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Models of Corporate Governance, Their Nature and Different Aspects

Abstract

In the scientific article, the main models of corporate management, their nature, characteristics and differences were discussed in detail. Also, the role and impact of these models in the modern business environment, along with the changing dynamics of the global economy, future perspectives were also considered. Researching the innovations required to make corporate management more perfect and transparent, as well as ways to increase social and environmental responsibility, aims to ensure more sustainable development of enterprises.

Thus, corporate governance plays an important role in the economic and social development of modern society and appears as a system that benefits not only property owners but also all interested parties. An in-depth and multifaceted study of this system is essential for the future of modern business.

The application of innovative approaches, modern technologies and global cooperation is important for corporate governance to be more transparent, fair and responsible. This will ensure the transition of enterprises to a model that benefits not only the owners, but also all members of society. As a result, corporate governance is not only a tool in the development of modern business, but also plays the role of a key factor for social and economic stability. This will help shape a sustainable and just future, balancing the interests of all stakeholders.

Keywords: *corporation, corporate management, economic, social, investor*

Introduction

Corporate governance, as one of the fundamental principles of the modern business world, regulates how enterprises are organized, managed and fulfill their social responsibilities. Corporate governance models developed in different countries, based on legal frameworks, economic systems and cultural values, are aimed at achieving the strategic goals of organizations and protecting the interests of owners and other interested parties. The models discussed in this article are important not only from an economic point of view, but also in the context of social, environmental and ethical issues.

The purpose of corporate management is to ensure the continuous and efficient operation of organizations. This is made possible by building mutual trust and transparency between property owners, directors, managers, employees and the community. Management processes, at the same time, include the determination of strategic directions of the enterprise, risk management and optimal use of financial resources (Akhundov, 2001).

Research

At the same time, it is important to emphasize that corporate governance is not only limited to financial results, but social responsibility, ethical standards and environmental sustainability should also be taken into account. In today's era, consumers, investors and other stakeholders focus not only on the short-term financial performance of companies, but also on their social and environmental impacts. This shows the growing importance of the concept of social responsibility in the development of corporate management models (Popov, 2010).

At the same time, various approaches and methodologies have been developed for corporate management to meet these modern requirements. The Anglo-Saxon, Continental, and Scandinavian modes present various forms of these approaches. Each model has its own advantages and disadvantages. For example, in the Anglo-Saxon model, investors' interests are at the forefront, but in the Scandinavian model, social responsibility and the role of employees are more important.

In this article, the main models of corporate governance, their nature, characteristics and differences will be discussed in detail. Also, the role and impact of these models in the modern business environment, along with the changing dynamics of the global economy, future perspectives will also be considered. Researching the innovations required to make corporate management more perfect and transparent, as well as ways to increase social and environmental responsibility, aims to ensure more sustainable development of enterprises.

Thus, corporate governance plays an important role in the economic and social development of modern society and appears as a system that benefits not only property owners but also all interested parties. An in-depth and multifaceted study of this system is essential for the future of modern business.

Conducted research shows that when investors make a decision to invest in this or that enterprise, they give more importance to the activities of the board of directors than to the financial indicators of that enterprise (Garaveliyev, 1967). Summarizing the conducted research, we can come to the conclusion that a good corporate signs characteristic of management are the following;

− Decentralized ownership. The fact that the corporation is controlled by 2-3 large shareholders does not necessarily mean that corporate governance is poorly organized there. But investors have more confidence in a corporation with a large number of shareholders. As a negative factor, investors consider the presence of a shareholder or a group of shareholders who can have an excessive influence on decision-making in a corporation.

− Transparency of ownership structure. The actual structure of corporate ownership should be transparent. The composition of shareholders, the largest shareholders (including shareholders with a controlling stake), the number of shares owned by directors and managers, other joint stock companies owned by directors and managers, etc. easy access to information.

− "One share-one vote" principle. The corporation must adhere to the principle of "one share, one vote" for all shareholders and issue only the same type of shares. All shareholders should have the same financial rights, each of them should participate in the distribution of profits according to the number of their shares.

− Protection from possible "absorption" process. By limiting the circulation of shares and participation in the formation of the board of directors, the corporation should create a system of protection against a possible "takeover".

− Warning about the general meeting of shareholders. In order to ensure the possible participation of foreign shareholders in the general meeting, a warning should be sent to the shareholders at least 28 days before the date of the general meeting. In addition, shareholders should be given the opportunity to participate in the meeting in real time.

− Size of the board of directors. The analysis shows that the optimal size of the board of directors is 5-9 people. "Foreign" directors and holding several positions at the same time. Managers of the corporation may hold up to half of the seats on the board of directors.

− Independent directors. At least 50 % of the members of the board of directors who do not hold management positions in the corporation must be independent directors.

− Rules of activity of the board of directors. A corporation should have a set of corporate governance rules that outline its future, value system, and duties of its board of directors. Encouraging and rewarding the work of directors and managers should be carried out according to these rules. With this, they will be interested in the successful operation of the corporation.

− Committees of the board of directors. Independent committees (audit committee, strategic development committee, corporate governance committee, personnel and remuneration committee and etc.) should be created.

− Disclosure of information. The corporation must adhere to the principle of transparency of its business. The corporation must regularly disclose information on the results of financial and economic activity, basic information about the board of directors, and information about the salaries of top managers and directors.

– Accounting reporting standards. The corporation must use internationally recognized accounting reporting standards (US GAAP, UK GAAP, IAS) when preparing annual and quarterly reports.

– Independent audit. The corporation must conduct an independent audit annually. For this, it should involve independent auditors who have gained good credibility.

– Various methods of obtaining information. Broad opportunities should be created for shareholders and investors who want to get information about the corporation's activities. Both traditional and electronic means of information should be used for this. Information should be provided in both the local language and English. Timely disclosure of information. Information should be disclosed on a timely basis in accordance with the standards of the stock market in which the shares are quoted.

– A smoothly functioning corporate management system is one of the most important factors for attracting both domestic and foreign investments. Good corporate governance reduces the risk of investors and thereby creates conditions for the flow of investments into the enterprise. The interaction of the "corporate triangle" (shareholders, board of directors and management) has a decisive role in attracting investments. At the current stage of development of corporate governance mechanisms in Azerbaijan, assessing the market value of corporations creates great difficulties. Because the assessment of the market value of corporations based on the quotation of their shares is either impossible or not objective. This is because the shares of Azerbaijani corporations are not yet freely quoted on the stock exchange, and over-the-counter quotations are speculative in nature, so they are not objective. This situation does not allow real and potential investors to evaluate the efficiency of corporate management based on the change in the market value of the corporation.

Taking these into account, I consider it appropriate to include the indicators of the market value of the corporation in the system of evaluating the efficiency of corporate management. A corporation's book value is based on a business valuation and includes a valuation of the corporation's assets and liabilities and a financial appraisal. in a number of studies of the results of economic activity, much attention has been paid to the issues of evaluating the efficiency of corporate management and certain proposals have been made in this direction (Guliyev, 2011).

The large number of existing approaches and methodologies on this issue and their diversity indicate that the issue has not yet been fully studied and there is a need to develop it. To calculate the market value of a corporation, the exchange rate of the corporation's shares is multiplied by the number of shares outstanding at the beginning of the period. The change in the market value of the corporation indicates how efficient the corporate management is. In other words, if the market value of the corporation has increased, then the corporate management has been effective, and on the contrary, if the market value of the corporation has decreased, then the corporate management has not been effective. In order to calculate the market value of the corporation, the indicators that affect it and are reflected in the corporation's balance sheet are determined and included in the econometric model. It is considered that indicators such as total income from product sales, net profit of the corporation, reserves, short-term debts, currency of the balance should be included in the regression equation (Suleymanov, 2014). They have a more serious impact on the change in the market value of the corporation, characterize the state of the sections of the balance sheet and the results of the corporation's financial and economic activity.

The main task of the board of directors is to protect the interests of shareholders and increase their wealth. This should provide a level of management that guarantees an increase in the value of the corporation. In recent years, the trend of increasing the role of the board of directors in the management of the corporation is even more noticeable. This is primarily manifested in the control of the financial situation. The financial results of the corporation are reviewed at least once a quarter, usually at board meetings. The members of the management board, who are the representatives of the shareholders, are responsible for the situation in the corporation (Yahudov, 2002, p. 78). Bankruptcy of the corporation or important actions aimed at obtaining benefits against the interests of the corporation's shareholders may be brought to administrative and criminal liability. The quantitative composition of the board of directors is determined based on the needs of effective management, and according to the laws of the states, the minimum number may be three to one. The Board of Directors is elected from internal and external (independent) members of the joint-stock company. The majority of the board consists of independent directors (The essence of strategic management: concept and types, 2020).

Internal members are elected from among the corporate governance bodies, and at the same time act as the company's executive directors and managers. Independent directors are people who have no interest in the company. Banks are well-known lawyers and scholars with close technological and financial ties 46. Both management groups, or in other words, all directors, are equally responsible for the affairs of the company. Structurally, the board of directors of US corporations is divided into standing committees. The number of committees and areas of activity in each organization are different. Their task is to prepare recommendations on matters adopted by the board of directors (Characteristics and Importance of Strategic Management, 2020). Every corporation should have audit committees and remuneration issues of the securities and exchange commission.

The executive body of the corporation is its management. The Board of Directors elects and appoints the president, vice-presidents, treasurer, secretary and other corporate officers provided for in its charter. The appointed head of the corporation has enormous powers and reports only to the board of directors and shareholders.

Conclusion

Corporate governance models play a critical role in achieving the strategic goals of enterprises and protecting the interests of owners, employees, customers and other stakeholders of society. The structure and principles of the models applied in different countries have been formed according to the economic, social and cultural contexts of those countries. It combines regional specificities in the management of enterprises on the one hand, and the application of global standards on the other.

The strength of the Anglo-Saxon model lies in its emphasis on the dynamism of the market economy and the primacy of shareholders' interests. This model allows investors to control the company's activities more closely and ensures separation of ownership. However, the downside of this approach is that sometimes the short-term profit goal can conflict with the principles of long-term development and social responsibility.

In the continental model, the centralization of ownership allows management to develop in a more stable and long-term perspective. Here, the participation of employees, customers and other interested parties increases the social responsibility of the organization. However, among the disadvantages of this model are sometimes the slowness of the decision-making process and the reduction of transparency.

The unique approach of the Scandinavian model emphasizes the principle of social responsibility and inclusive management. This model focuses not only on economic profit, but also on the development of society. This approach not only ensures the long-term success of companies, but also supports the social stability of society. However, the implementation of this model may require more extensive resources and government intervention.

In general, the analysis of corporate governance models is important not only for the successful management of organizations, but also for the sustainable development of the economy and the provision of social justice. In the future, the challenges facing the global economy – such as climate change, economic inequality and technological development – will require new approaches to corporate governance.

The application of innovative approaches, modern technologies and global cooperation is important for corporate governance to be more transparent, fair and responsible. This will ensure the transition of enterprises to a model that benefits not only the owners, but also all members of society. As a result, corporate governance is not only a tool in the development of modern business, but also plays the role of a key factor for social and economic stability. This will help shape a sustainable and just future, balancing the interests of all stakeholders.

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