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**INTANGIBLE ASSETS – CORPORATE GOVERNANCE TOOL  
(ON THE EXAMPLE OF CONFORMITY MARKS)**

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***Abstract***

In conditions of increasingly fierce competition, companies are interested in attracting a variety of tools within the framework of corporate governance that allow them to realize a competitive advantage. The use of the tools provided by technical regulation in the form of intangible assets will make it possible to ensure sustainable development more effectively. These are objects that are put into wide circulation by the legislation on technical regulation-signs of conformity and signs of circulation on the market. Features of influence of marks of conformity to national standards on increase in cost of the company as objects of intellectual property, and the factor rendering positive influence on growth of business reputation are considered. Another aspect of the application of marks of conformity to national standards is related to the concept of "business reputation of the company". The application of the mark of conformity is manifested in the form of increased sales. This fact has a positive impact on the increase in the capitalization of the company. With regard to the circulation mark on the market, another sphere of application within the framework of corporate governance has been identified – it is related to the corporate social responsibility of the company in the areas of safety and environment, and is manifested in the long term in the form of improved relations with such stakeholders as business partners, government authorities and others, which affects the improvement of the company's image and growth of its capitalization.

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## 1. Introduction

In the 21st century much emphasis is being laid on intangible assets as they are major contributors to the market values of firms. They are vital strategic resources and are the critical sources of competitive differentiation (Stanit & Popa, 2013). In knowledge-driven global marketplace intangible assets such as intellectual property, brands, customer relationship and talent hold much more value than tangible 'visible' assets such as capital, land, buildings, machinery etc. (Chander & Mehra, 2011).

The development and deepening of market relations in the Russian Federation creates prerequisites for attracting an increasing number of various instruments within the framework of corporate governance that contribute to the competitiveness of companies. Several such instruments have been introduced, in particular, by the Federal law "on technical regulation", but in our opinion they are not always given due attention in corporate governance practice. We are talking about attracting the attention of persons entrusted with the management of the company to the use of intangible assets in the framework of corporate governance, established by the legislation on technical regulation. Based on the provisions of this law, the problem under consideration concerns only those companies that produce products. In other words, the provisions of the law apply to economic entities of the real sector of the economy.

## 2. Problem Statement

The need to introduce and implement the provisions of the law on technical regulation and the adjacent laws on standardization, accreditation and some others is due to a sufficiently well-studied theoretically and practically considered phenomenon called immanent defects of the imperfect competition market. Among these defects of the market, we pay attention to the so-called defect of imperfection of information about the state of the market or asymmetry of information.

Asymmetry of information about the goods traded on the market can equally concern any characteristics of products – purely consumer, such as functional properties, design, ergonomic and others, and those that can cause consequences dangerous for people, animals, plants and the environment.

The need to equalize the distribution of information between stakeholders is very clearly recognized by the second party-the acquirer, but not always welcomed by the first-the manufacturer. Naturally, companies that produce products of poor quality on the market are not interested in such alignment. This issue is even more acute when it comes to the risks of harm to the life and health of people, as well as animals, the protection of the environment and property of various categories of owners due to the lack of necessary information or the use of insufficient and unreliable information.

It is necessary to pay attention to one more problem connected both with asymmetries of information on the goods, and with features of behavior of purchasers. It lies in the subjective characteristics of the acquirers. As a rule, the decision to purchase a product is made on the basis of impressions about the appearance, functional characteristics of the product presented in the technical data sheet, etc. Information about safety and environmental indicators often does not reach the consumer or is not brought. Therefore, it is a global practice to impose various kinds of restrictions by the state on the release of potentially dangerous products into circulation. Potentially dangerous products include products whose use is associated with an

unacceptably high risk to human life and health. This category also includes products that may cause unacceptable harm to the environment, life and health of animals and plants.

Technical regulation refers to the regulation of the market of goods by means of prohibitions and restrictions included in legislative acts, as well as in regulatory legal acts of the government and other documents of Executive authorities. The Russian Federation, as a member of the Eurasian economic Union (EAEU), has transferred part of its powers in the field of technical regulation to the Eurasian economic Commission.

### **3. Research Questions**

Two groups of methods – technical regulation and conformity assessment—are used to fulfill the objectives of technical regulation in the market of goods. In turn, each of the groups is divided into subgroups: 1) methods used in the framework of the market mechanism of regulation; 2) methods used by the authorities.

The methods used in the market mechanism are implemented on a voluntary basis at the choice of the first party or on the basis of an agreement between the supplier and the purchaser. These include standards of various categories, including national standards of the Russian Federation and interstate standards of the CIS countries. Conformity assessment in this case is carried out through voluntary certification. Certification is carried out by a third party that is independent of the above first and second parties. In addition to independence, certification bodies must have the necessary competence, which is confirmed by the accreditation procedure in accordance with the established procedure. Certification is the assessment of evidence of conformity of the goods (which include including quality management systems, environmental management, etc.) to the established requirements provided by both the applicant and the third party collected. In case of a positive outcome, the applicant is issued a certificate of conformity and the right to mark products with a special mark. In case of voluntary certification, such a mark is a conformity mark issued by the voluntary certification system to the applicant company.

The principal difference between the methods used in the framework of the market mechanism of regulation from the methods used by the authorities is that the latter are implemented within the legally regulated sphere. The established requirements, which apply mainly to safety and environmental characteristics, are mandatory from the point of view of their implementation. These requirements are contained in special documents approved by the authorities-technical regulations. In addition to the required production requirements, these documents contain a description of the forms and procedures of mandatory conformity with the technical regulations – compulsory certification (which is not fundamentally different from voluntary, only is mandatory) and the Declaration of conformity, which is usually the first side. The result of mandatory confirmation of conformity is a certificate of conformity or Declaration of conformity. The products that have passed the mandatory confirmation of conformity are marked with the mark of circulation on the market, which is used by the manufacturer.

#### **4. Purpose of the Study**

There is an ever-growing need to monitor and analyze trends in national intangibles (Stähle, Stähle, & Lin, 2015). The above describes the ideal, normative situation associated with solving the problem of information asymmetry. However, the reality is often quite far from the described situation. The reasons for this divergence vary, but we will focus only on those relating to corporate governance.

#### **5. Research Methods**

In this paper, as the main information-descriptive method is used, which allows to reveal the features of the application of specific tools of technical regulation to solve some problems of corporate governance. The methods of analysis and synthesis were used to concretize and further generalize the relevant problems of the use of intangible assets. The prognostic method is used to consider the prospects of the impact of marks of compliance with national standards on the increase in the value of the company as objects of intellectual property.

#### **6. Findings**

First of all, it is necessary to identify which aspects of corporate governance may be affected by the company's use of conformity marks (in this case, the "conformity mark" is understood as the actual conformity mark and the mark of circulation in the market). The differences in the nature and scope of these signs are shown above.

One of the most important areas of corporate governance is the implementation of a set of measures aimed at increasing the value of the company. One of the ways to achieve this goal is to increase the utility of all assets of the company, including tangible and intangible. There are also a number of factors that are sometimes mistakenly attributed to intangible assets. An example can be the market potential, the monopoly position provided by the right of ownership control, the lower the price, liquidity, etc. While these factors can create value without being an intangible asset (Belysheva & Kozlov, 2008).

Authors adopted the classification proposed which segregates intangible assets into market assets, human-centered assets, infrastructure assets and intellectual property assets (De Luca, Ribeiro Maia, da Costa Cardoso, de Vasconcelos, & da Cunha, 2014).

The latter, along with other intangible assets, include intellectual property and business reputation of the company. The article considers in detail the legality of attributing the use of signs of compliance with national standards to intangible assets of the company as an object of intellectual property regulated on the basis of copyright of the Russian Federation.

For the intangible asset "intellectual property", the economic effect can be manifested in the form of:

- willingness of purchasers to pay a higher price for goods marked with the voluntary standards compliance mark;
- increase in the occupied market share due to the application of the mark;
- formation of significant groups of buyers who constantly make purchases of the company's goods.

In other words, the economic effect of applying the mark of compliance with voluntary standards is manifested in the form of increased sales and increased profitability. Indirectly on the amount of sales

volume as a result of applying the mark of conformity can be judged by this fact: in Europe only as a result of the release of information about participation of the company in the competition for the award in the field of quality the product sales of this company increased by 10%.

Another aspect of the application of marks of compliance with national standards is related to the concept of "business reputation of the organization". Business reputation is a set of factors that allow you to evaluate integrity and stability of the organization-variations. It becomes a kind of intangible asset of the company. Pofalse reputation leads to increased-increase in demand for the services of the firm, as it will allow the counterparty to be confident in the positive result of cooperation (Vylegjanina & Sherstobitov, 2019). The sources of economic effect for the form of intangible assets "business reputation of the organization" are as follows.

The application of the mark of compliance with voluntary standards is associated with the assessment of the business of the business entity by increasing the price of its shares. In other words, its market value increases, that is, capitalization increases. This in turn increases sales volumes and profitability. There are cases when, as a result of strengthening the business reputation of the company, the value of its business begins to significantly exceed the total value of tangible assets. Thus, the business reputation of the organization, a significant part of which falls on the share of the mark of compliance with voluntary standards, increases the market value of the organization and, consequently, its attractiveness to partners and investors. Nevertheless, at present, the use of the mark of conformity to voluntary standards increases the capitalization of both the economic entity using this mark and the products marked with the mark of conformity. These facts can be used to reduce the amount of collateral and obtain other benefits when providing the company with a Bank loan.

As shown above, the use of signs of compliance with national standards is directly related to the emergence of an economic effect that has a positive impact on the value of the company. The different nature of the increase in the capitalization of the company when applying the mark of circulation in the market. It is primarily associated with the increase in corporate social responsibility of the company in the areas of safety and environment, and is manifested in the long term in the form of improved relations with stakeholders such as business partners, government authorities and others, which affects the improvement of the company's image and the growth of its capitalization.

It is necessary to pay attention to one more very important circumstance connected with increase of safety of products let out in the address. On the market of certification services in Russia penetrated a large number of unscrupulous participants who offer to perform work on the confirmation of compliance, as reported by the media, literally "in an hour", without carrying out all the necessary complex of works.

Companies with a high degree of corporate social responsibility, applying the mark of treatment in the market, will certainly apply only to bona fide performers of works on confirmation of compliance. Thus, they will contribute to the displacement of unscrupulous participants from the market of certification services. By their actions, they will create prerequisites for the creation of a positive feedback loop, through which the problem of ensuring the safety and environmental cleanliness of goods will be more effectively solved.

## 7. Conclusion

According to experts, the practice of corporate governance needs to attract new methods and tools to improve its efficiency and effectiveness, especially in the real sector of the economy. Notably, all empirical studies show that intangible capital represents an important and growing component of total capital stock, therefore confirming the importance of including intangible assets as determinants of firms' productivity (Marrocu, Paci, & Pontisy, 2012). There is a need for tools that are grounded on theory and proven in practice to ensure that the company's management fulfills its obligations, transparency and openness, adherence to business ethics, and promote fair competition.

To achieve these goals, the authors use the methods of technical regulation, which have proven to be an effective tool for solving problems that are closely correlated with the issues of corporate governance. Such issues include the problems of capitalization of the company, by increasing profits, the fulfillment of obligations in the social sphere, primarily by putting into circulation products as safe as possible for humans and the environment.

The active use in corporate governance practice of marks of conformity of circulation marks in the market as intangible assets on the one hand increases the profitability of the company, which is a significant factor contributing to the increase in its value (capitalization), and on the other hand strengthens the trust in the management of stakeholders, including government authorities.

In General, it can be concluded that it is expedient to involve technical regulation tools in the Arsenal of tools used in corporate governance activities. The same fully applies to corporate social responsibility, the inclusion of technical regulation instruments in the system of instruments of which will contribute to a more effective provision of conditions for long-term development. Of particular importance are intangible assets are acquired in connection with the transfer of Russian economy on an innovative way of development. Condition and the development of intangible assets depend on their industry-left side. In this regard, it is important to study-recognition of intangible assets by type of economic activity activities (Mayorova, 2019). The inclusion of intangible assets in the form of a mark of conformity and a mark of circulation in the market, used by the company in the framework of corporate governance, contributes to the growth of its efficiency and capitalization.

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