



# The Role of Management and Effective Management in Industrial Enterprises and Corporate Governance

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ARTICLE INFO	ABSTRACT
Published Online: 15 May 2022 Corresponding Author: <b>Bobur Mukhammadkosimogli Nabiev</b>	The development of the country's economy and the successful implementation of the established plans require the coordination of enterprises and the proper management of healthy competition. Obstacles and problems that arise in the successful operation of organizations need to be addressed promptly.
<b>KEYWORDS:</b> Corporation, Organization, Corporate Structures, Technological Chain, Ownership, Transfer, Concern, Management Block.	

## INTRODUCTION

To succeed and grow, organizations need to adapt, use, and adapt to forces in the external environment. Organizations are groups of people who are deliberately formed together to serve a purpose through structured and agreed goals and plans. As a result, organizations operate in a variety of external environments and are internally organized and structured to meet external and internal needs and capabilities. Different types of organizations include nonprofit, private, public, voluntary, family-owned, and managed and publicly traded on stock exchanges.

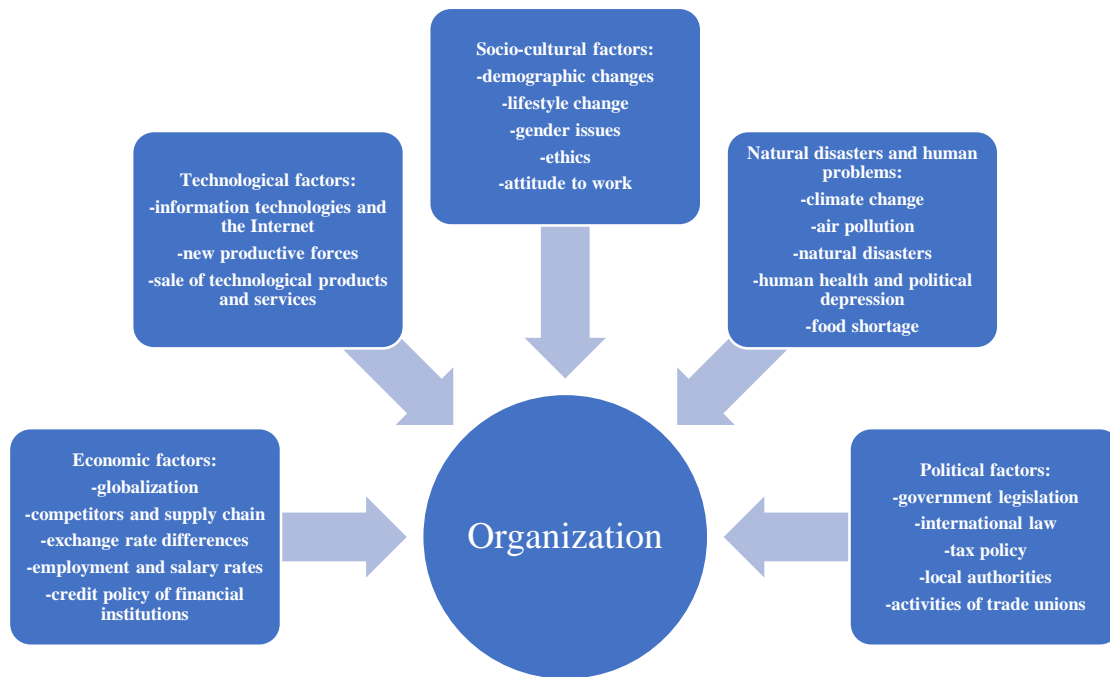
## MAIN PART

Organizations are commonly referred to as companies, firms, corporations, institutions, agencies, associations, groups, consortia, and conglomerates.

While the type, size, scope, location, purpose, and function of an organization help to determine the external environment in which it operates, it must meet the requirements and contingencies of that environment in order to survive and thrive.

It is primarily about how organizations adapt to the external environment and how organizations are structured to meet the challenges and opportunities of that environment.

The big picture of an organization's external environment, also known as the overall environment, is an inclusive concept that encompasses all the external factors and influences that affect a company's operations. Figure 1 shows the types of common macro environments and forces that interact and affect organizations: socio-cultural, technological, economic, governmental and political, natural disasters, and industries and organizations, problems with humanity that reveal mystery. For example, economic environmental forces typically include elements such as exchange rates and wages, employment statistics in the economy, and the inflation, recession, and other shocks associated with them - both negative and positive factors. Recruitment and unemployment, employee benefits, factors affecting an organization's operating costs, and revenues and profits are affected by global, national, regional, and local economies. Other factors that interact with economic forces include politics and government policy, international wars, natural disasters, technological inventions, and socio-cultural forces. These dimensions should be kept in mind when studying organizations, as most or all of the changes that affect organizations come from one or more of these sources - most of which are interrelated.



**Figure 1.** External factors influencing the activities of the organization

The classical literature on the market economy assures us of its ability to organize itself and tends to reduce the number of market participants. The more producers enter the market, the longer it will take to determine the volume and balance of supply and demand, adjust prices to socially necessary costs, and determine their optimal level. These problems are exacerbated as the range of products and services being developed expands and the pace of innovation increases. A. Anisimov convincingly proves that the efficiency of the market is closely related to the number of producers and sellers in it, and if this number is too high, there is a tendency to reduce product sales.<sup>1</sup>

The modern market economy does not need to define all 100% economic relations with the market. Conversely, it will be more beneficial if a large part of economic relations is taken out of the scope of market regulation and large volumes of production are controlled both by the market and on a non-market basis. This is corporate production, large corporations interact with the market, but it cannot be said that they are entirely in its power. Corporations themselves are able to shape the market, in particular through the creation of new types of goods and services or the implementation of large-scale investment programs. Thus, the market of large corporations has great advantages in terms of efficiency compared to the market of mainly corporate organizations<sup>2</sup>.

<sup>1</sup>Anisimov A. The phenomenon of a large corporation or what kind of market we need // Russian Economic Journal.

<sup>2</sup>Dzhaman, M.A. Crisis Management of Corporate Structures in the Investment and Construction Complex / M.A. Djaman. -SPb. : SPbGASU, 2011

The reality of a market economy shows us that the market itself cannot provide a stable and mutually beneficial relationship between production units that perform different functions in a single technical and technological process. In principle, the new economic and legal situation and the impact of socio-economic factors require an objective analysis of the opportunities for the development of the corporate sector and the formation of regional corporate structures. In the process of privatization, economic management was separated from administrative management, and control over the performance of key functions was transferred from government agencies to the management of firms. Along with the public sector, the corporate sector of the economy has also begun to take shape: production-trade associations-concerns, holdings, associations, other forms of associations, producers and consumers. Large corporate corporations in the mixed economy can act as strategic partners of the state in the implementation of reforms, planning and organizing the exchange of best practices using market and planning–distribution methods can be assumed by the corporate internal turnover framework.

Corporation<sup>3</sup> as an organizational form of business is widely interpreted in both literature and practice. Often, the term refers to a group of individuals united and working under a common name to achieve a common goal.

<sup>3</sup>Asaul, A.N. Problems of formation of metacorporations in the region // Region: politics, economics, sociology. SPb. -№ 3; Asaul, A.N. Development of the corporate sector in the investment and construction complex of the region / A.N. Asaul, A.V.Batrak, A.F. Klyuev // Investment and construction activities in the context of the formation of market relations: Sat. scientific tr. - St. Petersburg. : SPbGASU, 2001

From a legal point of view, a corporation as an independent business entity is an organization of individuals with certain rights, privileges and obligations that differ from the rights, privileges and obligations inherent in each member of society individually. The main features of the corporation are the independence of the corporation as a legal entity, the limited liability of individual investors, the ability to transfer shares belonging to individual investors to other persons, as well as centralized management.

Above we have come to the conclusion that corporatism is the joint ownership of property by a community in which a business is conducted through a contractual relationship to interact in order to achieve the interests of all participants in the corporate contract.

This approach is most widely described in the literature (for example, by A.O. Blinov and I.N. Shapkin)<sup>4</sup>, where the following criteria are given: market mechanism, forms of ownership, socio-economic guidelines, values (traditions), mechanism for regulating business development.

The effectiveness of corporate governance in a transition economy is directly related to the successful development of various aspects of organizational, legal and managerial relations.

The problem of classifying different types of corporations has been raised several times in the local economic literature.<sup>5</sup> In particular, a detailed typology of corporate structures was proposed:

1. In terms of feasibility of establishing corporate structures and the level of justification of the expected efficiency:

- lack of initial research (conceptual, marketing and feasibility);
- to have an initial program of long-term development, as well as to develop the expected efficiency of corporate structures, but mainly of a formal nature;
- have a complete and quality feasibility study and calculations of the effectiveness of corporate structures.

2. According to the level of participation in the total capital:

- complete merger of their assets (full merger);
- combined its capital in the amount of a controlling stake in the company under the control of the parent company;
- partially consolidated assets for the purpose of participating in governing bodies but not having a decisive vote;
- implementation of joint activities on the basis of reliable management mechanisms;
- to organize its activities using contract forms without the introduction of capital consolidation mechanisms.

3. On the role of the state in the formation of corporate structures:

- a part of the state property is formed by instructing the charter capital of the newly established legal entity;
- created on the basis of the transfer of state property to the trust management of a particular legal entity;
- approved by specific decisions of the executive (at the federal or regional level) guaranteeing the support of public resources;
- similar, but without such guarantees.

4. Target settings vary significantly and are focused on the end result as follows:

- increase production and sales;
- introduction of a diversified range of products and services in expanding markets;
- increase the export of domestic goods and services or the production of import-substituting products;
- financial cost savings (in production, management);
- perform the functions of federal target and state scientific and technical programs, supply products and services for state needs.

5. With unparalleled motivation and focus on providing them with resources:

- on the use of own financial resources created as a result of capital consolidation;
- attraction of additional (external) financial resources (through the issuance of securities, increasing the value of the collateral of the corporation, the implementation of joint and several liability mechanisms);
- use of financial capital of participating credit institutions;
- receiving financial assistance from the state.

6. By the nature of the activities of leading companies:

- not having a clear “leader”;
- management of a major industrial construction firm;
- including the leading financial and credit structure;
- putting a trading company in a leading role.

7. According to the degree of consolidation of property in the newly formed central (governing) organization:

- mobilization of sufficient capital to ensure the effective operation of the central company on self-financing, ensuring the attraction of foreign investment for joint projects, the creation of the necessary information infrastructure, etc.;
- consolidation of capital in the amount required for the official registration of a central company in a particular legal status.

<sup>4</sup> Blinov A.O. Entrepreneurship on the Threshold of the Third Millennium / A.O. Blinov, I. N. Shapkin. - M.: MAEP, IIP Kalita, 2019.

<sup>5</sup>Dementiev, V. E. Financial and industrial groups in the Russian economy (special course) // Russian Economic Journal

8. According to the depth of study and implementation of the principles of integrated (corporate) management:

- implementation of corporate plans of joint activities on the basis of uniform information, analytical and accounting procedures and expertise of corporate governance bodies in general;
- performing only individual functions of integrated management, which does not cover the activities of all participants of the corporation and the sum of its functions;
- not managed in practice by general corporate plans.

It has been empirically determined that corporations with a sufficiently high level of capital interaction that ensures mutual representation in corporate governance, management of “technology chains” and corporate programs, and balance in the development of banking are the most effective. and industrial structures. At the same time, decisions on various aspects of merging property within corporations, made “under pressure” by the authorities of some interested companies, can be very dangerous in terms of the effectiveness of future joint ventures. Undoubtedly, it is expedient to conduct joint preparatory activities in the development of issues of mutual participation in capital and gain experience in the implementation of corporate programs.

The Corporation acts as a link between administrative management, indirect regulation and management, reveals its character as a peacemaker and unites the interests of all participants with the highest efficiency<sup>6</sup>.

When choosing corporate forms of business, they follow the following principles:

- freedom of will of all participants in building the organizational structures of corporations;
- equal ownership, management and use of corporate property and education management;
- satisfaction of personal and corporate interests through the development of contractual relations;
- equal opportunities for every member of society, corporate education;
- achieving a balance of interests of all participants in the socio-economic development of corporate structures, entities of all categories and levels;
- to promote the development of entrepreneurship, the use of the latest scientific, technical, social, financial and political technologies based on the formation of free socio-economic structures;
- the existence, direction and direction of the unifying idea; a non-target corporation is simply a market participant;

- the existence of a particular culture; the corporation is not only a workplace, but a single spirit;
- diversified activity in at least one of the factors (product, area, structure, etc.);
- close cooperation, specialization and integration of all processes, both within the corporation and with the external environment.

Thus, the corporation is a tool, a mechanism to achieve certain goals, the main task of which is to ensure the activities of the corporation in the interests of the participants of corporate relations<sup>7</sup>.

Types of corporations:

- transfer (its essence will be discussed in the next chapter);
- concern - a diversified corporate structure with centralized management;
- firm - legal entity, business unit;

A company is an association of business units.

Sharing the opinion of V.A. Zarenkov, we emphasize that any corporate structure should include three aggregate blocks:

- the management block, whose main tasks are to select the development strategy and tactics of the group and to develop financial, budgetary and production policies;
- designed for the accumulation and rapid distribution of financial resources to maintain the financial infrastructure on a permanent basis and increase the viability of the group;
- construction and installation firms, whose responsibilities include the creation and sale of competitive intermediate and final construction products.

## CONCLUSIONS AND SUGGESTIONS

In modern conditions, new economic entities are emerging in the countries of the world, which are based on large and large regional socio-economic systems. It is not a decentralization of public administration, but a complex process of organizing more or less independent elements of the system that have their own interests and means to implement them. With the existing administrative-territorial division, new interregional economic relations, resources and capital flows, conflicts between markets, various forms of interregional integration and, accordingly, new types of business entities (regional associations, regional finance) enhance development.

In conclusion, it should be noted that large industrial enterprises are an important factor in increasing the economic potential of the region. The full and perfect functioning of large industrial enterprises is inextricably linked with the

<sup>6</sup>Blinov A.O. Entrepreneurship on the threshold of the third millennium / A.O. Blinov, I. N. Shapkin - M.: MAEP; IIP Kalita, 2018.

<sup>7</sup>Asaul, A. N. Entrepreneurship development in Russia // Region: politics, economics, sociology -2018. - № 3-4,

establishment of a well-established management system, improved management systems.

It was considered appropriate to cite this instead of suggestions. Methods of diagnostics of corporate governance in industrial enterprises should be developed on the basis of international standards of corporate governance and its practical implementation should be carried out at the following stages:

- Phase 1 - Gathering the necessary materials for the initial analysis of the corporate governance system diagnostics, developing an action plan and identifying the officials to be interviewed;
- Phase 2 - on the basis of the submitted materials to form a preliminary report and provide conclusions and recommendations on the procedures to be followed in the implementation of corporate governance in joint stock companies;
- Stage 3 - submission of the results of the analysis of the diagnostics of the corporate governance units of joint-stock companies and, based on their comments, the completion of the results;
- Step 4 - reflect recommendations to improve the company's corporate governance;
- Phase 5 - Development of a set of measures to improve corporate governance by joint stock companies on the basis of diagnostic findings.

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