



 Research Article

ON THE ISSUE OF CORPORATE GOVERNANCE STRUCTURE AND ITS EFFECTIVENESS

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ABSTRACT

This article presents a review of scientific literature and viewpoints on the issue of corporate governance and its effectiveness. The specific features of economic development in Uzbekistan demonstrate the importance of managerial activities in various economic sectors. Therefore, corporate governance occupies a significant place in the methodology of scientific research on corporate governance within the overall management system. The absence of a unified definition that can be applied to understand the underlying concept of corporate governance has provided the basis for the scientific exploration of two models of corporate governance in this article - the Anglo-American and Continental models.

KEYWORDS

Management, corporate governance, Asian model, Anglo-American, Continental, progress, development, economy.

INTRODUCTION

Currently, the economic development of any country depends on the chosen development strategy and the measures taken to expand the possibilities of successful economic growth. In Uzbekistan, the principles of economic

development are implemented based on reform strategies. These strategies are grounded in the experiences of developed countries in transitioning to market-oriented relations, evolving gradually, and considering objective



economic laws thoughtfully and step by step. One justified form of such development is corporate governance.

Depending on the distinctive features of ownership structure, the degree of its concentration, peculiarities of financial regulation mechanisms, stock markets, and national shareholder legislation, different corporate governance systems may be formed. According to the viewpoint of Sh.S. Mukhamadzhanov, "corporate governance may become even more important when there is a separation of ownership and management in modern corporations. Specifically, the interests of managers must be at odds with the interests of shareholders". The author suggests that due to the difference in interests between stakeholders, the principal-agent problem arises, which can be observed in management and company governance issues. Consequently, there is no single definition that can be universally applied to understand the underlying concept of corporate governance from different perspectives.

In the economic practices of developed countries, two traditional models of corporate governance are distinguished:

1. Anglo-American Model: This model gives unconditional priority to shareholder rights, with the main control exercised through the capital market.

2. Continental Model: This model emphasizes bank control, where banks and their representatives in the board of directors play a decisive role in the company's management.

In our opinion, this division is conditional and is carried out to highlight characteristic features that can mix and change under the conditions of globalization: in the organization of managerial activity in the context of scientific and technological progress, traditional, national, and modern forms of labor organization are closely intertwined. The Asian model can also be noted, which is based on three main principles: a well-thought-out industrial policy of the state, a well-considered agricultural reform, and the financial sector as a supporting system.

Regarding the features of corporate governance, it is noted that there is no evidence that "correct" corporate governance necessarily ensures the high competitiveness of a company. For instance, many large "family" companies that do not meet corporate governance standards are quite competitive. It is believed that corporate governance insures against abuse but makes companies less flexible. However, companies that comply with corporate governance standards have an undoubted advantage in attracting investments. According to investors, good corporate governance ensures the honesty of management and transparency of the company's activities, significantly reducing the risk of losing funds.

In the modern world economy, the processes of production concentration and its corporate form in the shape of joint-stock companies have actively developed, providing not only the concentration of capital but also a change in property relations, forms, and methods of management. Compared to individual ownership,

corporate forms have predominantly advanced due to their following clear advantages:

- Shareholder ownership ensures the attraction of scattered small capitals for the organization of large-scale efficient productions.
- The corporate form of ownership is focused on maximizing profits in the interests of owners, shareholders.
- Corporations represent commercial structures of higher economic reliability and protection from economic risk.
- The corporate form of management ensures the creation of a system of highly qualified management.
- Large corporations use the possibilities of monopolizing markets, developing mechanisms for effective interaction that form a new modern form of it - an oligopolistic monopoly.
- Large corporations provide opportunities for the efficient use of capital movements in the stock market, increasing the flexibility and efficiency of its use through the assessment of the comparative business performance based on the level of capitalization of corporations and the attraction of additional financial and credit resources.
- The corporate form opens up the possibility of forming the most efficient structure of production, which is reflected in the effective technological interaction of economically connected enterprises and industries, the use of innovative and

technological development to improve the efficiency of corporate business.

According to A.S. Smirnov , corporate organization of production has shown its greatest effectiveness in a market economy at both the transnational and national levels. As a result, the global economy is increasingly taking on a corporate character. Their economic advantages have turned large corporations into the primary form of business organization. According to estimations, large corporations create about two-thirds of the world's gross domestic product. Thus, corporations have become the main economic force in the world.

In the process of formation, strategic developments of large businesses are justified through:

- Studying long-term trends in the development of key commodity markets, including the balance of supply and demand.
- Analyzing the development status of competitors and devising mechanisms and methods to outcompete them in the competitive struggle.
- Analyzing the status and possibilities of investment development of their own production.
- Developing proposals for state support of their effective socio-economic activities.

As a result, large corporations will actively participate in the development of the country's socio-economic development strategy.

Over the course of their existence, methods and mechanisms of their behavior in markets have been developed, depending on economic conditions, specific circumstances, and opportunities. The necessity of strategic forecasting, planning, and controlling their associated activities has been identified. One of the most effective sectors where oligopolies are formed is the oil refining, petrochemical, and metallurgical industries, which operate with a high degree of efficiency. Their profitability is approximately three times higher than that of enterprises in the consumer goods processing sector.

Currently, many enterprises have reached a stage of development where insufficient attention to corporate governance issues can result in the weakening of their competitive positions. The presence of an effective corporate governance system becomes the foundation for improving financial performance, enhancing the quality of managerial decisions, and achieving a balance of interests among various stakeholders in corporate relationships. According to O.A. Kavyrshina, the economic mechanism of corporate governance lies in the coordination of economic interests. The coordination of economic interests of all parties involved is one of the main objectives. However, in the process of managing companies after their privatization, numerous conflicts of interest arise among owners, employees, and consumers. This can lead to a slowdown in capitalization growth and a loss of investment attractiveness .

Thus, the relevance of studying corporate governance is justified by the fact that the transition to a competitive market economy has triggered the need for radical transformation of existing structures and the formation of new ones in all spheres of activity, especially the economic sphere. In this changed situation, there is a recognized necessity to create a socially-oriented economy that prioritizes economic and social goals and interests.

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