

WAYS TO IMPROVE THE EFFICIENCY OF JOINT-STOCK COMPANIES IN THE CAPITAL MARKET

Mirzayeva Layli Suxrablovna

PhD (Doctoral) Researcher

Tashkent State University of Economics

Email: layli.mirzayeva.2974@gmail.com

ORCID: 0009-0006-1230-0264

Abstract

In the context of the transformation of global financial markets in 2024–2026, joint-stock companies are facing the need to rethink traditional approaches to capitalization management. This thesis analyzes three key ways to improve the efficiency of public joint-stock companies in the capital market. The first approach involves adopting governance models from the field of Private Equity, which implies a shift from formal oversight to active value creation through compact and expert boards of directors. The second approach highlights the role of ESG transformation as a driver of investment attractiveness, supported by empirical evidence demonstrating increased returns in M&A transactions. The third approach focuses on new requirements for financial discipline and investor communication, including mandatory Market Value Management and the implementation of stewardship codes. Based on analysis of data from McKinsey, BCG, and academic research, a transition model is proposed from compliance-oriented governance to value-driven governance. This shift helps reduce agency costs and increase total shareholder return. The material is intended for board members, corporate secretaries, and investor relations professionals.

Keywords. Joint-stock company, capital market, corporate governance efficiency, Private Equity, ESG transformation, Market Value Management, stewardship, Total Shareholder Return (TSR), agency gap, capitalization.

Introduction

The modern capital market imposes stricter requirements on public joint-stock companies than mere compliance with disclosure regulations. As practice in 2024–2026 shows, formal adherence to regulations no longer guarantees growth in market capitalization. Today, a company's efficiency is determined not by the volume of its assets, but by the quality of its governance, its ability to adapt to ESG requirements, and its capacity to build effective communication with institutional investors. The main issue remains the “agency gap”: management is often focused on short-term quarterly results at the expense of long-term value creation. Recent studies (BCG, 2025; McKinsey, 2025) identify three key directions for addressing this issue:

- transformation of corporate governance models (adoption of Private Equity practices),
- implementation of ESG principles as a value driver,
- optimization of interaction with regulators and investors.

Main body

One of the most unexpected yet effective ways to improve efficiency has been the adoption of governance models from Private Equity (PE) funds. According to surveys of more than 200 directors (McKinsey, 2025), PE teams spend 21% more time on strategy than boards of public companies. At the same time, 50% of PE directors report a “very high” impact on performance, compared to only 11% among directors of public companies. This implies a shift for joint-stock companies from a “supervisory” model to a Value Ownership model. Replacing fragmented strategic sessions with a structured value creation roadmap. Each board meeting should assess progress across specific value drivers: growth, cost efficiency, and capital turnover. Public companies often suffer from “decision paralysis” during CEO transitions. Private Equity practices require a continuous pipeline of candidates and annual stress-testing of leadership replacement scenarios. A high level of social governance reduces transaction costs and increases investment efficiency. For state-owned enterprises in emerging markets, ESG factors often act as a key driver due to regulatory incentives, while for family firms the effect is weaker due to short-term orientation. For a long time, environmental and social requirements were believed to reduce profitability. However, empirical evidence from 2024–2025 (based on data from China and South Africa) disproves this assumption. Joint-stock companies with high ESG ratings demonstrate a stronger ability to integrate acquired assets. A study of 2,415 companies shows that environmentally and socially responsible acquirers achieve higher shareholder returns following mergers and acquisitions. This is explained by stronger reputation, higher stakeholder trust, and reduced risk premiums. In 2024–2025, regulators in countries such as China and Oman introduced mandatory requirements for market value management. If a company’s shares trade below book value ($P/BV < 1$) for an extended period, it must publicly disclose a plan to increase capitalization. These measures encourage boards of directors to actively use:

- share buybacks,
- dividend policies,
- stock splits and other corporate actions to correct undervaluation.

1-table Comparative Analysis of Efficiency Instruments to illustrate the ways of improving efficiency, a comparative characterization of two governance models is presented below:¹

Efficiency Criterion	Traditional Model (Compliance-Oriented)	Innovative Model (Value-Driven)
Focus of the Board of Directors	Oversight of execution and risk management	Value creation and sustainable growth
Market Engagement	Box-ticking disclosure practices	Proactive investor engagement and investor relations
Role of ESG	Perceived as a source of risk and additional costs	A key driver of market capitalization and M&A performance
Management Incentives	Short-term KPIs (revenue and profit-based)	Long-term value-based metrics (TSR, EVA)
Crisis Response	Reduction of investments	Adaptation through a value creation bridge

Analysis of the current situation in financial markets makes it possible to identify several practical instruments capable of improving the performance of joint-stock companies (JSCs) under modern conditions. This involves the introduction of a small (6–8 members) and highly qualified board of directors, a shift from formal meetings to regular “value creation sessions,” as well as the mandatory development of CEO succession planning. These measures significantly reduce agency conflicts and accelerate strategic decision-making. Based on empirical analysis of 2,415 mergers and acquisitions, it has been found that companies with high ESG ratings as acquirers achieve higher return on equity after post-merger integration. In other words, ESG transforms from a cost item into a “key” for accessing cheaper financing and increasing investment attractiveness. The efficiency of a joint-stock company in the capital market today is determined not by the volume of its assets, but by three measurable characteristics: the degree of alignment with Private Equity governance standards, the level of ESG maturity, and the quality of engagement with the market. Companies that ignore these pathways are penalized with a valuation discount, while those that implement them earn a premium for high-quality corporate governance.

References

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