



THE MAIN PROBLEMS OF CORPORATE GOVERNANCE AND WAYS TO SOLVE THEM

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ABSTRACT

This article discusses the issues of the problem of ensuring the effectiveness of corporate governance, an analysis of approaches to determining the effectiveness of corporate governance is made, solutions for ensuring the effectiveness of corporate governance are developed, and appropriate conclusions and proposals for implementation are made to ensure the effectiveness of corporate governance.

KEYWORDS-Corporate governance, efficiency, strategy, digital age, industrial revolution, stakeholders, compliance control, investor, supervisory board, board of directors.

INTRODUCTION

In the context of the globalization of the world economy and the ongoing economic reforms in the Republic of Uzbekistan, it is required from joint-stock companies to ensure effective corporate governance in order to attract foreign direct investment. For this, the Republic has adopted the appropriate regulatory framework. In particular, the Decree of the President of the Republic of Uzbekistan determined the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021, providing for the development and liberalization of the economy, aimed at further introducing modern international standards and methods of corporate governance, strengthening the role of shareholders in the strategic management of enterprises.¹

Nevertheless, the current stage in the development of society, called the digital age or the Fourth Industrial Revolution, is of particular scientific interest, since it inevitably brings changes, including in effective corporate governance.

THE ESSENCE OF THE MATTER

Effective corporate governance, according to the approach developed by the World Bank, is determined by the degree of protection and equal provision of the rights and interests of all

shareholders (majority and minority), the independence of the board of directors and the transparency of the joint stock company².

After analyzing the works of a number of researchers, including K. Schwab³, the following characteristic features of the digital era in corporate governance can be distinguished: breadth of coverage, high speed and continuity of changes, high rates of development of social production and ensuring effective corporate governance.

The effectiveness of corporate governance can be defined as the degree of its compliance with the principles and norms enshrined in the relevant codes, as well as determined by the level of corporate social responsibility to stakeholders (external and internal). High efficiency of corporate governance not only increases the level of satisfaction of participants in corporate relations and has a beneficial effect on the market reputation of the

¹ Decree of the President of the Republic of Uzbekistan "On the strategy of actions for the further development of the Republic of Uzbekistan" dated 07.02.2017 No. UP-4947

². World Bank Corporate Governance Department From Principles to Practice: The World Bank Methodology for Assessing Corporate Governance Systems Pascal Di Benedetto 2nd Meeting of the OECD / IBRD Corporate Governance Working Group London, UK, April 30, 2008.

³. Schwab K. Fourth industrial revolution / per. from English M.: Publishing house Eksmo, 2016. Haskel J., Westlake S. Capitalism without Capital. The Rise of the Intangible Economy. N. J.: Princeton University Press, 2017



corporation, but also carries many other benefits⁴, in particular, increasing the overall efficiency of the company's financial and economic activities, facilitating access to capital markets, and reducing costs for raising capital and increasing the value of campaign assets, preventing corporate conflicts and improving interaction with the state and shareholders.

D. Ito, D. Howie⁵ note that digital management technologies are the drivers of information development, using advanced technologies and communications, a wide coverage of the Internet. New technologies are getting cheaper and they themselves are synthesizing more and more advanced and efficient technologies in the corporate governance system.

There is a gradual blurring of boundaries between the physical, digital and biological realms. The role of the company's intangible assets is growing. Changes in management are of a global nature due to the process of globalization of the world economy⁶, notes M.I.Nikishova.

Thus, the requirements of the digital economy or the Fourth Industrial Revolution must ensure effective corporate governance that guarantees:

- In-depth analysis of international experience and the implementation on this basis of modern methods of corporate governance, increasing the efficiency of the use of production, investment, material and technical, financial and labor resources in the context of the globalization of the world and digital economy;

- Consistency, balance of economic interests in relations with shareholders, investors, management bodies of JSC and other stakeholders participating (stakeholders) in the management process;

- Enhancing the role of shareholders, including minority ones, in the strategic management of the joint-stock company, in ensuring control over the effective activities of management personnel;

- Ensuring an increase in the market value of the company, attracting potential foreign and

domestic investors, increasing the level of profitability and a stable increase in the welfare of the company's owners, preserving and increasing their capital;

- Maximum reduction of corporate conflicts and (or) minimization of their negative consequences, the level of risk and priority creation of joint stock companies with the participation of foreign capital, the formation of favorable conditions for the wide attraction of foreign investments to joint stock companies;

- A radical reorganization of the management structure of joint-stock companies, meaning the elimination of outdated, outdated divisions and positions, the introduction of new ones that meet modern international standards and the requirements of a market and digital economy;

- Training and professional development of management personnel on the basis of cooperation with leading foreign educational institutions, as well as attracting highly qualified foreign managers to leadership positions in joint-stock companies.

Today in world practice, the most problematic aspects of corporate governance include the following:

- Ineffective implementation and adherence to the corporate governance principles developed by the OECD (2015) in companies.

- Lack of a clear and strategic information policy, an internal document that would clearly define its principles, classification of various types of information circulating in the company;

- Weak disclosure of information about candidates to the board of directors or supervisory board when they are nominated and about members of the board of directors or Supervisory board (SB), as well as a shortage of experienced managers and candidates for SB members nominated by shareholders, who often do not have sufficient qualifications, knowledge of the specifics of the industry and markets, on which the company's activities are carried out, the necessary experience and business qualities;

- Weak provision of control functions of the Board of Directors (BD) or the Supervisory Board (formation of committees of councils, their leadership by executive directors, adoption of internal documents defining the functions and powers of the committees);

- Insufficient support for the work of members of the board of directors or supervisory board on the basis of clear and transparent professional standards and ethical norms, when meetings of the board of directors or supervisory board are often held formally, and the approved work plan of the board of directors or supervisory board does not cover all areas of the joint-stock company;

⁴ Information taken from the exchange website Author 24.: https://spravochnick.ru/menedzhment/sistema_korporativnogo_upravleniya/effektivnost_korporativnogo_upravleniya/, 2020.

⁵ Ito D., Howie D. Shift: How to Survive in the Rapid Future. M.: Publishing house of Mann, Ivanov and Ferber, 2018..

⁶ Nikishova M.I. Prospects for the use of artificial intelligence technologies in corporate governance in the transition to a digital economy // Management sciences in the modern world. 2018.Vol. 1.No. 1.P. 233–236.



- Slow formation of internal control systems and ensuring the important role of the board of directors or supervisory board in its functioning and the lack of a clear dividend policy and its documentary consolidation (for example, in the regulation on dividend policy) criteria, procedures and regular assessment of the work of the board of directors or supervisory board and its members, and disclosure of information about remuneration;

- Decision-making by the Board of Directors or the Supervisory Board is often reduced to formal voting without a thorough examination of the issues under consideration, weakness of the procedures governing the identification and resolution of conflicts of interest.

The main ways to solve these problems include the following measures:

1. Improvement of corporate legislation in order to ensure a balance of interests of all participants in corporate relations.

2. Ensuring reliable specification and protection of property rights, balance of interests of majority and minority shareholders, shareholders and managers, shareholders and creditors, as well as strict adherence to modern methods and principles of corporate governance;

3. Maintaining constant contacts with shareholders, ensuring the protection of their rights and legitimate interests, improving the work of the board of directors or the SB as a body representing the interests of shareholders, defining a long-term development strategy and monitoring its implementation by management. In order to ensure this, it is necessary to create an Audit Committee under the Board of Directors or a Supervisory Board with the function of reviewing and controlling the activities of the accounting department, the Nominating Committee with the function of selecting candidates, the Strategy Committee with the function of developing a long-term strategy, the Ethics Committee with the function of preventing corruption, the Committee on implementation of digital technologies in management and the Committee on attracting investors, etc.

4. Implementation of a system for assessing the performance of BD or SB, which will not only identify and eliminate shortcomings in the work of this body, but also fully realize the professional potential of BD or SB and thereby significantly increase the efficiency of company management, regardless of its size or structure of owners and include BD or SB independent members and women in the number of up to 30 percent each of the total number of BD or SB as well as provide increased power of independent members.

5. Using digital technology, ensure the scale of disclosure of information about the company and its current activities, ensure the proper level of

information transparency, form and develop corporate governance standards. The corporate governance system of the company should include the Corporate Governance Code, documents regulating the work of the governing bodies, procedures for disclosing information and internal control over financial and economic activities, and organizing the compliance control system.

6. Implementation of digital information technologies in the management of JSC in order to ensure effective management of the company in the process of overseeing the activities of top managers in the areas of implementation of the corporate strategy, implementation of the "compliance control" system, maintaining proper relations between the corporation and its stakeholders. The peculiarities of introducing digital technologies into management and control are as follows: conducting interactive Internet forums in addition to the traditional ones organized on the eve of the placement of new issues of securities, which are much cheaper, saving the physical strength of managers, which allows the company to convince the prospects of its business more a wide range of potential buyers of stocks and bonds - not only institutional investors in large financial centers, but also individual investors.

Online broadcasts of telephone and video conferences of senior officials and their speeches at the most important corporate, industry and other events play a special role in companies with dispersed structures of equity capital and credit resources mobilized in the form of bonded loans, electronic voting at general meetings of shareholders, ensuring growth share of owners participating in the adoption of critical corporate

(For reference: In the United States and other developed countries of the world, voting by paper ballots is rapidly becoming a thing of the past; such high-tech companies as Dell, IBM, Intel have achieved the greatest success in this direction. Benefits: Savings on each shareholder voting over the Internet is around 40 cents).

Decisions, shareholders who can easily and quickly vote on agenda items on the website can become interested in the merits of the products manufactured by the company and become their buyers, online purchase of shares and reinvestment of dividends directly on corporate websites, automatic distribution of notifications,

(For reference: According to Sharebuilder Corp., direct share purchase plans are used by about half of Fortune 500 corporations. This increases the activity of stock trading and stimulates demand from individual investors, including foreign investors).

Press releases, annual reports and other information by e-mail or telegram. The average cost of preparing and distributing materials is reduced from \$ 5-8 to \$ 1, as well as publishing interactive



annual reports on corporate Web sites. It helps investor relations managers better understand and satisfy customer requests, and is also a platform for online interactions between investors, issuers and commissions.

CONCLUSION

Thus, we can conclude that, in general, the main ways to solve the problem allow the following: **firstly**, ensuring the rights of shareholders enables investors to take part in the management of the company, accessibility to information about the meeting of shareholders, the dividend policy, the existence of a corporate code and code of conduct, **secondly**, conditions are created for effective interaction between internal and external stakeholders, **thirdly**, it makes it possible to properly organize the activities of the Board of Directors or the Supervisory Board, ensuring the effectiveness of management in the joint-stock company, **fourth**, to provide access to all stakeholders of the company to information reflecting the level of activity of the board of directors and executive bodies of the Company, **fifth**, to ensure increased business transparency by applying international accounting and reporting standards, **sixth**, to ensure transparency: disclosure of financial and other information about the company's activities; internal processes of control and supervision over management activities; protecting and ensuring the rights and interests of all shareholders, **seventh**, introduce a modern information base, which will include all data on successful and highly professional, as well as on all dishonest and irresponsible leaders and managers, which will give shareholders the opportunity to make the right choice, **eighth**, comply with the OECD proposals for effective corporate governance - honesty, investor confidence in protecting their funds, transparency, timely disclosure by the company of reliable and complete information about its financial position, accountability, as well as the company's compliance with laws and ethical standards.

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