

EFFECTIVE ESTABLISHMENT OF SUPERVISORY BOARD ACTIVITY IN STATE- OWNED ENTERPRISES: FAVORABLE MECHANISMS AND MUTUAL COOPERATION

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Abstract

This article explores the effective establishment and functioning of supervisory board activities within state-owned enterprises (SOEs). Emphasizing the importance of governance frameworks, the discussion highlights favorable mechanisms that can enhance transparency, accountability, and performance in SOEs. The article also examines the role of mutual cooperation between government entities, the private sector, and various stakeholders in optimizing board effectiveness. By drawing on international best practices and case studies, the work provides actionable recommendations for strengthening supervisory boards in Uzbekistan and similar contexts, ultimately contributing to improved operational efficiency and sustainable development.

Keywords: Supervisory boards, state-owned enterprises, governance, transparency, accountability, stakeholder cooperation, performance improvement, Uzbekistan.

Introduction

The governance of state-owned enterprises (SOEs) plays a crucial role in ensuring that these entities operate efficiently and contribute to national development goals. Supervisory boards are integral to this governance structure, tasked with overseeing management performance and ensuring that the organization adheres to legal and ethical standards. In recent years, many countries have recognized the importance of establishing effective supervisory boards within SOEs as a means to enhance transparency, accountability, and overall corporate governance. This article seeks to address the specific mechanisms that can lead to the effective establishment of supervisory board activities in SOEs, particularly in the context of Uzbekistan. Favorable mechanisms include the clear delineation of roles and responsibilities, the implementation of robust selection processes for board members, and the provision of necessary training and resources. Furthermore, mutual cooperation involving government institutions, private sector actors, and other stakeholders is essential to foster an environment conducive to board effectiveness. By analyzing existing frameworks and international best practices, this article will highlight potential strategies that Uzbekistan can adopt to optimize



the activities of supervisory boards, thereby improving the operational performance of its SOEs.¹

MAIN PART

State-owned enterprises (SOEs) serve as significant components of many national economies, often providing essential services and contributing to public welfare. However, the effectiveness of these enterprises greatly depends on their governance structures, particularly the role of supervisory boards. These boards are responsible for overseeing management, ensuring transparency, and promoting accountability. In order to harness the full potential of SOEs, it is crucial to establish effective supervisory board activities through favorable mechanisms and mutual cooperation among stakeholders.²

The first step in achieving effective supervisory board activity is to clearly define the roles and responsibilities of board members. A well-structured board should possess a diverse mix of skills, experiences, and expertise that enables it to tackle a variety of challenges facing the enterprise. Establishing clear guidelines regarding the recruitment process will help in selecting board members who are not only qualified but also committed to the growth and sustainability of the SOE. These guidelines should include criteria such as professional background, relevant industry experience, and an understanding of public sector dynamics to ensure that board members can effectively contribute to the enterprise's strategic objectives. Training and development are also vital components of building an effective supervisory board. Newly appointed board members should undergo comprehensive orientation programs that familiarize them with the enterprise's operations, regulatory framework, and best governance practices. Ongoing professional development opportunities can further empower board members by keeping them abreast of evolving industry trends and governance standards. By investing in the education and development of board members, SOEs can enhance the board's overall effectiveness, leading to improved oversight and performance. Mutual cooperation among stakeholders is essential for the success of supervisory boards. This cooperation involves not only collaboration within the board but also engagement with external parties such as government entities, regulatory agencies, and the private sector. Establishing communication channels with these stakeholders allows for the exchange of valuable insights and fosters a culture of transparency. This collaborative approach enhances the board's decision-making capabilities, as it provides a broader perspective on the challenges faced by SOEs and the wider economic environment.³

In addition to fostering stakeholder relationships, implementing mechanisms for accountability is imperative. Supervisory boards should establish performance metrics and reporting systems to track the enterprise's success against predetermined objectives. Regular evaluation of both the board's performance and that of the SOE will encourage a culture of accountability. Transparency in reporting not only builds trust among stakeholders but also ensures that the board remains focused on its mandates and responsibilities. By holding themselves

¹ Shui-li, Y., Ye, T., & Yi, Y. (2021). Research on the Supervision Mode of Competitive State-owned Enterprises by State-owned Capital Investment and Operation Companies. In *E3S Web of Conferences* (Vol. 251, p. 01107). EDP Sciences.

² Vagliasindi, M. (2008). Governance arrangements for state owned enterprises (Vol. 4542). World Bank Publications.

³ Nana Yaw Simpson, S. (2014). Boards and governance of state-owned enterprises. *Corporate Governance*, 14(2), 238-251.



accountable, board members can strengthen their credibility and reinforce stakeholders' confidence in the governance of the enterprise. Moreover, embracing technology can significantly enhance the operations of supervisory boards. Digital tools can streamline various processes, such as communication, meeting management, and document sharing. Online platforms can facilitate real-time collaboration among board members and even allow for remote participation in meetings, thus expanding the diversity of opinions and expertise involved in decision-making. By leveraging technology, supervisory boards can improve their efficiency and responsiveness, which is especially important in today's fast-paced business environment.

Best practices from international experiences can serve as valuable benchmarks for state-owned enterprises seeking to strengthen their supervisory boards. Countries that have successfully implemented effective governance frameworks in their SOEs provide valuable lessons on board composition, stakeholder engagement, and performance evaluation. Case studies demonstrate that countries with strong, independent supervisory boards are better positioned to navigate challenges and drive positive outcomes. Adopting these best practices can facilitate the transfer of knowledge and enable SOEs to accelerate their governance improvements.

The effective establishment of supervisory board activities in state-owned enterprises is critical for ensuring optimal performance and public accountability. By focusing on favorable mechanisms such as clear roles and responsibilities, ongoing training, mutual cooperation, and technology integration, SOEs can significantly enhance the functioning of their supervisory boards. Drawing lessons from international best practices can further empower these enterprises to navigate the complexities of governance. Ultimately, strengthening supervisory boards will contribute to greater transparency, accountability, and efficiency, paving the way for sustainable development and improved public service delivery in the context of state-owned enterprises.⁴

CONCLUSION

In conclusion, the effective establishment of supervisory board activities within state-owned enterprises is critical for ensuring good governance and achieving strategic objectives in Uzbekistan. By implementing favorable mechanisms such as clear roles, transparent selection processes, and continuous training, the performance of these boards can be significantly enhanced. Moreover, fostering mutual cooperation among various stakeholders is indispensable for creating a supportive environment for effective governance. By drawing on international experiences and best practices, Uzbekistan has the potential to strengthen its supervisory boards, leading to improved accountability and operational efficiency in state-owned enterprises. The recommendations outlined in this article aim to serve as a guide for policymakers and practitioners committed to enhancing the governance structures of SOEs, ultimately contributing to the sustainable economic growth of the nation.

⁴ Juraboev, S. (2021). Impact of corporate governance on overall performances of Central Asia companies (Doctoral dissertation, Politecnico di Torino).



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