEG model places the corporate governance system at its core. This system utilizes principles from the ecological, socio-political, economic and corporate management domains to achieve innovative solutions, efficient resource utilization and ensure the organization’s sustainable development. Implementing the corporate governance system within the ESPEG model requires a deep understanding and analysis of the organization’s current state, its external environment, and the interconnections among various aspects. Key elements of such a system include defining strategic goals, developing policies and procedures, establishing effective

communication networks and fostering the development of highly competent personnel. The adoption of a systemic approach is advisable for the formation of a corporate governance system.

When applying a systemic approach, any management system or its individual components are regarded as a holistic, independent phenomenon characterized by activity or development goals, resources, structure, processes and interrelationships with other systems. The systemic approach enables the examination of the management system as a whole, analysing both its static and dynamic aspects. According to S. Suwanda & B.Y. Nugroho (2022), it does not rely on a strictly defined methodology or logical concept. Elements recommended for the formation of a management system include the seven factors according to the McKinsey 7S model. Elements are classified as soft elements (staff, skills, style, shared values) and hard elements (structure, systems, strategies) (Suwanda & Nugroho, 2022). However, as mentioned earlier, it is essential to determine the essence of the subject and object of governance. The administrative personnel of the enterprise, including top management, managers at various levels and employees, are considered the subjects of management. The subsystems of corporate governance are proposed as the objects of management (Fig. 3).

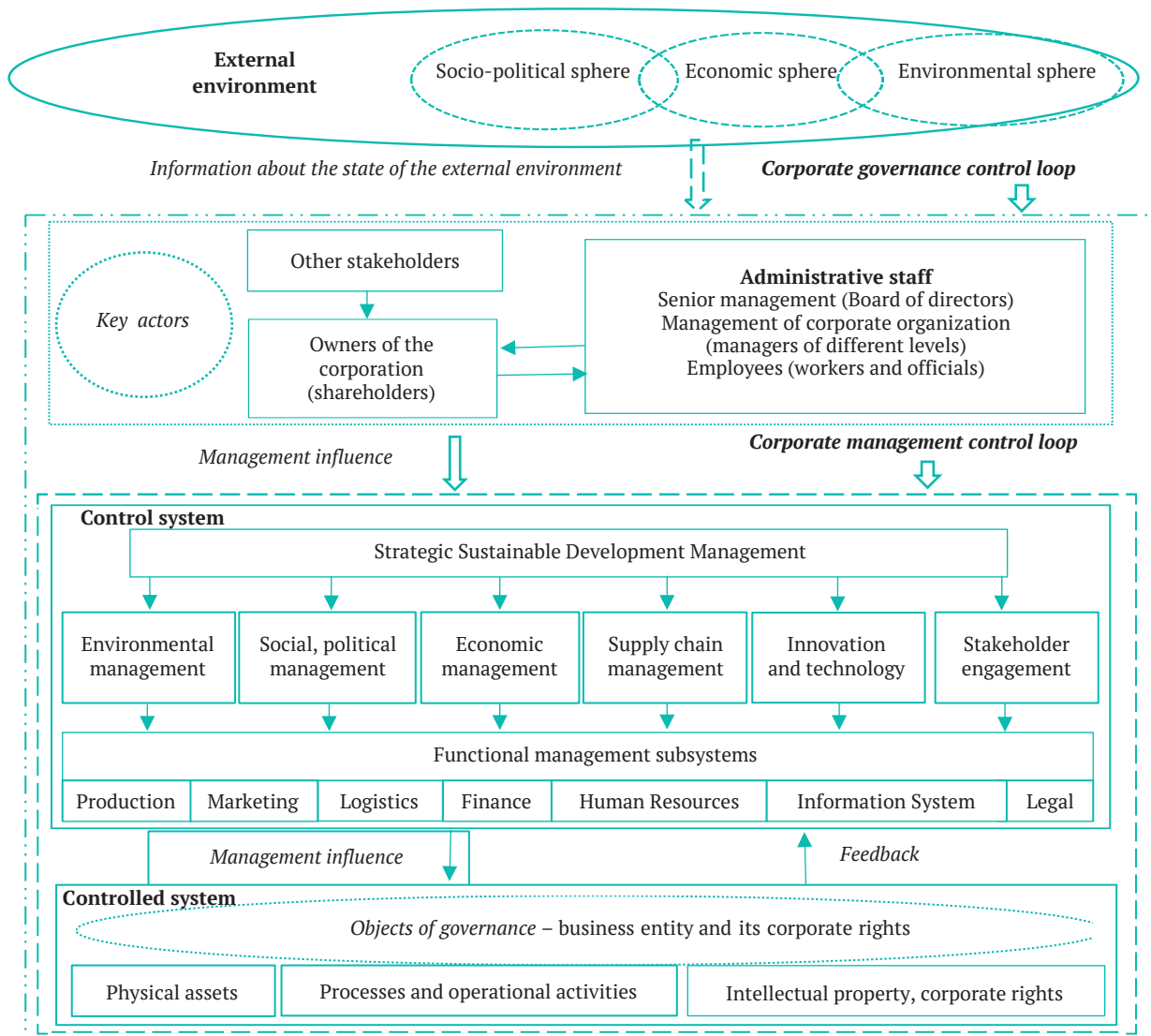


Figure 3. Corporate governance system based on the sustainable development paradigm

Source: developed by the authors

The study of any system requires identifying external influences and establishing methods and directions for information provision. Equally important is the internal environment and the information obtained through the functioning of the system. The PEST model (P – Political, E – Economic, S – Social, T – Technological), for example, can be used as a basis for classifying such information (Kenton, 2020). Monitoring the external environment forms the basis for positioning companies within their surrounding environment and developing various strategies and forecasts. Based on the obtained information, corporate plans and budgets are formulated to ensure that the company’s current activities align with its strategy. This is illustrated in Figure 3.

The proposed model of corporate governance, based on the paradigm of sustainable development, incorporates the need for integrating strategic planning, decision-making, work coordination, management efficiency and development of the company. However, to enhance understanding and successfully implement this model, it is necessary to

add a vision regarding the formation of a corporate governance system based on the principles of sustainable development. In the proposed system of corporate governance based on a systemic approach, the corporate management control loop has been identified, consisting of the following main subsystems: strategic management for sustainable development, environmental management, social and political management, economic management, innovation and technology, supply chain management, stakeholder engagement, functional subsystems. Functional management encompasses the administration of various functional areas within the organization, including finance, marketing, production, human resources and more. It involves the development of strategies, policies and processes specific to each area to effectively meet the enterprise’s objectives. These subsystems constitute the governing subsystem within the corporate management system, enabling effective functioning and development of the enterprise.

Considering that the object of corporate governance is often either the business entity itself, its corporate rights

or its corporate property and other components, the following blocks of the controlled subsystem in the corporate management system are proposed: physical assets, intellectual property and corporate rights, processes and operational activities. Physical assets encompass corporate property, means and objects of labour, real estate, equipment, transportation vehicles, materials, and other tangible resources used by the enterprise in its operations. Intellectual property includes patents, copyrights, trademarks, trade secrets and other intellectual assets owned by the enterprise. Corporate rights refer to the legal status of the company, defining its organizational structure, internal regulations, management principles, rights and obligations of shareholders as stipulated by legislation and the company's bylaws. They regulate the relationships among shareholders, management bodies, and other stakeholders. Processes and operational activities encompass business processes, operational processes, supply processes, production, sales, customer service and other operational processes that ensure the fulfilment of the enterprise's core functions. The paradigm of sustainable development and the proposed ESPEG model require considering economic, socio-political and environmental aspects in enterprise management. The main idea is to ensure the satisfaction of current needs without compromising the ability of future generations to meet their own needs. Applying the paradigm of sustainable development in corporate governance system demands a shift in approaches to strategic planning, decision-making and coordination of work.

In the subsystem of strategic sustainable development management, the Strategic planning block should take into account not only economic aspects but also social and environmental factors. It is crucial to actively involve stakeholders, including consumers, employees, suppliers and public organizations, in the process of formulating strategic goals and alternatives. Integrating sustainable development into the company's strategy is necessary to strike a balance between economic achievements, social responsibility, and environmental protection. Within the context of an enterprise's commitment to sustainable development principles, the strategic planning block places great emphasis on gathering and processing information to identify potential company development scenarios, formulate acceptable strategic alternatives, evaluate them and make choices. This process of strategic analysis is based on collecting information about the current and projected state of the external environment (external analysis) and the company itself (internal analysis). Based on this information, common development goals are determined, which are positioned at the top level of the strategic goals hierarchy, and strategic alternatives are formulated, which then undergo evaluation and implementation. Forecasts are also created as a result of this process, serving as the basis for creating non-financial corporate reporting.

The Decision-making block also requires re-evaluation from the perspective of the sustainable development paradigm, as it plays a crucial role in translating the chosen strategy at the enterprise into specific target indicators. Various methodologies, such as the Balanced Scorecard can be utilized to achieve these goals (Agarwal *et al.*, 2022). When selecting target indicators and indicators of strategic development, it is necessary to consider not only financial

results but also social and environmental impacts. Taking these principles into account, the top-level goals and strategic alternatives are decomposed, allowing for the creation of a detailed system of strategic corporate goals and indicators aimed at achieving sustainable development.

The Coordination block plays a crucial role in ensuring the connection between strategic objectives and key performance indicators defined for the company as a whole, taking into account the principles of sustainable development. These indicators should be aligned with the financial and operational plans of individual business units and departments. This will enable harmony between strategic goals, the performance of individual departments, and the requirements of sustainable development.

The Management efficiency and sustainable development block should include an analysis not only of financial reporting but also of the findings derived from analysing the social and environmental aspects of the company's activities. Involving stakeholders such as consumers, employees and public organizations in assessing the company's performance in the context of sustainable development will contribute to forming a comprehensive picture of the results. Furthermore, the analysis and reporting should consider important aspects of sustainable development, such as social responsibility, environmental sustainability and other factors influencing the long-term success of the enterprise.

A corporate governance system built on the foundation of sustainable development paradigm entails integrating economic, socio-political and environmental aspects into enterprise management. This requires revisiting approaches to strategic planning, decision-making, coordination, and performance evaluation. Such a model will foster positive outcomes in company development while ensuring the sustainability of social, environmental, and economic aspects of its activities. Therefore, the corporate governance system consists of the subject and object of management, interconnected through managerial influence from one side and feedback from the other, both acting under the influence of the external environment and receiving informational support and resources for their functioning, necessary for achieving the overall goal of the company's activities.

The proposed model of corporate governance can be further developed, taking into account the principles of sustainable development. Within each block, specific functions can be identified, and information flows and interconnections aimed at ensuring effective management and achieving sustainable development of the enterprise can be established. The ESPEG model of sustainable enterprise development, with its name reflecting the consideration of environmental, socio-political, economic, and corporate governance aspects, opens up new opportunities for the development of corporate structures. The corporate governance system, which occupies a central place in this model, contributes to achieving sustainable development, innovation and competitiveness of organizations in the modern dynamic world.

● CONCLUSIONS

This article specifically focused on refining and developing the corporate governance (management) system, which occupies a central position within the ESPEG model.

A four-component model of the sustainable development concept for a viable enterprise (ESPEG model) is proposed, which represents the hierarchical arrangement of economic, socio-political, environmental and governance spheres of the enterprise, as well as the directions for applying management tools through which it influences a specific interacting sphere. The justified model of sustainable development for a viable enterprise is based on the principles of the sustainable development paradigm, systemic and holistic approaches. The enhanced conceptual model of sustainable development for a viable enterprise allows for structuring the main components of the concept in order to ensure effective management of the viable enterprise based on the balance of its key constituents.

The theoretical basis of defining the essence of “corporate governance” and “corporate management” has been refined in this study. Unlike existing approaches, the proposed conceptualization is formed based on a categorical method of two-level triadic deciphering, prioritizing the systemic property and acknowledging their complex characteristics. Existing factors were systematically categorized, and objective foundations for defining the concept of “corporate governance” were identified as relationships, activities and results. The development of the triad of fundamental components of the “corporate governance” concept allowed the formulation of this definition and a comparison with the triad of the “corporate management” concept, which was defined as a system, leadership and results. The definitions

encompassed a distinctive characteristic – systematization – enabling the analysis and differentiation of the content of these notions, thus aiding in identifying directions for enhancing enterprise management based on sustainable development. The proposed model of the corporate governance system takes into account the need for integrating different management subsystems of the company. In the proposed system of corporate governance, the control loop of corporate management is identified, along with the designated governing and controlled subsystems and their constituents. Within the context of this model, it is important to consider the economic, socio-political and environmental aspects in enterprise management. The application of the sustainable development paradigm requires changes in approaches to strategic planning, decision-making and coordination. Further research could analyse diverse corporate governance models’ effects on sustainability in enterprises over time, guiding better integration of sustainable practices. Also, studying regulatory impacts on adopting such governance in different countries and industries can aid governments and organizations in promoting socially responsible and stable corporate practices.

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● CONFLICT OF INTEREST

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ESPEG-модель та система корпоративного управління для забезпечення сталого розвитку підприємств

Агнешка Рахваль-Мюллер

Академічний викладач
Коледж економіки та комп'ютерних наук
30-150, вул. Св. Філіпа, 17, м. Краків, Польща

Аспірант
Університет економіки та бізнесу
130 67, вул. В. Черчіля, 1938/4, м. Прага, Чеська Республіка
<https://orcid.org/0000-0001-7871-2356>

Ірина Володимирівна Федотова

Доктор економічних наук, доцент
Харківський національний автомобільно-дорожній університет
61002, вул. Ярослава Мудрого, 25, м. Харків, Україна
<https://orcid.org/0000-0002-3277-0224>

Надія Аваківна Бочарова

Кандидат економічних наук, доцент
Харківський національний автомобільно-дорожній університет
61002, вул. Ярослава Мудрого, 25, м. Харків, Україна
<https://orcid.org/0000-0003-4371-0187>

Григорій Федорович Азаренков

Кандидат економічних наук, професор
Харківський національний економічний університет імені Семена Кузнеця
61166, просп. Науки, 9А, м. Харків, Україна
<https://orcid.org/0000-0001-5665-2268>

Анотація. В 2023 році існує нагальна потреба сприяти зростанню підприємств та забезпечувати їх довготривалу сталість, тому створення ефективної моделі для сталих досягнень та встановлення корпоративної системи управління є на часі. Метою дослідження була розробка моделі сталого розвитку та системи корпоративного управління як інноваційних підходів до забезпечення сталого розвитку підприємств. На основі категоріального методу дворівневого тріадичного дешифрування визначено сутність понять «корпоративне управління» та «корпоративний менеджмент», що дозволило доповнити етимологічно-семантичну складову теоретичних та методологічних основ корпоративного управління та корпоративного менеджменту в підприємствах на основі принципів сталого розвитку. Дослідження базується на принципах сталого розвитку, системного та холістичного підходів. Запропоновано чотирикомпонентну модель концепції сталого розвитку підприємства (модель ESPEG), яка відображає ієрархічне розташування екологічної (E), соціально-політичної (SP), економічної (E) та управлінської (G) сфер підприємства. В цій моделі визначено напрямки застосування інструментів управління для впливу на конкретні взаємодіючі сфери. Результатом роботи є удосконалена модель сталого розвитку підприємства, яка дозволяє структурувати основні складові концепції для забезпечення ефективного управління підприємством на основі балансу його ключових складових. Удосконалено модель системи корпоративного управління, що базується на парадигмі сталого розвитку, та враховує необхідність інтеграції різних підсистем управління компанії. В запропонованій системі корпоративного управління виокремлено контур корпоративного менеджменту, визначені керуюча та керована підсистеми та їх складові. Встановлено, що система корпоративного управління, побудована на основі парадигми сталого розвитку, сприятиме досягненню позитивних результатів у розвитку компанії, забезпеченню сталості соціальних, екологічних та економічних аспектів її діяльності. Впровадження запропонованої системи корпоративного управління полегшить подальше дослідження її сутності та особливостей застосування в сучасних компаніях

Ключові слова: менеджмент; відносини; стейкхолдери; персонал; дворівневе тріадичне дешифрування; холістичний підхід