
THEORETICAL BASIS OF INNOVATION STRATEGY IN CORPORATE GOVERNANCE OF COMPANIES

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ABSTRACT

This article studies the interdependence of corporate governance and innovation strategy, the organizational aspects of innovation strategy in corporate governance on the basis of the researches of various scientists. The role of corporate governance bodies in the development of innovation strategy, the stages of organization of innovative activities and organizational mechanisms are analyzed. Conclusions are formed on the basis of the study of the organizational aspects of innovation strategy in corporate governance.

KEYWORDS: *Innovation, Innovation Strategy, Corporate Governance, Innovative Activity, Stockholders, Rights of Stockholders.*

INTRODUCTION

The organization of innovative activities is necessary for enterprises in any industry to strengthen their position in the market, increase competitiveness, and achieve profit maximization. Development of innovative strategies and step-by-step implementation of innovative strategies in the organization of innovative activities are paid attention by most companies in international practice. The corporate management established in the company is of great importance in solving issues such as organization of innovative activities in enterprises, formation of innovative strategy. The corporate management bodies of the company make decisive decisions in the development of the innovative strategy and its implementation. In our national practice, there are a number of problems in the formation of innovative strategies in enterprises and their implementation. In particular, in the practice of our country, the aspects highlighted in the innovative strategies, such as increasing the efficiency of the enterprise, introducing innovations into practice, and applying innovations in practice, are not fully covered, and the support of innovative activities by corporate management bodies is not sufficiently implemented, so this research is relevant.

Literature Review

Effective formulation of innovative strategy in international practice is one of the important aspects of effective organization of company activities. For this reason, most researchers have conducted research on the formation of an innovative strategy in corporate management. In particular, the impact of innovations in listed companies on corporate governance. In the conditions of a fiercely competitive market economy, the company's ability to maintain its leading position in the field of innovation is a factor that determines the company's long-term leadership. Therefore, the company's innovative ability is the most important factor affecting long-term investors' income.

A group of scientists focused on the importance of corporate management in the introduction of innovations. Management mechanisms in companies can be divided into internal (established by the

company itself) and external (established by various markets in which the company participates). Corporate governance is one of the main drivers of innovation and technological change. For this reason, in recent years there has been an increased interest in studying the influence of corporate governance mechanisms on innovative decisions made by management. Innovation activities and outcomes depend on factors influenced by corporate governance, such as ownership structure, shareholder identity, or board of director's performance.

Innovation strategy is an important strategy that helps the company create a competitive advantage and generate additional income for shareholders. Also, innovation is a risky and long-term investment made through research and development, development of new products or patents. Companies must be willing to take long-term risks to innovate. In this process, managers and directors need to implement innovative strategies taking into account these long-term risks. The corporate governance system can be seen as a risk distribution and incentive system in the company. Therefore, corporate governance is responsible for creating the culture and incentives necessary for company innovation.

The structure and organization of management bodies of enterprises differ, and these differences are reflected in the innovations implemented by them, among other factors. Indeed, the very concept of corporate governance emphasizes that corporate governance can influence innovation. Because corporate management includes all management bodies of the company in making decisions and distributing tasks and powers in the company. Therefore, effective implementation of corporate management in the development of innovations and innovative strategies in the company's activity allows to implement innovations suitable for the company's activity and current situation.

Three main directions of corporate management related to innovation can be identified. The first is primarily concerned with controlling the corporate ownership structure and profit sharing within the corporation. How these powers are distributed encourages decision-makers in the company to control the allocation of resources and invest in the innovation process. The second is related to the methods of financing innovative production in corporations. Alternative financial instruments imply alternative mechanisms of production management, and this can have a strong impact on the corporation's ability to attract financial resources to irreversible investment strategies. The third refers to labor force (personnel-related issues), which is somewhat neglected by traditional corporate governance studies, but is considered one of the important factors for effective corporate governance organization.

Research methodology

Methods such as scientific abstraction, comparative analysis, induction, deduction, analysis, and synthesis are used in researching organizational aspects of innovative strategy in corporate governance.

Analysis and results

The organization of innovative activities in the enterprises of our country is of great importance in increasing the economic activity of the enterprises. For this reason, a certain amount of attention is being paid to the effective organization of innovative activities and the introduction of innovations in enterprises in our country. Below we will analyze the results of the process of effective organization of innovative activities and implementation of innovations in the fields on the scale of our country.

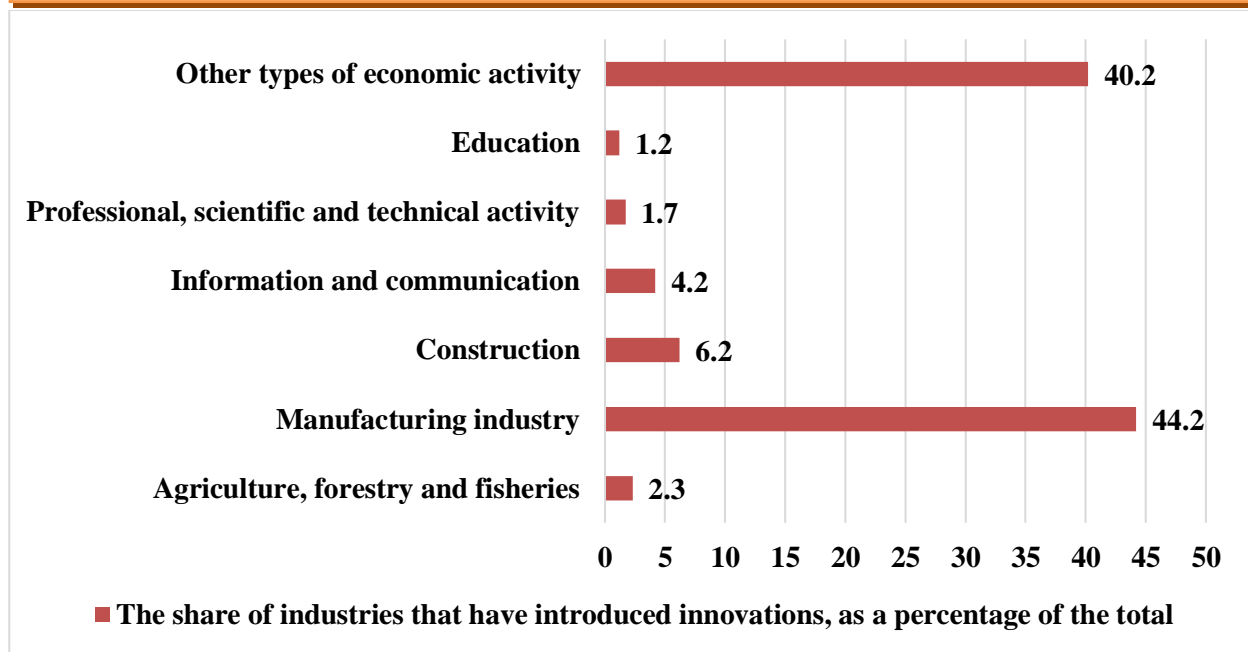


Figure 1. The share of industries that have introduced innovations in the economy (as of 2021, in percent)

Figure 1 analyzes the sectors that introduced innovations in the economy in 2021, and in general, they are divided into 7 sectors. When analyzing the enterprises that introduced innovations in 2021 by types of economic activity, the highest share was observed in the manufacturing industry, making 44.2 percent. Also, agriculture, forestry, and fisheries 2.3 percent, construction 6.2 percent, information and communication 4.2 percent, professional, scientific and technical activity 1.7 percent, education 1.2 percent, economic activity other types made up 40.2 percent. Among the above-mentioned areas, the introduction of innovations in the fields of education, professional, scientific and technical activities, information and communication cannot be evaluated as a positive situation. We can say that the strengthening of innovations in these areas will determine the extent of the development of the future economy.

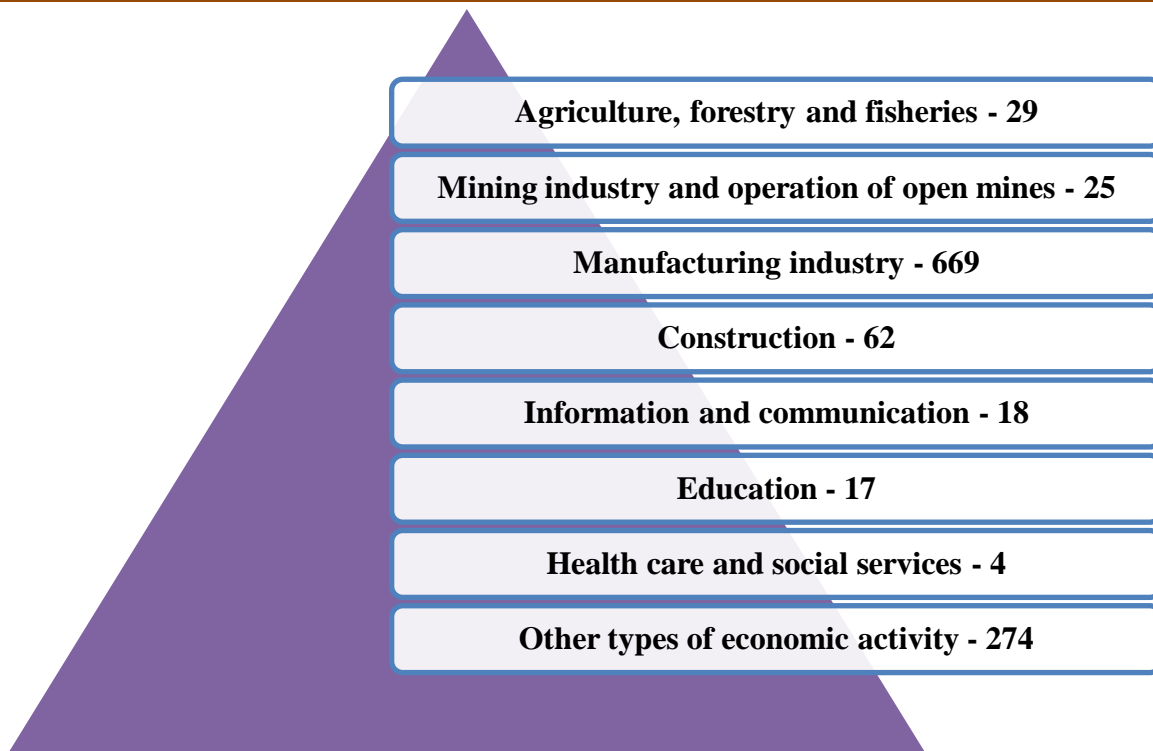


Figure 2. By the end of 2021, the number of small enterprises and micro-firms that introduced technological innovations in the field of economic activities in our country

If we study small enterprises and micro-enterprises that introduced technological innovations in our country during 2021, it can be seen that a total of 1098 small enterprises and micro-enterprises used technological innovations in their activities in the section of economic activities (Figure 2). If we analyze in terms of types of economic activity, there are 29 in agriculture, forestry and fisheries, 25 in mining and open-pit mining, 669 in manufacturing, 62 in construction, information and communication. 18 technological innovations were put into practice in the field of education, 17 in the field of education, 4 in the field of healthcare and social services, and 274 in other types of economic activity. It should be noted that the sector where the least technological innovations were introduced was the healthcare and social service sector, while the manufacturing industry was the sector where the most technological innovations were introduced.

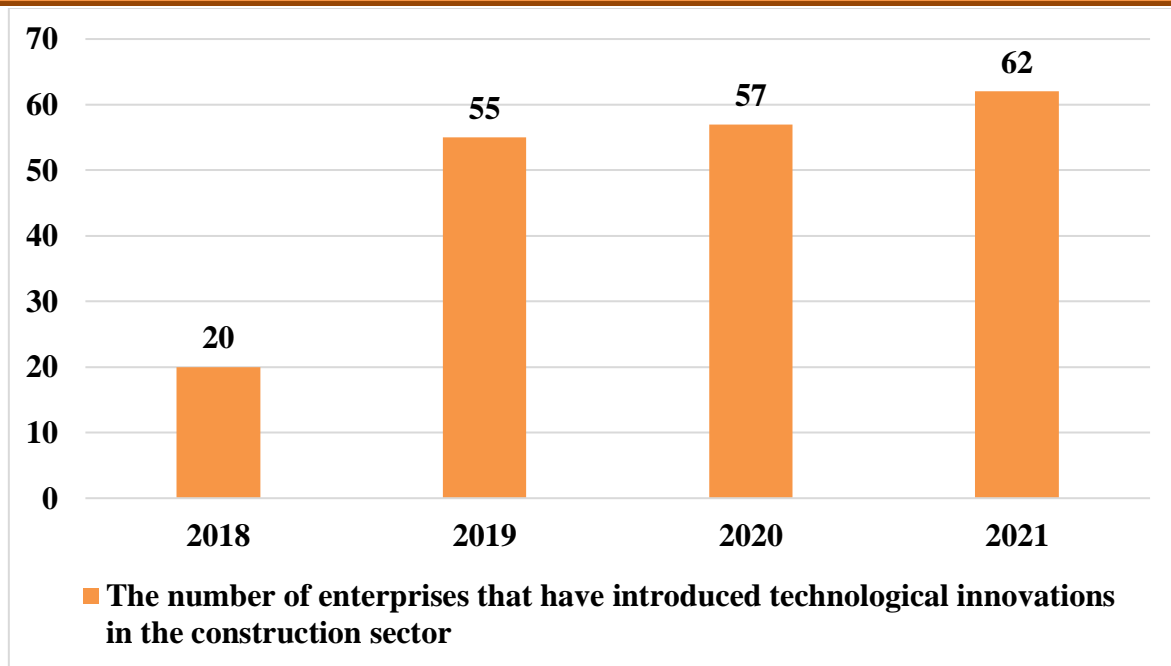


Figure 3. Analysis of enterprises that have introduced technological innovations in the construction sector over the years

Figure 3 presents the analysis of enterprises that have introduced technological innovations in the construction sector over the years. According to this data, we can see that in 2018 20, 55 in 2019, 57 in 2020 and 62 in 2021 construction enterprises introduced technological innovations. It should be noted that after 2018, the introduction of technological innovations in the construction sector has increased significantly. It should also be noted that further expansion of innovations in this field will contribute to the development of the field.

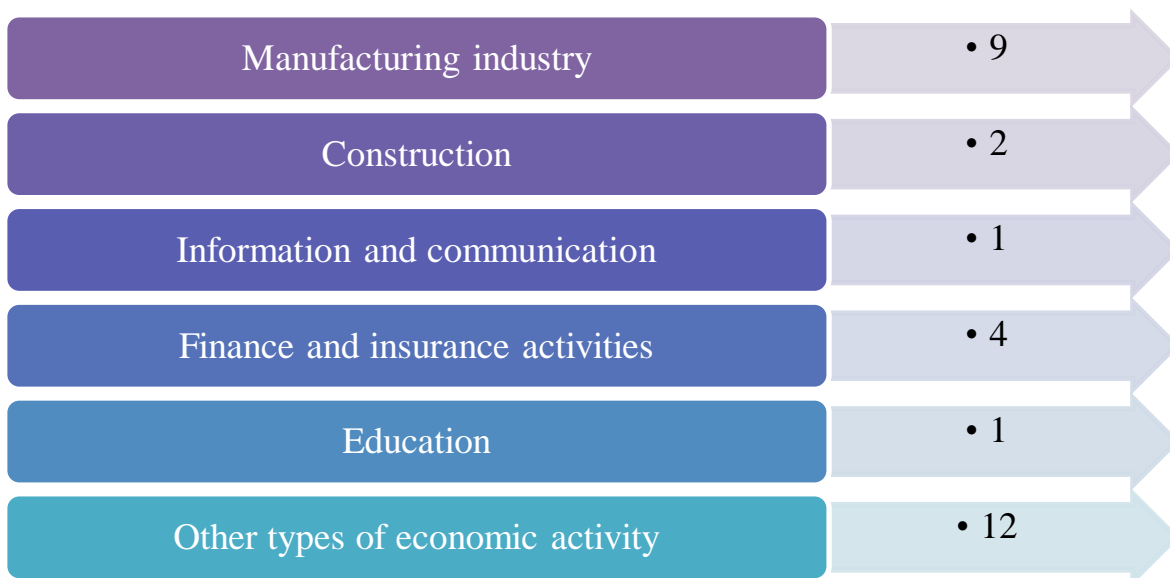


Figure 4. The number of enterprises and organizations that introduced marketing innovations in 2021 (by type of activity)

If we analyze the implementation of innovations in Uzbekistan in terms of types of innovations, it can be seen that the number of enterprises and organizations that introduced marketing innovations in 2021 was a total of 29. In particular, 9 marketing innovations were introduced in the manufacturing industry, and 1 marketing innovation was introduced in the education and information and communication sectors (Figure 4). It should be noted that the introduction of a total of 29 marketing innovations at the national level indicates that marketing innovations are neglected in the country.

CONCLUSIONS

Based on the research of the organizational aspects of the innovative strategy in the corporate management of enterprises, the following conclusions can be formed.

First, when forming an innovative strategy in enterprises, it is necessary to take into account that the innovative activity is in accordance with the strategic goals of the enterprise. When developing an innovative strategy, corporate management bodies should take into account the issue of personnel.

Secondly, the establishment of effective corporate governance in the enterprise ultimately serves to improve financial results. As a result, opportunities for financial support of innovative activities will increase.

Thirdly, in the formation of innovative strategies in enterprises, it is necessary to properly organize innovative activities and attract experienced specialists for this process. In particular, when creating innovations, it is necessary to pay attention to aspects that bring real benefit to the enterprise and to take into account aspects such as those that serve to strengthen the enterprise's position in the market. In this process, it is necessary to take into account the support of the working group by the corporate management bodies and the financing of projects in the long term.

Fourthly, it is necessary to pay attention to the fact that aspects that conflict with the interests of shareholders do not arise in the formation of an innovative strategy from the perspective of ownership. Otherwise, there will be problems in the implementation of the innovative strategy and long-term financing.

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