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## THEORETICAL AND PRACTICAL ASPECTS OF AN EFFECTIVE CORPORATE GOVERNANCE IN UZBEKISTAN

*SHAVKAT KHUSAINOV*

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### Abstract

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#### Keywords:

joint stock company,  
corporate governance,  
strategy, management,  
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system, transparency

The article examines the issues of strengthening the role of corporate governance in the strategic management of joint stock companies, its essence, main tasks, coordination of management activities, improvement of the corporate governance system.

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#### Author correspondence:

**SHAVKAT KHUSAINOV**

*Banking and finance academy of the Republic of Uzbekistan, Tashkent, Uzbekistan*

*Email: [khusainov\\_sh@gmail.com](mailto:khusainov_sh@gmail.com)*

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### INTRODUCTION

Today, the interest of the public in the problems of corporate management in joint-stock companies of our republic is increasing more and more. In particular, in Uzbekistan, large-scale work is being carried out on the improvement of corporate governance and the application of its mechanisms in enterprises, and a national code of corporate governance has been developed. Undoubtedly, the implementation of these tasks will allow economic growth, increase the investment attractiveness of enterprises and create a stable competitive environment of great economic importance.

In order to implement priorities for modernization of our country and liberalization of all spheres of life, the President of the Republic of Uzbekistan Sh.M. Mirziyoyev's decree "On the strategy of actions for the further development of the Republic of Uzbekistan" adopted on February 7, 2017, in particular, institutional and structural measures aimed at reducing the state's participation in the economy, protecting the right of private property and further strengthening its priority position, encouraging the development of small business and private entrepreneurship. In the process of continuing reforms, the introduction of modern standards and methods of corporate management, the consistent implementation of strengthening the role of shareholders in the strategic management of enterprises, and the fact that a more important place is noted, require serious attention to the nature of corporate management [1].

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In this respect, it is appropriate to consider the essence of corporate management as a modern, advanced type of management activity within the framework of the economic system characterized by corporate strategy, corporate work style of managers at all levels, financial and information openness, and the existence of a system for protecting the rights of shareholders and owners.

### **LITERATURE REVIEW**

Scientific research on scientific literature shows that there are different interpretations of the concept of corporate governance and the mechanisms that support it. Naturally, the presence of different approaches to the problem can prevent us from understanding the essence of the problem.

In particular, D.Karapetyan, M.Gracheva consider a significant difference in the theory of corporate management as the main obstacle in the formation of an effective corporate management system of a joint-stock company, and the reason for this is the denial of the interdependence of corporate management and management functions at the level of strategic management, mainly in the development of the company's development strategy. [2].

At the same time, D.V. Isaev noted that the concept of corporate governance includes traditional tasks of management (planning, organization, motivation and management), management of organizational changes and regulation of relations between shareholders and top managers, which is interconnected here several aspects, including regulatory and legal (laws, standards), organizational (joint-stock companies and its governing bodies, including the supervisory board, the chairman of the board of the joint-stock company and managers, the regulation on the relationship between external and internal management), personnel (selection and placement), skills competences management personnel training system), information (information and logic models, management data collection, processing, storage and presentation technologies), cultural and ethical (corporate values, culture, social role of business) [3].

At the same time, Z.A. Ashurov, despite certain positive processes of the formation and development of the national corporate governance system, some problems and unresolved issues remain in the field of corporate governance. believes that the process of achieving the country's competitiveness may become more difficult[4].

S.A. Masyutin connects corporate management with corporate strategy, which, in his opinion, defines it as a modern, advanced type of management within the framework of a business system characterized by the corporate work style of managers at all levels, corporate culture, financial and information openness. It is desirable to consider the systems of protection of the rights of the shareholders and other holders of securities of the joint-stock company as a form of corporate management that ensures stable and profitable growth in the long term [5].

This opinion is supported by scientists Yu.V. Gusev, T.A. Polovova, who say that the use of corporate strategies as an integral tool of a modern corporate management system

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allows to combine advantages and disadvantages, and in some cases to have a clear idea about the location of a joint-stock company in a certain segment of the market and believe that it creates conditions for the development of long-term plans to increase the corporate advantages and potential of the joint-stock company. Because, in the development of a long-term strategy, it includes the identification, assessment and regulation of specific factors and conditions affecting the development of joint-stock companies, crisis prevention and quick response to dangerous changes [6].

Valeria Natiti notes that sustainable activity plays an important role in corporations, in her opinion, the main characteristics of corporate governance are manifested in sustainable activity, in particular, the multi-level management system, the independence of board members and the responsibility of the executive body, all of which together affect the financial performance of corporations[7].

M.B. Khamidulin focused on the conscious, direct participation of corporate management in determining, defining and making strategic important decisions aimed at the formation, definition and acceptance of strategic important decisions aimed at the formation of equity capital, its more effective use for profit and the fair distribution of received income among all participants of corporate relations. [8].

O.N. Teshabaeva, L.N. Akhmadjonov, Corporate management in Uzbekistan is a system of management relations between interacting economic entities, the use of equity capital, the effective organization, coordination and control of various legal entities, and external counterparties from achieving their goals. (including state bodies) they note that they also express their mutual relations. The main function of the supervisory board, which appears as the main body of corporate management for the implementation of effective management relations, is to develop the strategic directions of the joint-stock company's activities and to implement them without doubt [9].

Stephen A. Drewa, Patricia C. Kelleyb, Terry Kendrick.Strategic management is increasingly a concern of the board and the executive body.Many of the recent failures are attributed to poor risk management, according to which the ineffectiveness of strategic management puts strong business models at risk. Scientists presented an integrated model of corporate governance with five elements (culture, leadership, regulation, systems and structure)[10].

KuvaevaV.D. recommends considering corporate governance together with concepts such as strategic management and operational management. The reason for this is that by summarizing the various definitions of strategic management, we can recognize it as a special type of enterprise management, the essence of which is long-term planning aimed at increasing the potential of the organization by achieving competitiveness in the context of increasing uncertainties in the external environment [11].

It follows from the above that if the joint-stock company, on the one hand, has clearly defined "official" strategic planning, on the other hand, the formation of a mechanism of interaction between the corporate management and the management of the joint-stock

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company, which should ensure the implementation of the long-term strategy, is one of the urgent issues.

### **ANALYSIS AND RESULTS**

Currently, the necessary institutional framework for the introduction and development of the corporate governance system has been created in Uzbekistan, corporate governance bodies have been formed and are operating, and a state control system has been created to ensure compliance with the corporate laws of joint-stock companies. It should be noted that the successful operation of joint-stock companies with a high state share depends not only on the implementation of effective mechanisms of state regulation, but also on the organizational activity of the joint-stock company: how shareholders exercise their rights and obligations, how effective are the methods of labor promotion for enterprise managers. is significantly dependent on the efficiency of financial activities.

Therefore, in order to meet the needs of joint-stock companies for financial resources to implement strategic goals, modernize and re-equip production, and increase their capacity, it is necessary to improve the corporate management system, systemic changes in management, and business processes.

In our opinion, the following activities should be included in the system changes implemented in joint-stock companies, improvement of business processes:

- modernization of production and strengthening of technical re-equipment;
- increasing the liquidity indicators of the enterprise;
- to improve the quality of manufactured products and services;
- allows to strengthen the material and technical base.

In particular, strict adherence to the principles of effective corporate governance, ensuring transparency, openness of information, along with the mentioned activities, means the confidence of investors. The effectiveness of corporate governance can be assessed only as a result of the correct application of quality indicators. Of course, effective corporate governance reduces the risk of crisis situations or at least increases the probability of their successful resolution, ensures "transparency" of relations with shareholders and investors[12].

And finally, the effectiveness of the corporate management system not only increases the market value of the enterprise, but also, in turn, increases its competitiveness in the financial markets, reduces the cost of lending and makes it more attractive for investors[13].



**Figure 1. Corporate Governance Important Aspects**

It should be noted that the success of corporate management in modern conditions has a direct impact on the company's reputation. Practice shows that the value of reputation in economically developed markets can be up to 8-15% of the company's share price. The main criteria for investors in choosing capital investments are the ratings given to the enterprise by well-known rating agencies. Because the rating is the brightest assessment of the quality of corporate management.

Thus, both strategic management and operational management are implemented in the enterprise within the framework of corporate management. At the same time, in the management system of a joint-stock company, the position of corporate management is higher than operational management.

### CONCLUSION

Thus, the approach that ensures the classification of corporate management only at the level of strategic management of the joint-stock company, in the author's opinion, does not fully reflect the nature and content of corporate management.

Currently, there are two main approaches to defining corporate governance:



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- corporate management in a narrow sense refers to the existing management structure in the enterprise and the mechanisms of interaction between departments that should ensure the protection of the rights and interests of shareholders and investors;

- corporate management in a broad sense means strategic planning of the organization's activities, taking into account the interests of its shareholders and other parties interested in the activities of the joint-stock company.

In each of these approaches, levels of organizational management are distinguished based on the tasks to be solved. Typically, shareholders are concerned with the long-term development of the business, while managers are concerned with current operational issues.

Therefore, corporate governance is essentially aimed at effective management of a joint-stock company, which ensures the protection of the interests of its shareholders (primarily financial interests), as well as the achievement of sustainable development in the long term, taking into account the interests of a wide range of stakeholders. That is, on the one hand, strategic management tasks must be solved within the framework of corporate management (ensuring the competitiveness of the organization in the long term in response to changing environmental conditions), and on the other hand, it includes tasks related to the formation of an integrated mechanism in the management system of a joint-stock company. should harmonize the interaction of the elements of the strategic and operational levels, and at the strategic level should ensure the implementation of the developed plans with the most optimal financial solutions for the society.

Studies have shown that currently, the distinction between the concepts of "corporate governance" and "corporate governance system" remains unclear in many cases. These concepts are different from each other. For this reason, it is important to distinguish between the concepts of "corporate governance" and "corporate governance system" in order to avoid confusion in definitions. The concept of corporate governance has been sufficiently defined. The concept of "corporate management system" refers to a set of methods, tools and management mechanisms used within the specified management activities. The corporate governance system is the various elements of the organization, as well as the processes and relationships regulated by legal provisions and internal documents of joint-stock companies to ensure the achievement of corporate governance goals.

Therefore, we propose to conduct an assessment of the quality of the corporate governance system in joint-stock companies, the purpose of which is a comparative analysis of the criteria that characterize the quality of corporate governance of the existing management models.

Undoubtedly, the main focus of corporate strategies should be the resources of the corporation in the short and long term. A qualitative assessment of corporate strategy is essential for long-term performance. For the strategy to be effective, evaluation must be done regularly and continuously.

At the same time, based on the experience of economically developed countries, a number of aspects of a successful corporate governance system can be distinguished:

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- expansion of opportunities for enterprises to use external financing opportunities, which in turn will attract new investments, high rates of economic growth and creation of new jobs;

- reducing the rate of attracted investments and increasing the value of the enterprise, making investments more attractive;

- increasing operational efficiency due to rational distribution of material and financial resources and improvement of management;

- reduces the risk of a financial crisis that may have negative economic and social consequences;

- improves relations with all interested parties and improves labor relations in the community team, as well as creates conditions for working on social issues, in particular environmental protection issues.

To improve the practice of corporate management in joint-stock companies, it is necessary to follow the best practices and standards of corporate management and to consider it as a necessary condition for the efficiency and success of financial and economic activity, to increase the investment attractiveness of joint-stock companies, as well as to optimally model business processes.

Thus, effective corporate governance is an essential element of a changing market economy. Shareholders should be able to control the implementation of measures related to the strategic development of joint-stock companies.

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