

# Innovative Corporate Governance

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**Abstract**--The article discusses the innovative model of corporate governance, internal and external mechanisms of its formation. The main principles of corporate governance, specific features, basic elements of corporate governance of innovative activities, the reasons for the development of corporate governance systems are analyzed, the parameters of determining the level of corporate relations and ranking them by importance and the path of its development are proposed.

**Keywords**--innovation, corporate governance, innovative model of corporate governance, organizational structure, influence factors

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## I. INTRODUCTION

The corporation is a special form of business organization, which is characterized by shared ownership of capital, independent legal status and the transfer of managerial functions to professional managers. Corporate governance is associated with a special form of organization of relationships between participants in corporate relations. It is based on ensuring a balance of their interests on the one hand, and ensuring accountability of senior management on the other. The lower level of corporate governance is corporate management, directly related to the management of corporate structures (strategic and tactical). The corporate sector itself is considered one of the main centers of innovative development. This is where most of the innovation is created and developed. Continuous technical development provides corporations with certain competitive advantages in technological areas and is a key to long-term strategic development.

## II. LITERATURE REVIEW

Currently, due to the uncertainty of the normative regulation of the innovation economy, the insufficient development of its postulates and imperatives in domestic science, foreign studies are actively used. In particular, to define an innovative economy, they use the concept formulated by OECD and Eurobarometer researchers, which are based on the principles of flexibility and adaptation to changing development conditions [1].

Within the state, an innovative economy develops when science becomes an integral part of industrial production and the direct productive force [2]. Stimulating an innovative economy should be a priority for the development of the national economic system. The main factor in the economic stability of the state as a whole and of individual business entities is knowledge and information, which are the basis of innovation and new

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technologies. The phenomenon of innovative economy first appeared in 1956 in the USA (the number of mental ore workers exceeded the number of manual workers) and was described by E. Toffler in his work “The Third Wave” [3].

The genesis of the use of the term “corporation” in world practice is considered in the works of A.D. Zaretsky and T.E. Ivanova, S.D. Mogilev, I.A. Samoilova, N.S. Suvorova D.A. Pletneva et al.[4].

German lawyers V. Stiftung, O. Girke and others made a significant contribution to the development of scientific thought about legal entities in general and corporations in particular. In particular, V. Stiftung considered a corporation as a legal entity based on membership and participation. O. Girke developed the concept of “allied persons (personalities)”, in which the state, corporations and institutions participated as collective persons. He defined the corporation as the ability of the union to be the subject of rights and obligations [5]. German lawyers substantiated a stable relationship between the corporation and its members, thereby contributing to the beginning of the development of corporate governance theory.

### III. RESULTS

The conditions for the functioning and development of the market require the business to continuously develop innovations in all areas of its activity, including: the scientific and technical field; corporate infrastructure and management; marketing, etc. As practice shows, industry leaders are increasingly paying attention to the need for their own research and development. As a result, there is a large-scale deployment of networks of interaction with partners. All this invariably leads to the need for the evolution of the systems of corporate research and development management, as well as its innovative development. In the modern world, the systematization of corporate innovation management is turning into one of the most important factors in the long-term development of corporate business. It is based on the management of innovative activities of the corporation on the one hand and the innovative development of the corporate governance system itself on the other. Let's consider them in more detail. Corporate innovation management in Uzbekistan

Corporate innovation management includes several basic elements. In general, they are presented in Figure 1.

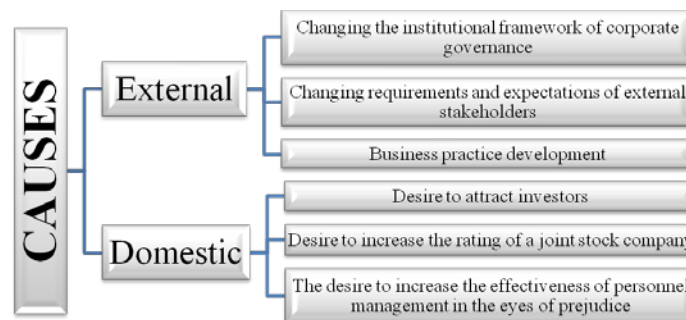


**Figure 1.** Basic elements of corporate innovation management.

Strategic management predetermines the need to ensure the interconnection of innovative processes with a corporate strategy for business development. The interaction of individual elements of corporate information systems requires its own regulation, and their relationship with elements of the company and its external environment determines the focus of the corporation's efforts on the innovation field. At the level of generating ideas, the creation of a creative environment and information base for the preparation and launch of innovative projects is provided. The development of new products is based on a multitude of measures, ranging from the formation of business cases to the introduction of products into production and their introduction to the market. At the portfolio management level, the entire set of innovative projects is managed in accordance with the general development strategy of the corporation. Process management implies the need to implement the process principles of management as a tool to ensure the appropriate level of quality of management of innovation [6].

The organizational structure acts as the basis for ensuring transparency in the management of innovative activities of the corporation at various levels of the organization and their interaction with other divisions of the company. In recent years, personnel management has become increasingly important. Particular attention is being paid to the issues of its training and development, as well as to the creation of a creative and creative environment and innovatively directed motivation. Today, innovative activity is increasingly singled out as a separate area of activity of corporate structures. At the same time, it is firmly woven into the corporate governance system.

However, innovation affects not only the production sector. They find their reflection in the transformation of the corporate governance system itself. Let's consider them in more detail. Innovations in corporate governance Currently, corporate governance, the system of its construction and organization are at the stage of dynamic, innovative development. The main reasons for such transformations are presented in Figure 2.



**Figure 2.** Reasons for the development of corporate governance systems

Thus, the basis of the innovative development of corporate governance systems is a whole combination of factors of the external and internal environment. Three basic factors play a decisive role in the development of corporate governance systems: growth in the market value of a business; improving the legislative framework; business practice development.

Innovations affected such areas as rights and obligations of shareholders, organization, activities and functions of the board of directors, social responsibility of a business, transparency of a business, etc. As a result, the

prospects for building effective corporate governance systems in joint-stock companies have been expanded, which reduce the likelihood of corporate conflicts and increase the prospects for attracting investments.

Based on an analysis of Standard & Poor's methodologies, to identify problematic or, conversely, winning moments in corporate governance practice, the following parameters were identified for determining the level of corporate relations based on the code of corporate conduct:

1. The structure and practice of the board of directors of a joint stock company.
2. Realization of the rights of shareholders of a joint stock company.
3. Disclosure of information about the joint-stock company.
4. The structure and practice of the executive bodies of the joint-stock company.
5. The dividend policy of the joint stock company.
6. Control over the financial and economic activities of the joint-stock company.
7. Structure of share capital and shareholder influence.
8. Maintenance of the register of a joint stock company.
9. Resolution of corporate conflicts.

Each of these nine parameters was assigned a specific weight, which reflects the significance of each aspect of corporate governance for potential investors and shareholders (table 1).

**Table 1** Parameters for determining the level of corporate relations and ranking them by importance

No	Parameter for determining the level of corporate relations	Specific parameter weight, %
1.	The structure and practice of the board of directors of a joint stock company.	18
2.	Realization of the rights of shareholders of a joint stock company.	15
3.	Disclosure of information about the joint-stock company.	16
4.	The structure and practice of the executive bodies of the joint-stock company.	14
5.	The dividend policy of the joint stock company.	12
6.	Control over the financial and economic activities of the joint-stock company.	11
7.	Structure of share capital and shareholder influence.	7
8.	Maintenance of the register of a joint stock company.	5
9.	Resolution of corporate conflicts.	2
	TOTAL	100 %

As can be seen from the table. 1, the structure and practice of the board of directors of the company and the rights of shareholders are recognized as the most important parameters. This is because ensuring the rights of

shareholders and completeness of disclosure of information, which are also important for potential investors, directly depends on the activities of the board of directors.

#### IV. CONCLUSION

Disclosure of information about the company and the rights of shareholders in determining the level of corporate relations were also recognized as important, since shareholders as owners are the central subjects of corporate relations, and it is they who make the most important decisions from the point of view of the activities and development of the joint-stock company. To make appropriate decisions, they need accessible, regular and reliable information.

In turn, the activity of the executive bodies of a joint stock company is the next most important parameter, since the financial results of the company depend on the activities of the executive bodies. The next most important parameter is the dividend policy, since the investor, as a rule, invests funds for their subsequent return. Of great importance for determining the rating is the control over the financial and economic activities of the joint-stock company, since the control system is aimed at ensuring the confidence of shareholders and potential investors in the joint-stock company and its management bodies, and its main goal is to protect capital investments of shareholders and company assets. The protection of shareholders, namely the protection of property rights, is also provided by the registrar.

The indicator of the structure of the authorized capital of a joint-stock company is difficult to assess, therefore, this parameter was assigned a small proportion. The settlement of corporate conflicts, in fact, is one of the key points of the joint-stock company's activities, however, this parameter is difficult to objectively assess, since the legislation does not establish requirements for mandatory compliance with any pre-trial procedures in order to resolve corporate conflicts

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