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Analysis of the Main Models of Corporate Governance

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Abstract: The article deals with the foreign experience of corporate governance - one of the topical areas of modern economic research. Improving the corporate governance system helps to improve the efficiency of enterprises and expand their access to external financing, and therefore is one of the prerequisites for sustainable economic growth in the country.

Key words: corporate governance development trends, analysis of international experience, new alternatives and opportunities, social responsibility, corporate governance models.

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According to the definition of the OECD, «corporate governance is the system by which companies are directed and controlled. Such a system implies the existence of certain relationships between the managers of the company, its board of directors, shareholders, and other interested parties. Proper corporate governance creates the necessary incentives to achieve the goals of the company and shareholders, as well as facilitates effective control, thereby encouraging more rational use of company resources»[1].

The following features of corporate governance are distinguished:

- the predominance of the strategic nature of management, which provides for the optimal functioning of the corporation for profit and ensuring its positive image for investors, counterparties, the population, the authorities;
- the presence of social responsibility of the corporation to the state, i.e. the voluntary contribution of the corporation to the development of society, in addition to the necessary minimum required by law (payment of taxes, fees, other mandatory payments). The activities of the corporation are carried out in society, so the business must have a social component, i.e. it is responsible to all interested parties;

[1] White Paper on Corporate Governance in Russia / Centre for Cooperation with Non-OECD Countries. - Paris: OECD, cop. 2002, p.44

- the need to ensure a balance of interests between the corporation and various stakeholder groups based on standards of conduct (legal, economic, ethical), as the interests of all groups involved may contradict each other, based on the desire to maximize the profits obtained.

A.G. Dementieva[2] distinguishes four basic models of corporate governance: Anglo-American, German, Japanese and family (figure 1).

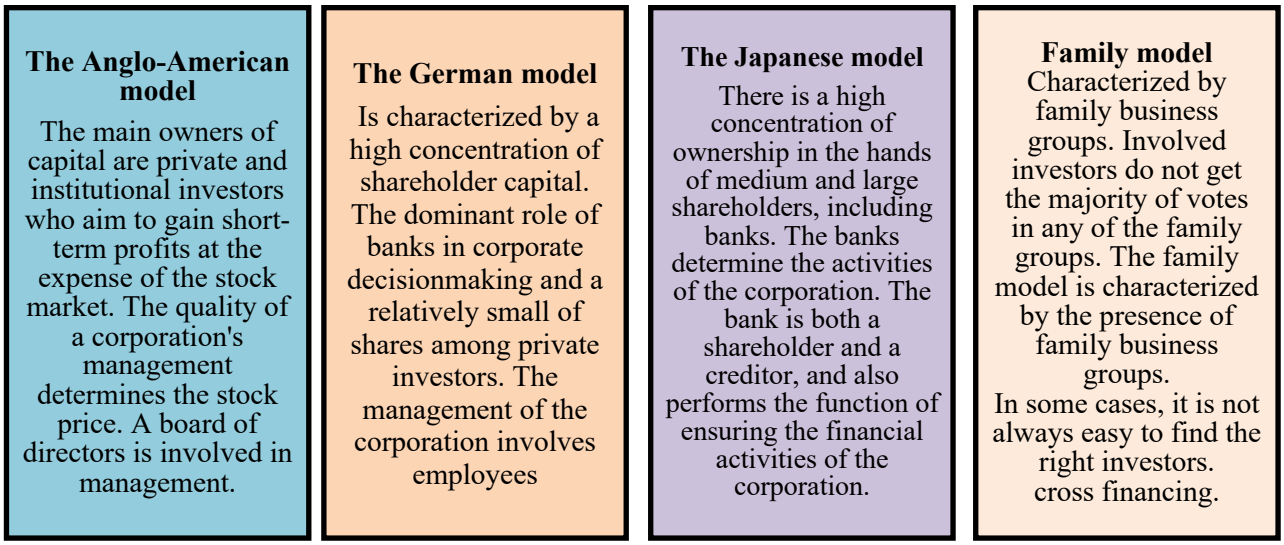

Figure 1. Essence of the main models of corporate governance, accepted in the world practice

The advantages and disadvantages of different corporate governance models are shown in Table 1.

Table 1. Advantages and disadvantages of different corporate governance models[3]

Corporate governance model	Advantages	Drawbacks
Anglo-American (USA, Canada, UK)	- use for capitalization of personal savings by means of stock market instruments; - rapid growth of capitalization; - high level of information transparency	- high cost of raising capital; - the functions of management and control are not separated; - distortion of the real value of assets due to the peculiarities of the stock market
German (Germany, Austria, Denmark, Sweden)	- the cost of raising capital is lower than in the U.S. model; - high level of financial stability of corporations; - separation of management and control functions	- weak use of stock market instruments; - insufficient protection of the rights of small shareholders; - insufficient degree of information transparency
Japanese (Japan, China)	- high level of financial stability; - low cost of raising capital; - high competitiveness through innovation	- difficulty in attracting investment; - the predominance of banking institutions in the composition of

[2] Dementieva A. G. The corporate governance system in developed countries and Russia // Management in Russia and abroad. - 2008.- No. 3. - p. 124

[3] Aripkhodjayeva N.U. «Improving the mechanism of corporate governance in the activities of food industry enterprises». Dis. of the Doctor of Philosophy (PhD) in economic sciences. Tashkent state university of economics. 2024.

		shareholders
Family (Asian and Latin American countries)	- low risk for major owners; - tight control over the business; - Accumulation of capital for large investments	- low degree of innovation; - the main purpose of the business is to satisfy the interests of the family; - poor information transparency of business

Practical experience shows that none of the considered models has obvious advantages over others and is not universal both for the system of the world economy and for the economy of a separate country.

Despite the increasing process of globalization, and the identity of the goals of corporations all over the world (attraction of new capital, effective attraction of resources, growth of capitalization, observance of shareholders' rights), practice testifies to significant differences, both in corporate governance structures and forms of concentration of ownership in various countries of the world, included in the G20.

Let us consider the corporate governance experience of individual developed countries. Let us start with corporate governance in the USA. According to E.M.Vlasova, «The American model of corporate governance is based on the organization of business under control of the State, but without its direct intervention»[4]. American corporations are practically separate isolated elements of the economy, activities of which are carried out within the law, but at the same time they are not controlled by the State.

One of the peculiarities of American corporations is an organizational structure fixed in the charter of almost every company, which includes three levels of management: managers (executives), board of directors, shareholders. The composition of the shareholders of the company, who have the right to dispose of, own and transfer their shares to other shareholders or third parties, is fixed by law. Shareholders of small corporations are required to hold meetings to discuss and resolve problems that arise.

Capital is raised for U.S. corporations by selling all types of stocks and bonds. This method is the most profitable, since it allows large-scale projects to be carried out through the unlimited accumulation of small and large investors.

The experience of Apple Incorporate, which increased its capitalization to $1 trillion in 2018, is interesting[5]. This success was made possible by the development, application and sale of innovative developments. The corporation allocates large financial resources for the development of its own unique developments, grants for experimental developments, the system of professional education is developing.

«The important feature of the American corporations of the USA - voluntary corporate social responsibility which means granting of comfortable social conditions for workers, inhabitants of a settlement in which the corporation carries out the activity, various regional organizations, small manufactures»[6].

Corporations have an advantage when it comes to raising capital because they can raise funds by selling stock, which can also be an advantage in attracting qualified employees.

[4] Vlasova E.M. Models of corporate governance. Foreign experience //European science. 2015. №3 (4) p.40
[5] BBC News. Русская служба. https://www.bbc.com/Russian
[6] Calder A. Corporate Governance: A Practical Guide to the Legal Frameworks and International Codes of Practice. - Philadelphia: Kogan Page unlimited, 2008, p.9

Ownership in a corporation is based on the number of shares held. The purchase or sale of these shares transfers ownership of the corporation to another investor. A public company whose stock is traded on an active stock exchange may have thousands or millions of owners. For a summary of the advantages of the American corporate governance model, see Table 2.

Table 2. Features of corporate governance in the USA[7]

Criteria	Implementation Features
Government involvement	Corporations are regulated by U.S. law, but there is no strict government control
Banking control	The banking sector makes loans to corporations, but is not a shareholder and has no right to set business rules
Shareholders	The government protects the interests of shareholders. Important decisions about the corporation's activities are made by a meeting of shareholders.
Competitiveness	The products of U.S. corporations are highly competitive because they are innovative and knowledge-intensive (research in the form of various grants is encouraged by both the state and the corporation).
Capital	The capital of corporations is formed at the expense of shareholders' funds. The banking sector freely lends to large corporations.
Innovation	Corporations spend considerable funds on research, which leads to the creation of innovative products
Location	Corporations operate not only within the United States, but also in South America, Asia, and Africa, which have cheap labor and low taxation. U.S. MNCs operate in almost every country in the world.
Social policy	Corporations create social infrastructure in the region where they operate.
Impact of Political climate	The activities of corporations are almost independent of the political course of the country. However, some political decisions of the government affect their activities: imposing sanctions against any countries restricts the export of products of corporations, closes markets.

Thus, the features of corporate governance in the United States are: high competitiveness of products, which are innovative and science-intensive (scientific research in the form of various grants are encouraged by both the state and the corporation); the presence of corporate social responsibility, participation in the creation of social infrastructure of the region; the lack of state capital in the composition of corporations.

Significant development of corporations and corporate governance takes place in Germany. Germany is the leader among EU countries and as a result it takes the fourth place in the world rating of GDP. The German economy is greatly influenced by the activities of corporations, especially machinery (Deutz-Fahr, Alkeit, Berstorff) and automobile (BMW, Audi, Mercedes, Volkswagen).

The structural backbone of the economy is more than 99% of all companies. A high share of industrial production is also characteristic. Small and medium-sized companies complement the corporations, which are mostly listed on the DAX index of the German stock exchange at the Frankfurt Stock Exchange, the most important financial center of continental Europe.

[7] Aripkhodjayeva N.U. «Improving the mechanism of corporate governance in the activities of food industry enterprises». Dis. of the Doctor of Philosophy (PhD) in economic sciences. Tashkent state university of economics. 2024.

German corporations also have an impact on the social life of the country, especially in the area of employment. «Corporate executives are increasingly hiring citizens from neighboring EU member states and non-EU citizens who can be paid much less, thereby encouraging a migration policy»[8].

«Corporate governance in Germany consists of the following links: a supervisory board (it consists of members representing the interests of owners and members representing the interests of employees), a management board (managing managers), a general meeting (it consists of owners who own more than 5% of shares)» [9].

Table 3. Features of corporate governance in Germany[10]

Criteria	Implementation Features
Government involvement	The government owns a controlling block of shares in strategically important industries
Banking control	Merger of banking and industrial capital allows large investment projects.
Shareholders	Shareholders include large banks and the government.
Competitiveness	Pushes smaller competitors out of the EU market, but is inferior to U.S. and Japanese corporations
Capital	Formed by combining banks and industrial companies into financial-industrial groups. State capital participation occurs in corporations in strategically important industries.
Innovation	With emphasis on merger with banks and financial activities, not enough attention is paid to innovation.
Location	MNCs established in Germany operate in many countries around the world.
Social policy	Large corporate entities, entering local markets, are required to encourage local producers to compete.
Impact of Political climate	The imposition of sanctions against trading partner countries restricts markets.

Thus, features of corporate governance in Germany include the statutory possibility for banks to be shareholders, which leads to a merger of banking and industrial capital and solves the problems of investment. German corporations have an inherent bias towards financial activities, they are much inferior to American corporations in the development of innovative technologies.

France is also a country with a developed economy, the size of which ranks second in the EU, so the French experience of corporate governance is also interesting.

In France, as well as in Germany, banking capital is allowed to participate in the corporatization of industrial corporations. The practice of French banks becoming shareholders is so widespread that there is an inflated concentration of financial capital in France compared to industrial capital. «Banking organizations buy industrial companies by purchasing a large block of their shares and develop them under their management»[11].

[8] Warum Konzerne nichts von Startups lernen URL:https://www.zukunftsinstitut.de/artikel/warum-konzerne-nichts-von-startups-lernen/

[9] Warum Konzerne nichts von Startups lernen URL:https://www.zukunftsinstitut.de/artikel/warum-konzerne-nichts-von-startups-lernen/

[10] Aripkhodjayeva N.U. «Improving the mechanism of corporate governance in the activities of food industry enterprises». Dis. of the Doctor of Philosophy (PhD) in economic sciences. Tashkent state university of economics. 2024.

[11] Kim K.A. Corporate Governance / K.A. Kim, J.R. Nofsinger. — Pearson Prentice Hall, 2017, p.54

For the management of corporations in France, the traditional model is used, in which the manager elected by the administrative board is responsible for the actions of the hired managers and other employees of the corporation. The German management model is also used, which uses a three-tier management model with a supervisory board, a management board, and a general assembly.

Corporations operating in strategically important industries are controlled by the state and have a share of stock owned by state capital. Strategic industries include space, aviation, energy (especially nuclear power), transportation, and telecommunications. The French government acts as a supervisory and controlling authority over corporations[12].

The social responsibility of corporations is successful in France. According to D.A. Vinogradov, «the locomotive in the formation of corporate social responsibility in France was the government, state structures. The initial policy of forcing companies to social responsibility gradually transformed into the joint voluntary work of business, state and French society»[13]. The social responsibility of French corporations is particularly evident in the activities of telecommunications corporations, which not only improve the quality of mobile communications and services, but also create special services for people with disabilities (visually and hearing impaired).

Table 4. Features of corporate governance in France[14]

Criteria	Implementation Features
Government involvement	In strategically important industries (space, transport, energy) the government has a controlling stake. The state stimulates the development of innovation and increases the competitiveness of corporations
Banking control	Excessive concentration of financial capital over industrial capital. Industrial corporations develop under the supervision of shareholder banks
Shareholders	Shareholders include large banks and the government
Competitiveness	The French government makes efforts to improve the international competitiveness of corporations
Capital	Formed by bank and state capital.
Innovation	Corporations are engaged in the creation and development of innovative products
Location	French MNCs, especially financial ones, operate in many countries around the world
Social policy	Development of socially oriented businesses, especially in telecommunications
Impact of Political climate	The political course of a country's government has a direct influence on the activities of corporations, which is due to the significant participation of state capital in the activities of corporations

In sum, there are common features between French and German corporate governance, but there are also differences. In both countries corporations use the labor potential not only of the residents

[12] Clarke T. International Corporate Governance. 2nd ed. London and New York Routledge, 2017, p.65
[13] Vinogradov D.S. Features of the formation of corporate social responsibility in France//Society. Environment. Development. (Terra Humana). 2013. No. 5 p. 123
[14] Aripkhodjayeva N.U. «Improving the mechanism of corporate governance in the activities of food industry enterprises». Dis. of the Doctor of Philosophy (PhD) in economic sciences. Tashkent state university of economics. 2024.

of EU countries, but also of other countries, which contributes to migration. In France, however, the concentration of financial capital is exaggerated compared to industrial capital. Industrial corporations develop under the supervision of shareholder banks. In contrast to Germany, the political course of the country's government has a direct influence on the activities of corporations, which is due to the significant participation of state capital in the activities of corporations.

The experience of corporate governance in Japan, which is famous for its high-tech production, is interesting. Large Japanese corporations are focused on research and development. O.I.Pakhomova notes that «the Japanese government encourages corporate structures to invest in science-intensive development by creating conditions for competition of small innovative companies»[15].

Japanese corporations, supported by the state, provide grants for training, support implementation of innovations and scientific developments, which contributes to the competitiveness of Japanese products in the world market and employment of the population.

The social policy of Japanese corporations includes financing various charity funds, preserving the country's ecology and social infrastructure. The Japanese government stimulates the development of the country's economy, so it sets customs barriers to imports from other countries, creating a more favorable regime for domestic producers.

Shareholders in Japan include mainly banking organizations. It is widely practiced for corporations to own shares in each other (so-called «keiretsu» associations). The share of foreign investors in Japanese corporations is minimal. The government does not participate in the financing of Japanese corporations, so it cannot influence their activities[16]. It is the government's job to create favorable conditions for the development and expansion of production in corporations.

The products of many Japanese corporations are innovative, which makes them highly competitive in the world market.

Table 5. Features of corporate governance in Japan[17]

Criteria	Implementation Features
Government involvement	The government does not participate in the financing of Japanese corporations, so it cannot influence their activities. It is the government's task to create favorable conditions for the development and expansion of production in corporations.
Banking control	Banking organizations are shareholders in Japanese corporations.
Shareholders	Among shareholders banking organizations other Japanese corporations (mutual acquisition of each other's shares). State does not participate in corporatization, foreign capital participation is minimal.
Competitiveness	Innovative Japanese products are competitive on the world market.

[15] Pakhomova O.I. Foreign models of corporate structures and their impact on regional economic systems: possibilities of applying best practices in Russia // Bulletin of Eurasian Science, 2020 №1, https://esj.today/PDF/41ECVN120.pdf

[16] Vorobyeva N.A. Features of the Japanese model of state regulation of the economy // News of the Eastern Institute. 2007. p. 75

[17] Aripkhodjayeva N.U. «Improving the mechanism of corporate governance in the activities of food industry enterprises». Dis. of the Doctor of Philosophy (PhD) in economic sciences. Tashkent state university of economics. 2024.

Capital	Formed by bank capital and shareholders' capital
Innovation	Corporations, with the help of the government, stimulate innovation: the development of research and development, which makes the products of Japanese corporations innovative.
Location	Japanese cooperative networks are established all over the world.
Social policy	The social policy of Japanese corporations includes financing various charitable foundations, preserving the country's ecology, social infrastructure
Impact of Political climate	Pursues a course of «separation of politics from economics». Sanctions affecting exports limit markets.

In conclusion, the positive experiences of foreign corporations highlight several noteworthy aspects. These include state oversight of enterprises operating in strategically important sectors, government and corporate stimulation of research and development activities, and the creation of venture capital funds for the commercialization of intellectual property. Furthermore, these corporations exhibit a high level of product innovation, leading to globally competitive offerings. Finally, a commitment to corporate social responsibility is evident, manifesting in infrastructure development and the implementation of environmental, social, and philanthropic programs.

Specifically, the corporate governance models of Germany and France offer valuable lessons for our context, particularly in the development of socially-oriented businesses and the enhancement of international corporate competitiveness. The positive experiences of Japanese corporate governance, especially regarding environmental stewardship, extensive philanthropic initiatives, and the promotion of scientific advancements, can be effectively leveraged in the corporate governance practices of Uzbekistan.