JOURNAL OF UNIVERSAL SCIENCE RESEARCH

ISSN (E): 2181-4570 ResearchBib Impact Factor: 6,4 / 2023 SJIF 2024 = 5.073/Volume-2, Issue-5

Improving management of enterprises based on corporate governance

Khudayarov Ikram Abdukarimovich

Republic of Uzbekistan

Under the Cabinet of Ministers

Higher School of Business and Entrepreneurship

"Business Management"

graduate student

Abstract: The aim of this research is to inspect whether Corporate Governance (CG) attributes such as Audit Meeting Frequency, Ownership Concentration, Board Meeting Frequency, Foreign Ownership, Institutional Ownership, Board Gender Diversity, Audit Committee Size, Board Size, Audit Reputation and CEO Compensation affect firms' performance in every where. This research employed the pooled least square method to estimate the association among attributed of CG and firm performance measures (Return on Asset and Tobin's Q) by selecting the Cement Sector and Energy sector companies listed in Pakistan Stock Exchange (PSX) during 2009–2022. A substantial result is that the energy sector's CG system does not differ from the cement sector. Tobin's Q is lesser than ROA, suggesting the same condition as companies in the cement sector. On average, firms in the energy sector are older than the firms in the cement sector. It contradicts the result of profitability proxies of the energy sector. Being older firms, the profitability proxies show lower returns as compared to cement sector firms.

Key words: dissemination, sector, profitability, corporate governance, benchmark principles, knowledge.

INTRODUCTION

Good corporate governance underpins market confidence, integrity and efficiency, and hence promotes economic growth and financial stability. Inpromoting better corporate governance, the Organisation for Economic Cooperation and Development (OECD) has since 1999 taken a two-trackapproach, involving the development of benchmark principles and theactive promotion of their use.[1] The OECD Principles of CorporateGovernance were issued in 1999 with the purpose of assisting government in their efforts to evaluate and improve their frameworks for corporategovernance, and providing guidance for regulators and, more

ISSN (E): 2181-4570 ResearchBib Impact Factor: 6,4 / 2023 SJIF 2024 = 5.073/Volume-2, Issue-5

broadly,participants in financial markets[2]. The Principles have in turn formed theframework for the establishment of regional corporate governanceroundtables in cooperation with the World Bank in Asia, Latin America,Russia, Southeast Europe and Eurasia. Building on the Principles, theseroundtables have now published white papers establishing priorities toimprove corporate governance in each region[3;4].

The process of dissemination has also been underpinned by theendorsement of the Principles as one of the Financial Stability Forum's 12 key standards considered essential for financial stability, and which form the basis for the World Bank's Review of Observance of Standards and Codes[5]. These reviews have mainly covered non-OECD countries.Member countries, on the other hand, have introduced a number of corporate governance measures including codes based largely on the Principles.The numerous high-profile cases of corporate governance failure havefocused the minds of governments, regulators, companies, investors and thegeneral public on the weaknesses in corporate governance systems and theassociated threat posed to the integrity of financial markets. In response,OECD ministers called for an assessment of the OECD Principles by 2004.To support this work, the ministers requested a survey of corporategovernance developments in OECD countries with a view to identifyin lessons to be learned and possible implications for the assessment of the Principles. The review process also covered the experience gained innon-OECD countries, which were included in the consultation process[6]. Corporate governance and its relation with firm performance, keep on to be an essential area of empirical and theoretical study in corporate study. Corporate governance has got attention and developed as an important mechanism over the last decades. The fast growth of privatizations, the recent global financial crises, and financial institutions development have reinforced the improvement of corporate governance practices. Well-managed corporate governance mechanisms play an important role in improving corporate performance[7]. Good corporate governance is fundamental for a firm in different ways; it improves company image, increases shareholders' confidence, and reduces the risk of fraudulent activities It is put together on a number of consistent mechanisms; internal control systems and external environments that contribute to the business corporations' increase successfully as a complete to bring about good corporate governance. The basic rationale of corporate governance is to increase the performance of firms by structuring and sustaining

ISSN (E): 2181-4570 ResearchBib Impact Factor: 6,4 / 2023 SJIF 2024 = 5.073/Volume-2, Issue-5

initiatives that motivate corporate insiders to maximize firm's operational and market efficiency, and long-term firm growth through limiting insiders' power that can abuse over corporate resources.

Several studies are contributed to the effect of CG on firm performance using different market developments. However, there is no consensus on the role CG on firm performance, due to different contextual factors. The role of CG mechanisms is affected by different factors[8]. As to the knowledge of the researcher, no study considered the influencing role of managerial overconfidence in between CG mechanisms and firm corporate performance. Thus, this study aims to investigate the influence of managerial overconfidence in the relationship between CG mechanisms and firm performance by using Chinese listed firms[9].

Managers (CEOs) were able to valuable contributions to the monitoring of strategic decision makingOverconfidence may create more agency conflict than normal managers. It may lead internal and external CG mechanisms to decisions which damage firm value. The role of CG mechanisms mitigating corporate governance results from agency costs, information asymmetry, and their impact on corporate decisions[10]. This means the behavior of overconfident executives may affect controlling and monitoring role of internal/external CG mechanisms. According to Baccar et al. These discussions lead to the conclusion that CEO overconfidence will negatively or positively influence the relationships of CG on firm performance. The majority of studies in the corporate governance field deal with internal problems associated with managerial opportunism, misalignment of objectives of managers and stakeholders. To deal with these problems, the firm may organize internal governance mechanisms, and in this section, the study provides a review of research focused on this specific aspect of corporate governance.[11]

Internal CG includes the controlling mechanism between various actors inside the firm: that is, the company management, its board, and shareholders. The shareholders delegate the controlling function to internal mechanisms such as the board or supervisory board.

CONCLUSION

The main objectives of the study were to examine the impact of basic corporate governance mechanisms on firm performance and to explore the influence of managerial overconfidence on the relationship of CGMs and firm performance using

ISSN (E): 2181-4570 ResearchBib Impact Factor: 6,4 / 2023 SJIF 2024 = 5.073/Volume-2, Issue-5

Chinese listed firms. The study incorporated different important internal and external corporate governance control mechanisms that can affect firm performance, based on different theoretical assumptions and literature. To address these objectives, many hypotheses were developed and explained by a proposing multi-theoretical approach.

REFERENCES

1. Abdullah SN (2004) Board Composition, CEO duality and performance among Malaysian listed companies. Corp Gov 4:47–61
2. Aggarwal R, Erel I, Ferreira M, Matos P (2011) Does governance travel around the world? Evidence from Institutional Investors. J Financ Econ 100(1):154–18)
3. Allen F, Gale D (2000) Corporate governance and competition. In: Vives X (ed) Corporate Governance: theoretical and Empirical Perspectives. Cambridge University Press, Cambridge, U.K.
4. Arellano M, Bond S (1991) Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. Rev Econ Stud 58:277
5. Baccar A, Ben-Mohamed E, Bouri A (2013) Managerial optimism, overconfidence and board characteristics: toward a new role of corporate governance.
6. Aust J Basic Appl Sci 7(7):287–301Ben Barka H, Legendre F (2017) Effect of the board of directors and the audit committee on firm performance: a panel data analysis. J Manage Governance 21(3):737–755
7. Ben Mahamed E, Baccat A, Bouri A (2013) Managerial optimism, overconfidence and board characteristics: towards a new role of corporate governance. Aust J Basic Appl Sci 7(7):287–301
8. Boone AL, Casares Foedld L, Karpoff JM, Raheja CG (2007) The determinants of corporate board size and composition: An empirical analysis. J Financ Econ 85(2007):66–101
9. Boyd BK (1995) CEO duality and firm performance: a contingency model. Strateg Manag J 16(4):301–312
10. Bozec R (2005) Boards of directors, market discipline and firm performance. J Bus Finance Account 32(9–10):1921–1960
11. Brown R, Sarma N (2007) CEO overconfidence, CEO dominance and corporate acquisitions. J Econ Bus 59(5):358–379