

# Improving the Methods of Evaluating the Effectiveness of Corporate Management

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**Abstract.** This article examines the issues of improving the method of evaluating the effectiveness of the corporate management system in industrial enterprises.

**Keywords.** Corporate management, effectiveness of the corporate management system, system, evaluation, method.

## I. INTRODUCTION.

In the world economy, corporate management is developing in large production structures. Corporations are integrated forms of production organization that ensure rapid economic development, and the process of corporate formation itself is considered a market mechanism for qualitatively changing national economic systems. The prospects of corporate management in the national economy depend on the macroeconomic trends emerging in the economy, the dominant production segments in this area, and the categories of consumers of this type of product. The experience of corporations shows that this model of economic development of the national economy is the most effective in terms of increasing competitiveness in the world market, cooperation and innovation activity of business entities. A competitive environment is formed between corporations that ensures the development of both the national and global economy.

During the deepening of reforms in Uzbekistan, in recent years, work has been carried out to further develop the field of corporate governance, increase its activity, and fundamentally change approaches. At the same time, despite certain positive results in the formation of the national corporate governance system in our republic, there are problems waiting to be solved in terms of the practical application of this system, the formation of future development strategies of corporations based on the assessment of its effectiveness, the implementation of an effective dividend policy, and the improvement of the control mechanism.

## II. LITERATURE REVIEW

Currently, in world practice, there is no single definition of the term corporate governance that can be used in all countries and in all situations. As a result of the evolutionary development of the economy, there have been specific developments in the field of corporate governance, and as a result, new definitions have appeared taking into account the situation.

In general, the term "corporate management" itself historically appeared in the mid-70s of the last century in the United States. Later, this term became widespread in Europe, where research was conducted in the fields of corporate management, corporate law, and the creation of corporate structures (organizations) (Veasey, 1993). Studies show that the term "corporate management" was first used by R. Ills to reveal the essence of "the structure and operation of the corporate system". The concept of "corporate governance" itself has been known for a long time and this concept was used in the literature published at the beginning of the 20th century (Eells, 1960). In particular, the system of corporate relations as a process of applying the management of corporate and private property was first studied in 1932 in the classic works of American jurist A. Burley and economist G. Minz (Berle, 1932). Although the term "corporate governance" was not mentioned in their work, they studied classical agency problems. They are connected with the separation of ownership and management, expressed in agency relations between principals (outsiders, investors) and representatives (insiders, managers). They claim that shareholders are attracted due to the need for large external financial resources for the economic development of the firm, and this situation serves as the basis for the division of ownership and management in the joint-stock company.

Corporate management emerged as a separate discipline in the 1980s. The first book "Corporate Management" by R. Tricker was published in 1984. Since 1993, a theoretical journal called "Corporate Governance: An International Review" has been published (Tricker, 1984). According to it, the general name of the legal concepts and procedures underlying the organization, management and effective interaction of companies is called "corporate governance" (Tricker, 1993).

Sir Adrian Cadbury, the first foreign author, gave the following definition to corporate governance in the

report of the "Committee on Financial Aspects of Corporate Governance" in 1992: "Corporate governance is a system of managing companies and controlling their activities" (Cadbury, 1992). Corporate governance is defined here as a set of mechanisms. Later in 2000, he gave the following definition in a broader sense: "Corporate governance is a means of maintaining a balance between economic and social goals and between personal and community goals. Therefore, the corporate governance system should ensure the efficient use of resources and, at the same time, require accountability for the management of these resources. The goal is to harmonize the interests of people, joint-stock companies and society as much as possible."

These interpretations define corporate management as a system of management relations between corporate entities and other interested parties in order to satisfy certain interests related to the activities of the joint-stock company.

Uzbek researchers-scientists have also given their definitions to corporate management. Among them, T. Madiyorov was the first to define corporate management as follows: "Corporate management is the activity of production development, the rational use of existing material, financial and labor resources is carried out in harmony with the large involvement of capital funds and new techniques and technologies" (Madiyorov, 1993).

Another Uzbek scientist B.B. Berkinov clarified the corporate management system. In his opinion, "Corporate management system is a complex, rapidly changing mechanism, which is an internal mechanism of ensuring and controlling the activities of joint-stock companies by owners, managers and creditors of many interrelated organizations, including legislation, by-laws and their includes a system of practical implementation through a set of regulatory documents" (Berkinov, 2005).

Economists Sh. Zaynutdinov and D. Rakhimova gave the definition that "Corporate management is the joint actions of interested parties for the purpose of obtaining income" (Zaynutdinov and Rahimova, 2007).

In global practice, the following models and methods are used to evaluate the effectiveness of corporate management of companies: S&P GAMMA rating, GMI rating system, TCL's Board Analyst rating, Deminor rating, "RID-Expert RA" national rating, IKPU CORE-rating, etc. In Uzbekistan, a number of scientific-research works have been carried out that determine the quality and efficiency of corporate management. In particular, D. Suyunov's "Corporate management rating", M. Khamidulin's "Corporate management level assessment rating", D. Begmatova's "Corporate management level rating method", Z. Ashurov's "Method of evaluating the effectiveness of the organizational-economic mechanism of corporate management based on rating", M. Khudoykulov's "Method of assessing management effectiveness in joint-stock companies taking into account the interests of the parties" (Ashurov, 2019).

### **III. ANALYSIS AND RESULTS.**

An integrated approach to the content of the essence of the corporate management system serves as a basis for evaluating the most important factors of the corporate management system, which is mainly determined by competitive advantages, ensures the effectiveness of the quality management system. This allowed us to identify and systematize the conceptual rules of the corporate governance process:

- the management system reflects the competence of the joint-stock company in relation to its business portfolio and its desire to develop if there is a positive dynamic of the parameters in line with the set goal;
- management systems are defined as a functional and administrative environment that affects the composition of resources and the process of strategy formation and implementation. Thus, under the influence of a set of restrictions and privileges, the system of responsibilities, evaluation and rewards, the level of resistance to negative environmental factors, the possibility of alternative choices of behavior and others, and other processes provide the necessary quantitative and qualitative changes in the business of a joint-stock company;
- the corporate management system is considered from the point of view of the ability to actively influence the resource potential of the company to achieve a strategic goal, to ensure corporate advantage, and to generate value through rapidly changing external environmental factors;
- to ensure the company's corporate competitive advantage, a tool in the form of an integrated performance evaluation system is needed, which can influence the final results of the joint-stock company's activities.

According to the methodology of D. Suyunov, the rating of corporate management was determined on the basis of a 100-point scale based on 3 groups of criteria.

According to the methodology of M. Khamidullin, the national ranking of the level of corporate governance is determined on the basis of 10 main indicator groups, which include evaluation parameters based on a 10-point scale.

According to the methodology of D. Begmatova, the level of corporate management was determined by 7

criteria including 47 indicators.

These methods are mainly based on one or another level of evaluation of corporate governance practices against standards and principles, and some of them are based on mutual comparison of the efficiency of the mechanism of protection of owners' interests. None of them focused on the assessment of the effectiveness of the corporate governance system on the final performance of the corporation and its competitive advantage.

Therefore, the analysis of points of view on solving the problem of evaluating the corporate management system allowed us to draw the following conclusion. It is suggested that the evaluation indicators of the corporate management system be formed into three groups that describe the economic, organizational and quality aspects, that is, according to economists, the aspects that describe the corporate management system.

On the basis of the proposed integrated approach to evaluating the effectiveness of the corporate management system, firstly, it is possible to form and use a combination of measures consistent with the corporate strategy, secondly, to prevent the inefficient use of resource potential due to insufficient organization of the system's resource management processes in an uncertain environment, thirdly, task and administrative direction in the activity of the corporate management system was focused on the formation of conditions for business development.

At the first stage of evaluating the effectiveness of the corporate management system, the main goal is determined based on the systematic view of management procedures and the logic of the process of ensuring the effectiveness of the joint-stock company, that is, the level of implementation of planned activities and achievement of planned results.

In the second stage, a hierarchical structure of performance evaluation indicators of the corporate management system is created. At this stage, a set of indicators representing the effectiveness of the corporate management system is formed. The use of the developed set of indicators allows to evaluate the effectiveness of the corporate management system according to the most important criteria: strategic, resource and task-administrative.

Determining the methods of calculating indicators to evaluate the performance of the corporate management system is the third stage. The methods of calculating indicators depend on the type of indicators:

- absolute (measured in natural or monetary units). These indicators require some data for comparison, such as the performance of competitors or the performance of previous periods;
- relative coefficients - partial values compared to the total value;
- numbers calculated in the form of a ratio of values at different levels (for example, the effectiveness of each evaluation object);
- index values - indicators of changes that occur over time, which allow comparing the growth of indicators (for example, the growth index of a parameter).

At the fourth stage, the criteria values of individual indicators for each field of activity of the corporate management system are justified.

The evaluation criteria of individual indicator systems for each area of the corporate management system are developed based on the requirements for the systems and the planned values used to determine their future effectiveness are determined. It can be indicators from past periods or current values of data; survey results using a research or expert evaluation method.

In the next step, initial data is generated. The information needed to evaluate quantitative or qualitative indicators is distinguished by the following characteristics: objectivity, accuracy, reflecting the actions of the entire corporate management system, considering the impact of external and internal factors on the corporate management system, and reflecting the actual state of the corporate management system.

In the sixth stage, the values of indicators describing the performance of the corporate management system are calculated. the effectiveness of all activities included in the corporate management system is determined.

In the seventh stage, the integral indicator of the performance of the corporate management system is calculated. The obtained parameters are used in the 3-element model [Raun; RSN; Combining RRN] into a single integrated indicator allows to get a generalized picture of the effectiveness of the corporate management system.

For this, we use the calculation of the integral indicator based on the geometric mean according to formula 1 in the evaluation method:

$$K_{КБТ} = \sqrt[3]{K_{ВМН} * K_{СДН} * K_{РДН}}$$

here,  $K_{ВМН}$  – performance indicator of the task-administrative aspect;

$K_{СДН}$  - performance indicator of strategic direction;

**K<sub>PTH</sub>** - performance indicator of resource allocation.

The level of influence for each joint-stock company is determined based on the effectiveness of the corporate management system and the effectiveness of forming competitive advantages for each of the three pillars of the corporate management system.

At the eighth stage, the interpretation of the performance level of the performance of the corporate management system is carried out in accordance with the values of the scales of integral indicators of the performance of the performance of the corporate management system and the effectiveness of the formation of competitive advantages. Then they are evaluated according to the Harrington scale of importance, allowing to interpret the final level of performance of the entire corporate management system, taking into account certain conditions.

At the ninth stage, the results of the calculation of the integral indicator of the effectiveness of the corporate management system will be analyzed.

In this study, the following 5 joint-stock companies, which are part of "Uzkimyosanoat" joint-stock company (JSC), were studied: "Navoiyazot" JSC, "Fargonazot" JSC, "Maksam-Chirchik" JSC, "Samarkandkimyo" JSC, "Ko'kan superphosphate plant" JSC. These enterprises are the leading enterprises in the chemical industry of our republic. The research conducted on the basis of the 2018-2019 report data of 5 joint-stock companies made it possible to obtain sufficient statistical material to determine the interval values of the level of effectiveness of the corporate management system.

#### IV. CONCLUSIONS

Evaluating the effectiveness of the corporate management system in accordance with the developed methodology allows to confirm the validity of the scientific-methodical approach to its formation, to analyze the main factors that created the performance situation, as well as to determine a number of aspects necessary to maintain a sufficient level of performance. In addition, the combinations of the state of corporate management system activity and the formation of competitive advantages that describe its activity (administrative-management orientation and business perspective; administrative-management orientation and resource allocation; business foresight and resource allocation) shows great differences.

This shows a rather weak correlation in the level of performance of the corporate governance system. Thus, as a result of the analysis, joint-stock companies with all areas of balanced activity were not identified.

The results of calculations show that the reduction of the level of effectiveness of the corporate management system was primarily influenced by the administrative-management direction of business prospects and the directions of business foresight.

Based on the results of the analysis of the state of activities in each of the 3 directions of the activity of the joint-stock company's corporate management system, it provides an opportunity to develop measures to ensure the necessary level of KBT implementation.

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