AMERICAN Journal of Public Diplomacy and International Studies
Volume 02, Issue 09, 2024 ISSN (E):2993-2157

Importance of Modern Corporate Management in Large Joint-Stock Companies with State Participation

Makhmudov Samariddin Bakhriddinovich
PhD., Associate professor, International School of Finance and Technology, Tashkent, Uzbekistan
PhD., Associate professor, Faculty of Economics and Humanities, Mamun University, Khiva city, 220900, Uzbekistan

Umarkhodjaeva Muyassarhon Ganievna
Tashkent State University of Economics, PhD associate professor of the "Management" department

Abstract: In the evolving global economy, modern corporate management plays a critical role in the success and sustainability of large joint-stock companies with state participation. This annotation explores the significance of contemporary corporate governance practices in such enterprises, where state ownership introduces unique dynamics.

Corporate management ensures that decision-making processes are transparent, efficient, and aligned with both business objectives and broader national economic goals. For state-owned or partially state-owned joint-stock companies, modern management practices help balance the interests of public shareholders, private investors, and the government, while promoting accountability and professionalism.

Key aspects of modern corporate governance—such as board structure, executive management practices, performance monitoring, and stakeholder engagement—are essential in improving operational efficiency, fostering innovation, and enhancing competitiveness. In addition, compliance with regulatory standards and alignment with global corporate governance norms are crucial to building investor confidence and ensuring responsible management of public assets.

Keywords: Modern corporate management, Large joint-stock companies, State participation, Public shareholders, State-owned enterprises (SOEs), Board structure, Stakeholder engagement, Public-private partnerships.

INTRODUCTION.

Modern corporate management in large joint-stock companies with state participation is crucial for ensuring efficiency, transparency, and alignment with both market and public interests. These companies often face unique challenges due to the dual nature of their ownership and the need to balance state objectives with shareholder value. The following sections explore the importance of modern corporate management in these entities, drawing insights from various research papers.

Corporate governance models significantly impact the efficiency and sustainability of joint-stock companies. The "feedback" model, which emphasizes stakeholder engagement, has been shown to improve financial efficiency and sustainability compared to other models. This model is recommended for enhancing competitiveness and stability in the international market [1,2].

The supervisory board plays a critical role in corporate governance by ensuring transparency, protecting shareholder interests, and maintaining accountability. The inclusion of independent non-executive members is vital for providing objectivity and a critical perspective on corporate decisions[3,4,5].

State participation in joint-stock companies introduces complexities in management and control. While state ownership can provide stability and strategic direction, it also necessitates robust governance structures to mitigate potential inefficiencies and conflicts of interest [6,7,8].

Public control over joint-stock companies is essential for aligning corporate activities with societal interests. This includes state regulation, market mechanisms, and civil oversight, which collectively ensure that companies operate in a socially responsible manner [9,10,11].

Companies with state participation often face challenges related to governance and management efficiency. These include bureaucratic hurdles, lack of agility, and potential conflicts between state and private interests. However, these challenges do not inherently make the public sector less effective [12,13,14].

Modern trends in managing state-owned enterprises include reducing state participation through privatization and restructuring companies into state corporations. These measures aim to enhance efficiency and align with global market practices

Effective financial management is crucial for the success of joint-stock companies. It involves strategic decision-making, financial analysis, and the use of performance indicators to guide management decisions. This approach helps identify strengths and address weaknesses in financial and economic activities [15,16,17].

In contrast to the challenges faced by state-owned enterprises, private joint-stock companies often benefit from more streamlined management processes and greater flexibility in decision-making. However, the involvement of the state can provide strategic advantages, such as access to resources and alignment with national economic goals. Balancing these aspects is key to optimizing the performance of joint-stock companies with state participation.

Literature Review.

The governance of large joint-stock companies with state participation has been a significant subject of academic research, given the unique challenges such companies face in balancing government interests with corporate objectives. Effective corporate governance plays a critical role in improving performance, fostering transparency, and ensuring accountability. This literature review synthesizes existing research on the importance of modern corporate governance in state-participated companies, focusing on issues of governance structures, accountability, operational efficiency, and alignment with global best practices.

Corporate governance in state-owned enterprises (SOEs) or joint-stock companies with state participation has distinct characteristics compared to fully private firms. According to Musacchio and Lazzarini [18], these entities often operate with dual objectives: financial performance and public policy goals. The state's role as both a shareholder and regulator creates complexities in governance, as political and economic interests may sometimes conflict.

Scholars such as Kornai argue that corporate governance in SOEs is more vulnerable to inefficiencies due to potential political interference, leading to suboptimal decisions regarding resource allocation and operational strategies [19]. However, modern corporate governance practices, including clear delineation between state ownership and management control, can mitigate these risks by promoting transparency and professional management.

Transparency and accountability are vital components of modern corporate governance in companies with state participation. As noted by Clarke, the establishment of transparent reporting structures and effective communication between the board, management, and shareholders helps prevent corruption and mismanagement, which are common concerns in state-participated firms [20].

Research by OECD also emphasizes that governance reforms aimed at strengthening accountability mechanisms improve decision-making and promote long-term value creation. Enhanced transparency not only aligns the interests of the state and other shareholders but also attracts private investors by increasing trust in the company's governance practices [21].

The composition and independence of the board of directors in joint-stock companies with state participation are critical in shaping corporate governance outcomes. According to Aguilera and Cuervo-Cazurra [22], a well-functioning board should include independent directors who can provide objective oversight, balancing the influence of state representatives. Studies by Zhang [23] highlight that state-owned companies with more independent and diverse boards tend to perform better, particularly when board members possess expertise in corporate governance, finance, or the specific industry in which the company operates.

The presence of independent directors reduces the risk of political interference, allowing the company to focus on corporate objectives and performance rather than state-directed mandates. The introduction of modern governance practices in countries like China and Russia has demonstrated the positive impact of board independence on corporate decision-making and competitiveness [24].

Modern corporate governance systems place strong emphasis on operational efficiency and performance monitoring. Shleifer and Vishny [25] argue that state ownership often leads to inefficiencies due to bureaucratic decision-making and the pursuit of non-commercial objectives. However, modern governance reforms, such as performance-based management and stringent performance monitoring, can help reduce inefficiencies in state-participated companies.

Studies by Estrin et al. find that performance monitoring, including the use of key performance indicators (KPIs) and regular audits, drives accountability and ensures that management teams focus on improving efficiency [26]. The adoption of corporate governance best practices can also align SOEs with the operational standards of fully private companies, reducing their reliance on state subsidies and improving profitability.

The growing importance of globalization has led to greater alignment between state-participated companies and international corporate governance standards. According to the World Bank [27] modern corporate governance frameworks help joint-stock companies with state participation compete on a global scale by adopting standardized practices that enhance investor confidence and ensure compliance with global regulations.

The adoption of governance frameworks such as the OECD Guidelines on Corporate Governance of State-Owned Enterprises has significantly improved governance structures in several economies. For instance, the experiences of Nordic countries, where SOEs have been restructured to function with greater autonomy and accountability, illustrate the benefits of aligning with global best practices [28].

Research methodology.

Various scientific methodologies such as abstraction, categorization, juxtaposition, retrospective and prospective approaches, empirical scrutiny, among others, were employed in the study. The technique of scientific abstraction was used to isolate and analyze the fundamental characteristics and functions of the logistics sector within the broader context of the economy. This method allowed for the identification of key drivers and constraints, providing a theoretical foundation for understanding the sector’s significance. By juxtaposing data from different periods, regions, and industries, comparative analyses were conducted to highlight the logistics sector's performance relative to other economic sectors. This method helped identify trends, disparities, and growth patterns. The study incorporated empirical methods to validate findings through data-driven analysis. Statistical techniques, including regression analysis and econometric modeling, were applied to quantify the relationship between the logistics sector and GDP, ensuring robustness in the results.

ANALYSIS AND RESULTS.

Currently, on the basis of the rapid reforms carried out in our country, in the transformation of all sectors of the economy, the fundamental renewal of modern technologies and the creation of a business environment based on competition, including the enterprises that are being organized under state-owned and privatized economic entities, as well as corporate ones with a state share. the importance of further increasing the efficiency of management of structures is increasing.

Also, in recent years, systematic reforms have been implemented in our Republic in order to create a favorable investment environment and protect the rights and legal interests of private owners.

At the same time, the delay in the transition to market relations in several industries and large corporate structures, where the state share is preserved, prevents the introduction of new types of competitive product production, the use of modern technologies, and the creation of new jobs with the active involvement of private property.

Rapid implementation of consumer-oriented management methods, openness, transparency and market principles in large corporate structures with state participation, increasing income by reducing the cost of manufactured products, creating more favorable opportunities for private capital participation in the development process, state share in the economy sector the urgency of reducing participation and further improving the competitive environment is increasing.

It is known that the long-term preservation of the state's share in the relevant sectors of the economy and large enterprises has a negative impact on the delay in the transition to market mechanisms, the increase in labor productivity, the production of new types of competitive products and the introduction of advanced technologies in the industry, and the creation of new jobs with the active involvement of private capital.

Also, in the transformation of large state-owned enterprises and organizations, it includes a set of reforms aimed at increasing the production, purchasing, selling and investment potential of these enterprises and making the product quality level competitive. The presence of large state-owned enterprises in Provardi in foreign markets lays the groundwork for the creation of a corporate management system in this process.

It maintains control over large state-owned enterprises for a number of reasons: to support the activities of natural monopolies in cases where market regulation is deemed inappropriate or inefficient (for example, alcohol sales, energy production), economic and strategic introducing goals. that relate to national interest or security issues, such as nationalizing certain industries or propping up failing companies that are systemically important (nuclear power, weapons, oil and gas), or maintaining employment during a crisis possible.

Also, large state-owned enterprises directly participate in the practice of corporate governance and influence the decision-making process of corporate structures. In this case, large enterprises with state participation participate as owners based on the ownership of a certain share in the authorized capital.(see 1-figure)

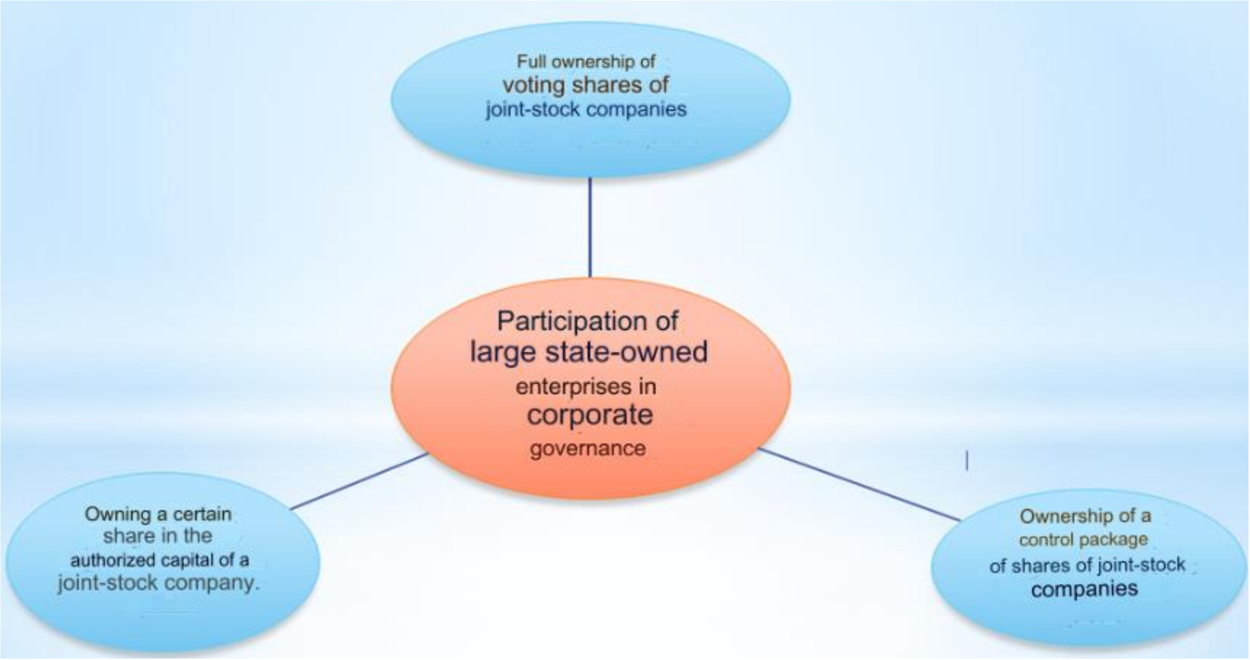

Figure 1. Participation of state-owned enterprises with a large share in corporate governance[1]

The direct participation of corporate management in state-owned enterprises with a large share will have the following form.

1. Full ownership of the voting shares of the joint-stock company.

According to it, the participation of the state in corporate management is observed even in the practice of fully forming the authorized capital by the enterprise with a state share.

In this case, a large state enterprise not only acts as the sole owner and shareholder in a joint-stock company, but also makes all decisions individually. This practice is also carried out in corporate structures in our country;

Ownership of a control package of shares of joint-stock companies.

According to it, the state enterprise operates in the interests of the state and becomes invisible as a large owner. In this case, he has little influence to make many decisions of other owners. Owning a certain share in the authorized capital of a joint-stock company. In this case, state-owned enterprises with a large share participate in corporate governance processes by voting proportionally to the share of their shares in the authorized capital.

In general, legal frameworks may pursue aspects or elements of competitive neutrality in various ways, through ownership, competition, public procurement, tax and regulatory policies, or a combination of these policies.

Transparency and transparency in cost allocation and coverage of public policy objectives are also important (See 2-figure).

[1] Independently developed by the author

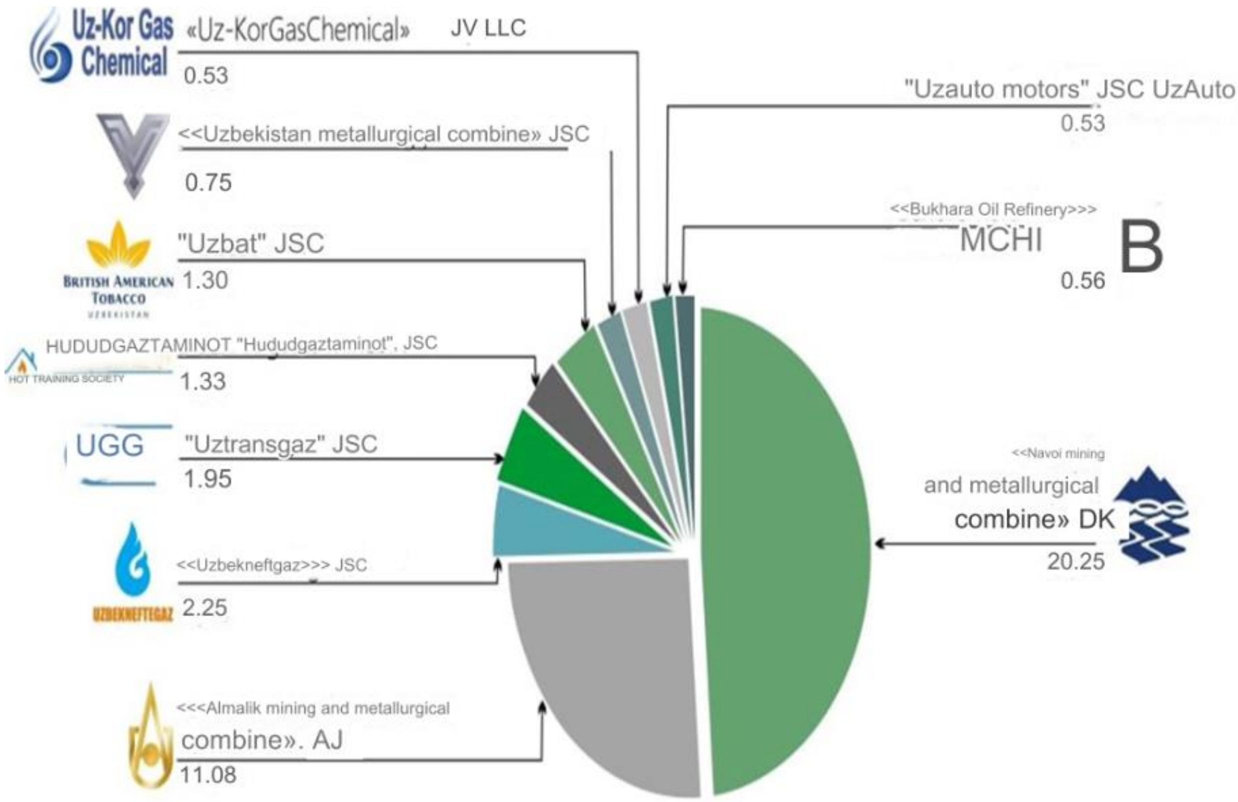

Figure 2. The share of the state share of large enterprises in the revenues of the State Budget of the Republic of Uzbekistan forecast for 2023 in %[2]

Also, according to the information of the Central Depository, by the end of April 2022, the total number of joint-stock companies in our Republic decreased to 7 and amounted to 627, while the number of large joint-stock companies with a state share in the authorized capital decreased to 5. and 225, respectively, or 35.9% of the total number of joint-stock companies. Against the background of the growth of the total volume of releases, the volume of the state share increased, but it decreased by 0.1 percent and made up 81.9 percent of the total volume.

Development of corporate management in joint-stock companies with state participation, improvement based on the requirements for the transformation of the national economy, attracting investment funds to the production process of products, using modern technologies necessary for the production of products that meet the needs of foreign markets, as well as modernization of equipment as well as ensures the production of quality products.

In a word, it ensures an increase in the level of financing of the activities of corporate management entities. In the course of the development of the country's economy, corporate structures are required in such a way that the need for the rapid development of modern corporate management relations in enterprises and the improvement of its organizational economic mechanisms increases.

When studying the organizational-economic mechanism of corporate management in a large joint-stock company with a state share, it should be oriented to the development of organizational and economic aspects of modern corporate management, and the driving force of the mechanism's elements should be its functions. In support of this opinion, the author of the study puts forward the idea that the organizational-economic mechanism of corporate management should perform the following main functions and that this mechanism should be improved in the joint-stock company under the prism of these functions.

[2] Independently developed by the author

CONCLUSION.

1. Enhancement of Efficiency and Competitiveness: Modern corporate governance is crucial for improving the operational efficiency of large joint-stock companies with state participation. By implementing best practices such as transparency, accountability, and independent oversight, these companies can better manage resources, streamline decision-making, and enhance competitiveness both domestically and internationally.
2. Mitigation of Political Interference: One of the primary challenges for state-participated companies is the potential for political interference in corporate decision-making. Modern governance structures, such as independent boards and professional management, help mitigate this issue by ensuring that corporate strategies are driven by commercial objectives rather than political agendas, thus improving overall performance and market orientation.
3. Attraction of Investment and Capital: Adopting modern corporate governance practices enhances investor confidence by promoting transparency, risk management, and reliable financial reporting. This, in turn, can attract private investment and capital, both from domestic and foreign investors, which is essential for long-term growth and sustainability.
4. Alignment with Global Standards: State-participated companies often operate in strategic sectors such as energy, telecommunications, and infrastructure. To remain competitive and compliant with international regulations, aligning corporate governance practices with global standards is essential. This not only improves credibility but also facilitates partnerships and access to international markets.
5. Balancing Public and Private Interests: Modern corporate governance provides a framework for balancing the dual objectives of financial performance and fulfilling state-driven public policy goals. Effective governance ensures that state-owned enterprises can meet economic, social, and environmental responsibilities while maintaining profitability and operational autonomy.
6. Improved Accountability and Risk Management: Strengthening accountability through performance monitoring and oversight mechanisms enhances corporate responsibility. It also reduces the risk of mismanagement, corruption, and inefficiency, which are often associated with state-owned or state-participated companies.
7. Contribution to Economic Development: Well-governed large joint-stock companies with state participation are key contributors to national economic growth. By improving their corporate governance, these companies can foster innovation, create jobs, and contribute more significantly to GDP, thus playing a pivotal role in the nation’s economic framework.

REFERENCES

1. А., Д., Чикуркова., Serhii, Didukh. (2023). Models of corporate governance: comparative analysis of management models of joint-stock companies and their impact on efficiency. Pričornomors′kì ekonomìčnì studìï, doi: 10.32782/bses.83-5
2. Maxmudov, S. (2024). O ‘ZBEKISTONDA EKSPORT HAJMIGA TA’SIR ETUVCHI OMILLARNI ARDL MODELI ASOSIDA EKONOMETRIK TAHLILINI BAHOLASH. Страховой рынок Узбекистана, 1(6), 11-15.
3. S.V., Shchoka. (2023). The role and importance of supervisory in joint-stock companies based on international corporate governance standarts. Analìtično-porìvnâl′ne pravoznavstvo, doi: 10.24144/2788-6018.2023.05.47
4. Джалилов, Ф., & Махмудов, С. (2022). МАКРОИҚТИСОДИЙ ЖАРАЁНЛАРДА ЭКСПОРТНИ БАҲОЛАШДА ИМПОРТ АМАЛИЁТЛАРИ ВА ЛОГИСТИКА ХИЗМАТЛАРИНИНГ ТАЪСИРИ. Economics and Innovative Technologies, 10(6), 191-202.

5. Махмудов, С. Б. (2020). Инвестиция фоалиятини молиялаштиришнинг ноанъанавий усулларини такомиллаштириш.«. Халкаро молия ва хисоб» илмий журнал, 5.
6. Vladimir, Galanov., Leon, White. (2022). Development of Forms of Public Control over Joint Stock Companies. 11(1):83-89. doi: 10.12737/2306-627x-2022-11-1-83-89
7. Mamadiyarov, Z. T., Sultanova, N. I., Khamdamov, S. J. R., & Makhmudov, S. B. (2024). Analyzing the Impact of International Financial Reporting Standards (IFRS) on Microfinance Services. In Development of International Entrepreneurship Based on Corporate Accounting and Reporting According to IFRS (Vol. 33, pp. 39-47). Emerald Publishing Limited.
8. Khamidova, F., Abdurashidova, N., Khojiev, J., Makhmudov, S., Mamadiyorov, Z., & Tukhtabaev, J. (2023, December). Analyzing the Auto Industry: Benchmarking for Competitive Market Assessment. In Proceedings of the 7th International Conference on Future Networks and Distributed Systems (pp. 432-437).
9. Vladimir, Galanov., Leon, White. (2022). Development of Forms of Public Control over Joint Stock Companies. 11(1):83-89. doi: 10.12737/2306-627x-2022-11-1-83-89
10. Bakhriddinovich, M. S. (2024). Alternative Methods of Financing Corporate Structures in the Logistics Sector. EUROPEAN JOURNAL OF BUSINESS STARTUPS AND OPEN SOCIETY, 4(5), 196-202.
11. Maxmudov, S., & Jomurodov, H. (2024). MILLIY FOND BOZORINI RIVOJLANTIRISHDA XALQARO FOND BOZORLARIGA INTEGRATSIYA JARAYONI. Страховой рынок Узбекистана, 1(7), 84-87.
12. Alexander, Yakovlev. (2018). Problems of corporate management and control in joint-stock companies with state participation. 75-78. doi: 10.26425/1816-4277-2018-9-75-78
13. Kurbonov, K., Makhmudov, S., Mamadiyorov, Z., Khamdamov, S. J., Karlibaeva, R., Samadov, A., & Djalilov, F. (2023, December). The Impact of Digital Technologies on Economic Growth in the Example of Central Asian and European Countries. In Proceedings of the 7th International Conference on Future Networks and Distributed Systems (pp. 403-409).
14. Карлибаева, Р., & Махмудов, С. (2023). ИҚТИСОДИЙ ТИЗИМДА ЯШИЛ ЛОГИСТИКА ВА ЯШИЛ МОЛИЯЛАШТИРИШНИНГ АҲАМИЯТИ. " Milliy iqtisodiyotni isloh qilish va barqaror rivojlantirish istiqbollari" respublika ilmiy-amaliy konferensiyasi materiallari to ‘plami., 134-136.
15. N, Dekhtyar., N., Pihul., Yevheniia, Kulyk. (2022). Peculiarities of the financial management of joint stock companies. Вісник Сумського державного університету, 2022(4):72-82. doi: 10.21272/1817-9215.2022.4-08
16. Makhmudov, S., Khamdamov, S. J., Karlibaeva, R., Mamadiyarov, Z., Haydarov, O. R., Khujamurodov, A., & Imomov, K. (2023, December). The Impact of Digital Technologies on the Labor Market of Uzbekistan. In Proceedings of the 7th International Conference on Future Networks and Distributed Systems (pp. 260-267).
17. Maxmudov, S. (2024). RAQAMLI INFRATUZILMALARNINIG O’ZBEKISTON MEHNAT BOZORIGA TA’SIRINI EKONOMETRIK MODELLAR ASOSIDA BAHOLASH. Страховой рынок Узбекистана, 1(7), 63-67.
18. Aguilera, R. V., & Cuervo-Cazurra, A. (2009). Codes of good governance. Corporate Governance: An International Review, 17(3), 376-387.
19. Bruton, G. D., Peng, M. W., Ahlstrom, D., Stan, C., & Xu, K. (2015). State-owned enterprises around the world as hybrid organizations. Academy of Management Perspectives, 29(1), 92-114.

20. Clarke, T. (2004). Theories of corporate governance: The philosophical foundations of corporate governance. Routledge.
21. Estrin, S., Hanousek, J., Kocenda, E., & Svejnar, J. (2009). The effects of privatization and ownership in transition economies. Journal of Economic Literature, 47(3), 699-728.
22. Kornai, J. (2000). What the change of system from socialism to capitalism does and does not mean. Journal of Economic Perspectives, 14(1), 27-42.
23. Musacchio, A., & Lazzarini, S. G. (2014). Reinventing state capitalism: Leviathan in business, Brazil and beyond. Harvard University Press.
24. OECD (2015). OECD Guidelines on Corporate Governance of State-Owned Enterprises.
25. Peng, M. W., Wang, D. Y., & Jiang, Y. (2009). An institution-based view of international business strategy: A focus on emerging economies. Journal of International Business Studies, 39, 920-936.
26. Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. The Journal of Finance, 52(2), 737-783.
27. World Bank (2014). Corporate Governance of State-Owned Enterprises: A Toolkit. World Bank Group.
28. Zhang, Y. (2012). State ownership, the institutional environment, and firm performance: Evidence from China. Asia Pacific Journal of Management, 29, 487-507.