



Methods for Improving Corporate Governance in Joint Stock Companies

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Abstract: The need to establish a corporate governance policy in order to ensure the national economy's competitiveness and sustainable development, as well as enhance the systemic government's regulatory mechanisms, is one of the main directions of our time. The primary directions for the corporate governance system's future development include an examination of global experience, a fundamental overhaul of the management structure, and the expansion of the role of shareholders. The most important details in this text are the steps to increase the effectiveness of the corporate governance system in Uzbekistan.

These include evaluating the general board's activities, compensating each member based on their contribution to the overall effectiveness of the board, ensuring that the Supervisory Board has a minimum of independent members, defining who will propose an independent member of the Supervisory Board, creating a database for them, and ensuring the balance of key performance indicators (KPIs).

To significantly boost joint-stock company efficiency, it is important to ensure that they are open and appealing to potential investors, introduce modern corporate management techniques, and create favorable conditions for strengthening the role of the Supervisory Board.

Key words: Corporate governance, shareholders, Supervisory Board effectiveness, joint-stock enterprises, strategic management.

Investment activity in the real sector of the economy picks up speed as a result of modernization processes in many economic sectors.

Modern management procedures must be quickly implemented in order for the corporate sector of the national economy to develop successfully today. In joint-stock corporations, a lack of focus on corporate governance can cause a variety of problems with obtaining investment capital and creating effective business plans. As a result, both the state and market players have become interested in the problem of improving corporate governance recently. In addition to raising a company's market value, an efficient corporate governance framework also ensures its competitiveness on the financial markets and raises investor appeal.

Like any other economic organization, the macroenvironment in which businesses operate determines their modern growth. The macroenvironment is made up of various habitats, including the legal, social, cultural, political, and natural ones.

The natural, sociocultural, and political environments that make up the macroenvironment of a corporation's operations are corporately included in the so-called corporate environment, in which different subjects of society and categories of people are involved in one way or another, namely:

- A. customers;
- B. employees of the corporation;
- C. local population, and society as a whole.

This helps to simplify the analysis of how corporations function.

It's important to understand the corporation's operating environment as well as how the factors in its external environment, including as shareholders, suppliers, customers, the media, trade unions, the general public, and governmental organizations, affect the corporation's activities.

Owners (shareholders), managers, and other interested parties make up the majority of those involved in corporate relations. These parties could be the company's debtors, recruited staff, regional governments, etc. The main stakeholder groups in corporate relations typically have different interests.

The majority of a manager's compensation comes in the form of a guaranteed income, with other kinds of compensation playing a far smaller proportion. They are interested in the stability of the organization they work for and lowering the danger of exposure to unforeseen occurrences by focusing their primary efforts on it. Managers are interested in extending their employment agreements with the business. Numerous organizations that are interested in the company's operations are directly interacted with by them (creditors, regional and municipal authorities, staff, etc.).

Only the portion of the company's profit that is left over after debts are paid off and is distributed to shareholders in the form of dividends, as well as by selling shares in the case that share prices rise significantly, is available to shareholders. The quantity of dividends paid by the company increases with the level of profit. Because they are interested in the company's large earnings and the high share price, shareholders frequently support actions that increase the company's profitability but come with a significant risk. They frequently spread their investments among a number of businesses.

Owners (shareholders) have two options to impact how the business is run:

- convening shareholder meetings for the purpose of electing a particular Board of Directors composition and approving or disapproving managerial actions;
- by selling their shares, which might lower the share price and increase the likelihood that shareholders who are hostile to management will seize control of the business.

By building infrastructure or establishing advantageous tax policies, local governments can invest in the company's operations and boost its competitiveness. They do this because they are concerned about the company's operations in their area because businesses create jobs and taxes boost local budgets' revenue sources. Therefore, the viability of the business is important to the local government.

The separation of ownership from direct administration of property and the competing interests of various corporate relations groups are the key contributors to issues with corporate governance.

Which other interest groups (apart from shareholders) should be represented in corporate governance must be determined by each organization. The choice is made based on the peculiarities of the economic and social system in a particular nation, the scope of the business' operations, the way in which it interacts with the environment, and other elements.

Businesses are a crucial component of any economy. Therefore, it is crucial to have an efficient corporate governance framework. Corporate governance refers to the manner that a corporation's board of directors and management oversee its operations, which has an impact on a number of factors, including:

- establishing corporate objectives, such as generating profits for stockholders;
- management of the corporation's ongoing operations;

- considering the interests of those involved in corporate relations;
- ensuring that corporate operations and corporate culture adhere to the legal requirements, regulatory standards, and commonly accepted business practices;
- defending the interests of investors and shareholders.

An organization that performs a specific social function (production, accumulation, distribution, and orderly distribution of funds) and is focused on achieving related and specific goals in a particular field of human activity is referred to as a corporation.

Given that a corporation is a collective formation, a group that qualifies as a legal entity, created through the combination of capital (volunteer contributions), and engaged in any socially beneficial activity, the following characteristics of such corporate formations can be identified:

- An organization, a union of people, or a formally organized group that serves the interests of the group.
- Consolidation of capitals (contributions), whose amounts are precisely stated.
- Numerous business sectors (manufacturing, banking, wealth generation, trade, raw resources, and processing industries).
- A legal entity's status, as evidenced by its registration with a government agency.
- The following are the primary directions for the corporate governance system's future development:
 - a thorough examination of global experience and, on the basis of that analysis, the adoption of contemporary corporate governance practices to improve the productivity of production, investment, material and technical resources, financial resources, and human resources;
 - a fundamental overhaul of the management structure of joint-stock enterprises, which would involve the elimination of outdated divisions and posts and the creation of fresh divisions and positions in line with current international norms and market-based economic requirements;
 - expanding the role of shareholders, especially minority owners, in ensuring joint-stock businesses are strategically managed and have effective control over the management structure;
 - it entails educating management people, raising their professional standing, and luring highly skilled foreign managers to senior positions in joint-stock enterprises, all of which are based on collaboration with top foreign educational institutions.

By reducing conflicts amongst corporate relations players, optimizing the satisfaction of their interests, and attaining specific corporate goals, effective corporate governance systems can assure the sustainability of a corporation's development.

Every organization should have corporate governance development as a strategic objective. A firm can meet stakeholder and regulatory expectations, enhance its brand, and increase the cost-effectiveness of its operations by achieving this goal. It can also help the company develop sustainably.

It is seen desirable to put the following into practice in order to increase the effectiveness of the corporate governance system in Uzbekistan:

- First, the introduction of the practice of evaluating the general board's activities, those of its committees, and those of each member on an individual basis should be supported by the corporate governance code, in addition to an independent evaluation of the corporate governance system.
- Second, implement a policy of compensating each member based on his contribution to the overall effectiveness of the board and tie the amount of bonuses awarded to supervisory board members to the findings of the review of the board's performance.

- Thirdly, to ensure that the Supervisory Board has a minimum of independent members while simultaneously taking action to encourage their growth.
- Fourth, defining who will propose an independent member of the Supervisory Board, creating a database for them, and creating a system to enhance their qualifications.
- Fifth, it's crucial to ensure the balance of the key performance indicators (KPIs) selected to evaluate the actions of the executive body and to control the procedures for allocating weight to each KPI in the creation of a broader aggregated (integral) indicator.

In order to significantly boost joint-stock company efficiency, ensure that they are open and appealing to potential investors, introduce modern corporate management techniques, and create favorable conditions for strengthening the role of shareholders in the strategic management of enterprises, it is crucial to improve the organizational and economic conditions.

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