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MODERN TRENDS OF CORPORATE GOVERNANCE

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ABSTRACT

This article describes the modern system of corporate governance, its foreign experience, development trends in corporate governance practices and models in the world. In particular, the article discusses new views and reforms of corporate governance in the countries of the world in the 21st century, and also provides recommendations on the usage of best practices.

Key words: corporate governance, modern corporate governance, shareholder, corporate governance models, corporation, current trends in corporate governance.

КОРПОРАТИВ БОШҚАРУВНИНГ ЗАМОНВИЙ ТРЕНДЛАРИ

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Аннотация

Ушбу мақолада замонавий корпоратив бошқарув тизими, унинг хориж тажрибаси, корпоратив бошқарув амалиётининг ривожланиш тенденциялари ва моделлари ёритилган. Хусусан, мақолада хорижий мамлакатларининг 21-асрда корпоратив бошқарувига оид янги қарашлари ва ислохотлари ўрганилиб, корпоратив бошқарувни такомиллаштиришда бўйича тавсиялар берилган.

Таянч сўзлар: корпоратив бошқарув, замонавий корпоратив бошқарув, корпоратив бошқарув моделлари, корпорация, корпоратив бошқарувнинг замонавий тенденциялари.

СОВЕРМЕННЫЕ ТРЕНДЫ КОРПОРАТИВНОГО УПРАВЛЕНИЯ

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Аннотация

В данной статье описывается современная система корпоративного управления, ее зарубежный опыт, тенденции развития практики корпоративного управления и модели в мире. В частности, в статье рассматриваются новые взгляды и реформы корпоративное управления стран мира в 21 веке, а также даются рекомендации по использованию лучших практик.

Ключевые слова: корпоративное управление, современное корпоративное управление, модели корпоративного управления, корпорация, современные тенденции корпоративного управления.

Introduction

In the global economy, corporate governance determines the socio-economic development of society, and now corporate governance is changing and improving in countries around the world. Corporate governance is a system of interaction between the managing directors of a company, its supervisory board, shareholders, and all interested parties. Corporate governance also creates a system in which the company's goals are set, as well as the means to achieve these goals and control the company's performance.

The role of modern corporate governance in promoting the interests of shareholders and increasing the value of shares around the world is incomparable. Modern corporate governance is a key issue in creating an efficient market economy based on the rules considered in legislations. The abuse or exaggeration of corporate power by managers, owners and shareholders holding a controlling stake will harm domestic and foreign investors. Therefore, improving corporate governance practices requires the introduction of modern standards and principles that establish fair corporate relations, as well as advanced foreign experience and corporate governance practices.

Literature review

Nowadays, the study of perfect and modern experience and skills in the practice of corporate governance in the world is one of the actual issues.

As scientists of our country N.Urmonov and A.Ismailov noted, "Achieving the effective development of corporate governance requires a deep understanding of its true essence, research of its scientific and theoretical approaches that allows it to be formed as a scientific field"[1].

The great success of strategic management during the 20th century demonstrated that almost all corporate structures needed management. "However, management has been the focus of the 20th century, while corporate governance has been the focus of the 21st century." [2] - states the father of corporate governance Bob Tricker in his writings."

After Sir Adrian Cadbury, one of the foreign scientists, described the term "corporate governance" in the report of the "Committee on Financial Aspects of Corporate Governance" [3] in 1992, corporate governance became popular. From the early days of corporate governance evolution to the present, it is important for every corporate organization to set goals, strategies and policies, oversee governance and ensure accountability.

The role of sound corporate governance in promoting the interests of shareholders and increasing the value of shares around the world is incomparable. There is also an influence on the development of economic, cultural and even religious approaches. The importance of the role of directors of supervisory boards in the activities of corporations has become a huge turning point for the corporate governance system.

In particular, the Australian academic Fred Hilmer in his report pointed out that “The main role of the board of directors is to ensure a consistent and effective commitment to achieve above-average results, taking into account the risks of corporate governance ... this does not negate the additional role of the board to protect shareholders ”[4].

American economists who have made a significant contribution to the development of corporate governance, A. Burley and G. Minz, in their study discussed the following. “The rise of the modern corporation has led to the accumulation of economic power that could compete on equal terms with the modern state—economic power and political power are each strong in their respective areas. The state, in some respects, seeks to regulate the corporation, while the corporation, growing stronger and stronger, makes every effort to avoid such regulation ...

In the future, the economic immunity characterized by the corporation may be replaced not only on a par with the state, but also as the dominant form of social organization.

Also, domestic scientists Z. Ashurov, F. Djalilov , B. Urinov gave the following definition of the term “corporate governance”: “Modern corporate governance is a certain system of interaction between the management of an organization, its shareholders and the board of directors. Its main purpose is to exercise control over corporate activities. Modern corporate governance, based on international standards and aimed at the implementation of the goals and development strategies of the company, allows the company to ensure financial stability and its ability to function in the long term as a profitable organization, as well as contribute to strengthening the competitiveness of the entire country”[3].

When organizing an effective corporate governance system, it is important to prevent abuse of the company's property, use real independent directors more widely, prevent the executive body from dominating decision-making and separating the tasks of the chairman of the supervisory board from the executive director, protecting the rights of shareholders, in particular, minority shareholders.

Research methodology

The research methodology is based on the author's systematic analysis of materials of foreign practice of modern corporate governance and selected literature on improving corporate governance in Uzbekistan. Also, such methods of scientific research as generalization, comparison, and analysis were widely used in the research process.

Analysis and results

Implementation of international standards and principles of corporate governance in the development of corporate governance in Uzbekistan, studying the features of corporate governance, foreign experience and practices in the world are among our main tasks.

The use of foreign methods in the management of corporate structures in our republic is steadily developing the activities of joint-stock companies, maximizing their profitability. After conducting an in-depth analysis of the corporate governance system in the countries of the world, we should determine priority goals for the next years, based on the experience of such developed countries as the USA, Great Britain, Australia, Canada, Germany, Austria, the Netherlands, the Scandinavian countries, France, Japan, China, India, South Korea, and Russia. The system, models and practices of corporate governance in these countries differ from one another. This situation is explained by the development of the country's economy, historical customs, culture and traditions of society, corporate legal norms, and differences in the management of companies ' activities. Currently, scientists and economists distinguish key models of corporate governance, such as the Anglo-

American, German (continental), Japanese and family.

The Anglo-American, German (continental), and Japanese models provide the basis for various internal governance structures. These models can reflect the assessment of the performance of joint-stock companies and the improvement of the corporate governance system. There are a number of basic elements of corporate governance models: the main participants of a joint-stock company; the forces of interaction between the main participants; the procedure for owning shares based on the model; the possibility of attracting financial resources; the composition of the supervisory board; and the scope of activities of the joint-stock company. corporate legislation; information disclosure requirements; corporate relations of shareholders.

"In the world practice, there are five recognized basic models of corporate governance. Including: the American model; the United Kingdom model (based on generally accepted principles); the continental-European model with two levels; the Japanese model; the Asian model based on the family"[2]. It is considered that the characteristics of models from America and the United Kingdom are close to each other, the two-level continental-European model is formed on the basis of the German model, and the Japanese model covers some features of the American and German models.

In the twentieth century, one of the main areas of business was management, that is, management consultants, management theory and management flourished. Despite the fact that organizational theories were created, the board of directors rarely participated in the organizational processes of the company. Strategic planning, financial management, and marketing all flourished. Corporate governance has come under intense scrutiny since the beginning of the twenty-first century. In the world, a healthy corporate governance system is recognized for promoting the interests of shareholders and increasing the value of shares. As a result of using corporate governance codes, principles, and best practices in company management to evaluate the performance of directors at many enterprises, they have received training and developed cognitive skills. In the United States, corporate governance has been regulated and successful corporate governance has begun to take shape.

Later, one of the largest companies in the United States, Enron, collapsed. The company was dissolved, despite the fact that the general meeting of shareholders met all the requirements of the listing rules. Unlike large American corporations, Enron had prestigious, experienced independent directors, required management committees, and even shared the responsibilities of chairman and CEO. However, subsequent research has shown that senior management has changed the corporate strategy in the field of energy supply. This worked well for a while. But because the board failed to understand the new strategy, the company's risk profile was changed from relatively low-risk energy. As a result of changing financial market conditions, Enron collapsed. Shareholders lost their capital, and some executives were jailed for fraud.

As clients changed from accounting firm auditor Arthur Andersen, one of the international five firms, Enron broke up, other partner firms joined it, and the "Big Five" became the "Big Four". At the same time as in the United States, many companies in developed countries also experienced management problems. Many companies, such as Marconi, Independent Insurance, British Rail and the Tomkins organizations in the UK; HIH Insurance in Australia; Parmalat in Italy; Vodaphone Mannesmann in Germany, had management problems. The company's supervisory authorities have launched an investigation into each case. U.S. state-owned companies such as Waste Management, Worldcom and Tyco have also failed due to corporate governance issues.

In American companies, the rights of shareholders were more protected, and only independent directors could serve on audit and payment committees. As a result of the publication of internal control and financial control data in annual reports, the efficiency of corporate governance has increased.

In the early years of the twenty-first century, as a result of low interest rates in Europe and the United States, high liquidity in financial markets, and weak monetary policy, the number of real estate loans increased, while home prices rose, and more had to be borrowed to buy real estate. As the cost of housing increased, personal credit card debt increased. Trading with other financial institutions around the world, lenders securitized SBU assets to reduce their funds. Trading with other financial institutions around the world, lenders have combined loan assets with securities to reduce their funds. Gradually, housing prices began to fall, and the prices of housing, secured by banks to pay off debts fell even more. The difficulty of using financial instruments when trading securities, the fact that banks did not value external directors, led to the bank's risk and further reduced confidence in the bank. As a result of the inability of some banks to meet their obligations, depositors wanted to withdraw their funds.

The Central Bank has started allocating funds to support banks. In 2007, major financial institutions, major insurance and credit institutions were bailed out by the US government. During these years, banks in other countries also faced liquidity problems. The Northern Rock Bank in the U.K., The Bank of East Asia in Hong Kong, and banks in Iceland also collapsed. The U.S. government has invested \$ 700 billion in buying bank shares. The UK government has nationalized three existing banks.

As a result of the global financial crisis, corporate governance was under threat, and some problems emerged, such as the presence of independent directors on the board of directors, control over its management. As a result of independent auditors checking the risks associated with banks ' financial statements without disclosing them, high-ranking credit agencies have failed financially in obtaining loans. In order to ensure comprehensive regulation of the financial sector, high responsibility and transparency, the US government has adopted the Consumer Protection Act. Such issues as the introduction of boards of directors in public companies, the fact that committees take into account the company's risks, the annual election of directors, and the implementation of the corporate governance code were discussed, but not implemented.

In the United Kingdom amendments to the UK Corporate Governance Code were proposed to protect the rights of shareholders, ensure the structure of the board and improve its effectiveness. The responsibility of the boards for the corporate risk management strategy was emphasized. The corporate governance codes published by the UK were also quickly adopted by other countries around the world. At the same time, the South African Institute of Directors published two more corporate governance reports.

In the second decade of the 21st century, when developing their corporate governance codes, countries focused on such recommendations as corporate social responsibility (CSR), ethics, directors ' remuneration, and corporate governance principles. In the wake of the global financial crisis, the OECD announced corporate governance principles in 2004. Later, in 2015, the G20 / OECD published a new version of the Corporate Governance Principles. The G20 / OECD Corporate Governance Principles OЭCP are recommended, not binding, and can be applied by Governments to evaluate and improve existing national legislation, as well as by corporations to establish a corporate governance framework and develop "best practices " in corporate governance.

The G20 / OECD Corporate Governance principles consist of the following principles:

1. Providing the foundation for an effective corporate governance system
2. Rights of shareholders, equal relations with them, as well as the main functions of ownership
3. Institutional investors, stock markets, and other intermediaries
4. The role of stakeholders in corporate governance
5. Disclosure and transparency of information
6. Responsibilities of the Board

In 2016, at the initiative of the European Union and the UK Government, the practice of disclosing non-financial information was introduced. Also in 2010, the UK demanded an increase in the number of women in senior management positions, and set a goal to increase the share of women on the boards of its companies to 33% by 2020. The UK Corporate Governance Code was published in a new version in 2018, with the code paying particular attention to relations with companies, recommendations of shareholders and other interested parties, as reflected in the Companies Act 2006. Company creation consists of recommendations such as the need to value corporate culture and diversity in accordance with the company's strategy, high appreciation of the board, the board takes into account the interests of stakeholders, and the creation of a diverse board as a result of expanding the number of candidates on the board. The long-term strategy of companies highlights such proposals as business models and financial strategy, establishing principles of board responsibility, annual re-election of the chairman of the board of directors, emphasis on the qualifications and independence of non-executive directors, evaluation of the board of directors with the help of external experts at least once every three years.

In 2016, the Corporate Governance report published by the Institute of Directors in South Africa was recognized as "Cutting-Edge". The report proposed the creation of a committee that would ensure the moral and social responsibility of governing bodies. Based on the results of applying this report in the management of corporate participants in the private and public sectors, commercial and non-profit organizations, it is necessary to ensure the comprehensive development of the corporate governance system.

This analysis of the future development of corporate governance across countries and cultures highlights cultural influences and interactions between countries.

Conclusion

At present, improving the corporate governance system and eliminating the factors affecting it are important issues, and a number of regulatory acts are being adopted in our country. In addition, the use of foreign experience and compliance with the OECD principles of corporate governance in improving corporate governance creates an effective system. In order to protect and promote the exercise of the rights and interests of shareholders and ensure equal relations with all, including with minority and foreign shareholders, The Law of the Republic of Uzbekistan-370 "On Joint-Stock Companies and protection of Shareholders' Rights" was adopted.

International practice shows that the further development of the corporate governance system, including the effective management of business entities owned by shareholders, the introduction of the following is a priority.

It is the responsibility of the Management Board and its audit committee to engage an independent accounting firm to review the financial statements prepared by management and draw conclusions based on generally accepted accounting principles.

The responsibility of an independent accounting firm is to ensure its real

independence, avoid conflicts of interest, hire highly qualified employees and perform its work in accordance with generally accepted auditing standards;

Management's responsibility is to manage the corporation effectively and morally in order to create value for shareholders.

Management's responsibility, under the control of the Board of Directors and its Audit Committee, is to prepare financial statements that present fairly the results of the corporation's financial condition and operations.

The Corporation is responsible for fair treatment of its employees.

To sum up, we can say that, using the foreign experience of corporate governance development in our country, it is necessary to promote transparent and fair markets, as well as encourage efficient allocation of resources, comply with the law and strengthen the practice of effective control and enforcement, conduct financial reports based on the principle of transparency, and conduct activities contributing to effective corporate governance. community management.

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