

# O'QUV ADABIYOTINING NASHR RUXSATNOMASI

Toshkent davlat iqtisodiyot universiteti rektorining 2024-  
yil 29-fevraldagi 45-son buyrug'iga asosan

**Urinov B.N.**

(muallifning familiyasi, ismi-sharifi)

**60411600-Corporate governance (For all areas of economic  
education)**

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**Corporate Governance**

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**Textbook**

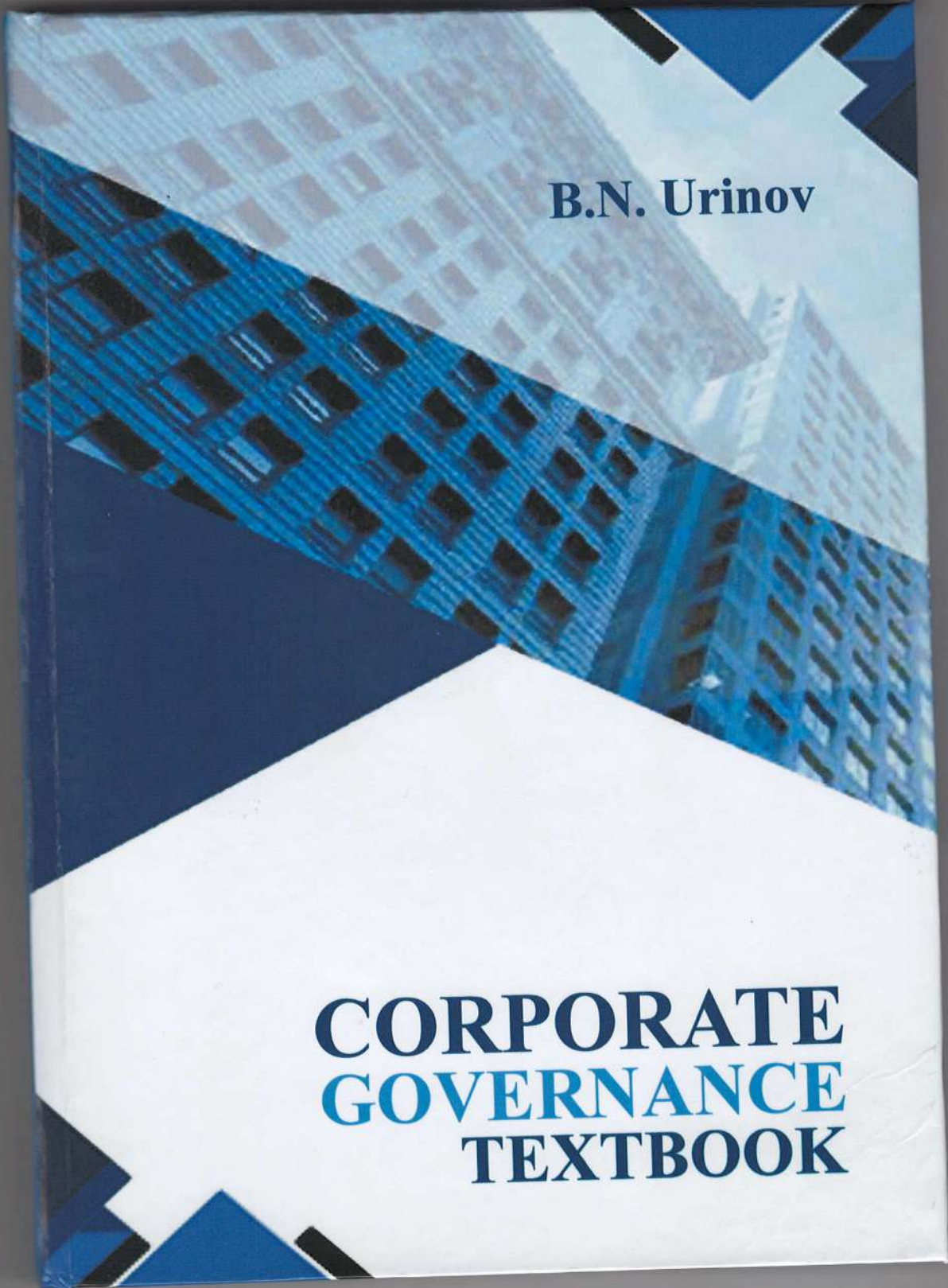
O'zbekiston Respublikasi Vazirlar Mahkamasi tomonidan  
litsenziya berilgan nashriyotlarda nashr etishga ruxsat berildi.

Rektor



T.Z.Teshaboyev

No 45-06



**B.N. Urinov**

**CORPORATE  
GOVERNANCE  
TEXTBOOK**

MINISTRY OF HIGHER EDUCATION, SCIENCE AND  
INNOVATIONS OF THE REPUBLIC OF UZBEKISTAN  
TASHKENT STATE UNIVERSITY OF ECONOMY



URINOV BOBUR NASILLOVEVICH

## TEXTBOOK CORPORATE GOVERNANCE

TASHKENT 2024

UO.K.:658.01(075)

KBK: 65.290-87

B.N. Urinov, *Corporate Governance. Textbook*. - T.: OOO "DIADEMA NUR SERVIS", 2024. 424 pages.

ISBN :978-9910-755-50-7

This comprehensive textbook provides a thorough exploration of corporate governance, covering a wide range of topics from theoretical foundations to practical applications. The textbook begins with an introduction to corporate governance, highlighting its definition and emphasizing its importance in today's business world, delves into the theoretical foundations, investigates the legal and regulatory frameworks that govern corporate governance practices, explores board effectiveness and leadership, risk management and internal controls within the context of corporate governance, explores the concept of dividends and dividend policy, corporate governance in the context of listed companies, corporate strategy, the intersection of corporate governance with corporate social responsibility (CSR) and ethical considerations, corporate culture, corporate governance models around the world, corporate governance in state-owned companies, discusses emerging issues and challenges in the field of corporate governance, provides real-world case studies and practical applications of corporate governance principles and practices, highlights the importance of effective corporate governance in promoting transparency, accountability, and sustainable business practices.

The textbook includes a comprehensive list of references, providing readers with the opportunity to explore the cited sources and delve deeper into specific topics, glossary presents a compilation of key terms and definitions used throughout the textbook, facilitating readers' understanding and comprehension, the textbook concludes with a compilation of quotes about corporate governance, offering diverse perspectives and insights from notable individuals in the field. By covering a wide range of topics, from the foundational principles of corporate governance to emerging challenges and practical applications, this textbook provides a comprehensive resource for students, researchers, and professionals interested in understanding and advancing corporate governance practices.

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The textbook was published by the decision of the Scientific Council of the Tashkent State University of Economics in January 2024.

ISBN :978-9910-755-50-7

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## INTRODUCTION

The history of corporate governance is long, rich and packed with twists and turns. It's a topic that touches on managerial accountability, board structure and shareholder rights — including both periods of shareholder passivity and shareholder power. Governance began with the rise of corporations, dating back to the East India Company, the Hudson's Bay Company, the Levant Company and other major chartered companies during the 16th and 17th centuries.

While the concept of corporate governance<sup>1</sup> has existed for centuries, the name didn't come into vogue until the 1970s. The United States was the only country using the term at the time. The balance of power and decision-making between board directors, executives and shareholders has been evolving for centuries. The issue has been a hot topic among academic experts, regulators, executives, and investors, making corporate governance history critical to understanding why corporate governance is so important.

In a modern business landscape, the importance of board committees in corporate governance cannot be overlooked. These specialized groups streamline decision-making, enabling corporations to operate more transparently and efficiently. The importance of good corporate governance practices are vital in an era of transparency, accountability, and company sustainability. Harvard Law School Forum on Corporate Governance mentioned that 64% of investors believe<sup>2</sup> weak governance practices are the most crucial factor, alongside poor financial performance when making investment decisions.

Thus, boards should at least compare and track their corporate governance practices with the market and peers to ensure better stakeholder reporting<sup>3</sup> in successful business. Also, a positive environment, business ethics, and board culture<sup>4</sup> boost a company's reputation and ensure its longevity.

Corporate governance refers to the set of rules, procedures, and processes that guide and control a firm. The importance of corporate governance in organizations has gained significant attention in the contemporary business landscape.

Not merely a set of guidelines, an effective corporate governance framework is instrumental in influencing the behavior of key players and

other stakeholders within a company. Thus, policies, corporate culture, goals, ethical behavior, and a positive workplace environment are essential for ethical decision-making and long-term value creation.

Additionally, to achieve exceptional corporate governance and uphold business integrity, risk management should become a part of corporate strategy. Enterprise risk management<sup>5</sup> helps identify, evaluate, and manage risks proactively, which, in turn, reduces threats and improves corporate transparency in terms of long-term success.

The Deloitte report "Good Governance Driving Corporate Performance" confirms that implementing good governance practices<sup>6</sup> leads to better organizational performance. It emphasizes the growing importance of corporate governance in shaping the decisions made by independent directors, boards of directors, company management, senior management executives, and other stakeholders.

Forbes also highlights that having good corporate governance<sup>7</sup> leads to a corporate culture that prioritizes accountability, transparency, and the welfare of stakeholders. Furthermore, board members and senior leaders who uphold good corporate governance act as the foundation of business values.

In this textbook explained the importance of corporate governance in strategic management, comparing models of corporate governance across various industries, delved into how to measure board effectiveness of good corporate governance and explain the principles of corporate governance.

The textbook begins with an introduction to corporate governance, highlighting its definition and emphasizing its importance in today's business world. It explores the theoretical foundations that underpin corporate governance, focuses on the various mechanisms employed in corporate governance. It investigates the legal and regulatory frameworks that govern corporate governance practices, delves into board effectiveness and leadership, recognizing their critical impact on governance practices. Also focuses on risk management and internal controls within the context of corporate governance, the concept of dividends and dividend policy. It covers the context of listed companies, highlighting the unique challenges and requirements they face. Textbook discusses corporate strategy, recognizing its importance within the broader context of corporate

<sup>1</sup> <https://www.diligent.com/resources/guides/corporate-governance>

<sup>2</sup> <https://corpgov.law.harvard.edu/>

<sup>3</sup> <https://deloitteboard.com/stakeholder-reporting/>

<sup>4</sup> <https://deloitteboard.com/how-can-a-board-of-directors-successfully-oversee-company-culture/>

<sup>5</sup> <https://corporatefinanceinstitute.com/resources/career-map/side/side-risk-management/crm-corporate-governance/>

<sup>6</sup> <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/risk/deloitte-nl-risk-good-governance-driving-corporate-performance.pdf>

<sup>7</sup> <https://www.forbes.com/sites/forbesbusinesscouncil/2023/02/27/the-five-pillars-of-good-corporate-governance/?sh=6336349a1d0d>

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# TEXTBOOK CORPORATE GOVERNANCE

Tashkent -- «NIHOL PRINT» OK - 2024

Editor: Q. Matqurbonov

Designer: A. Tog'ayev

Technician: G. Tagayeva

License AI# 189, issued on 10.05/2011/ Pressing was allowed on 26/03/2024/

Size 60x84 1/16/ "Times New Roman" set/ printed by offset printing.

Conventional printing plate 28.5. Publication plate 26.5. Order# 23-26. The number is 30 copies. The price is based on the contract.

Published by «Nihol print» OK publishing house. Tashkent, Muxtor Ashrafiy street, 99/101.- house

For records