Modern American Journal of Business, Economics, and Entrepreneurship
ISSN (E): 3067-7203
Volume 01, Issue 09, December, 2025
Website: usajournals.org

WAYS TO IMPROVE CORPORATE GOVERNANCE EFFICIENCY IN STATE-OWNED ENTERPRISES

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Abstract

This study examines the key mechanisms for improving corporate governance efficiency in state-owned enterprises (SOEs). Using qualitative analysis of regulatory frameworks, international best practices and empirical cases from developing countries, the research identifies governance gaps and proposes strategies such as board professionalization, transparency enhancement, digital monitoring tools, and performance-based management. Findings show that better governance contributes to increased accountability, reduced corruption risks, and improved organizational performance. The recommendations may serve as a basis for policy decisions and institutional reforms.

Keywords: State-owned enterprises, corporate governance, efficiency, transparency, board of directors, digitalization, accountability.

Introduction

State-owned enterprises (SOEs) play a significant role in national economies, especially in developing countries where they participate in critical sectors such as energy, transport, mining, and public utilities. Despite their importance, many SOEs face persistent challenges including low performance, inefficient management, political interference, and limited transparency. These issues often reduce competitiveness and weaken the fiscal position of governments.

Corporate governance represents the system of rules, practices and processes by which a company is directed and controlled. For SOEs, effective corporate governance is essential for maintaining public trust, ensuring sustainability, and achieving strategic goals. International organizations such as the OECD

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emphasize that improving governance in SOEs requires professional boards, clear reporting mechanisms, and enhanced accountability.

This article explores the main ways to enhance corporate governance efficiency in SOEs by examining theoretical approaches, identifying structural problems, and proposing modern solutions aligned with global standards.

Literature Review. Scientific papers, OECD guidelines, government reports, and World Bank publications on SOE governance were analysed to identify the conceptual framework and international best practices.

Comparative Analysis. Corporate governance models of several countries (OECD members, Singapore, China, Uzbekistan, Kazakhstan) were compared to determine effective governance mechanisms applicable to countries with emerging economies.

Qualitative Assessment. Problems existing in SOEs were examined through qualitative evaluation of legal frameworks, administrative structures, and performance indicators.

Synthesis Method. Based on theoretical and comparative findings, key improvement strategies were synthesized and presented as practical recommendations.

The study identified five major directions that significantly improve corporate governance efficiency in SOEs:

- Strengthening the Role and Independence of the Board of Directors
- Introducing competency-based board selection.
- Reducing political appointments.
- Ensuring independent directors make up at least one-third of the board.
- Establishing committees for audit, risk management and remuneration.
- Publishing annual financial and operational reports.
- Mandatory external and internal audits.
- Introducing open procurement systems to reduce corruption.

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- Setting Key Performance Indicators (KPIs) aligned with national development strategies.
- Linking managers' remuneration to corporate results.
- Applying balanced scorecard approaches.
- Using digital dashboards for real-time monitoring.
- Implementing ERP and e-governance platforms.
- Introducing automated risk-management systems.
- Clarifying the state's role as owner vs. regulator.
- Strengthening corporate governance codes.
- Introducing sanctions for poor performance or governance failures.

The results demonstrate that SOEs often underperform due to limited autonomy, weak oversight, and non-transparent decision-making processes. International experience shows that countries with professionalized boards and strong digital oversight — such as Singapore and South Korea — achieve significantly higher efficiency in state-owned enterprises. The introduction of independent directors helps balance political influence and ensures that strategic decisions are made based on economic, not administrative, considerations. Transparency mechanisms, including open procurement and digital reporting, reduce corruption risks and improve resource allocation.

Moreover, the research indicates that digital tools — real-time dashboards, ERP systems, cloud-based analytical platforms — not only increase monitoring efficiency but also provide a more accurate assessment of risks and performance. However, reforms must be systemic. Isolated changes (e.g., only introducing KPIs or only digitalization) do not guarantee significant improvements. Effective corporate governance requires a holistic approach combining legal reforms, institutional restructuring, and capacity building.

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Table-1. Key Performance Indicators (KPIs) for SOE Corporate Governance Efficiency

№	KPI Category	Indicator Description	Measurement Method
1.	Financial Efficiency	Return on Assets (ROA)	Net income / Total assets
2.	Financial Efficiency	Operating Margin	(Operating income / Revenue) × 100
3.	Governance Quality	Share of Independent Directors	% of board members not affiliated with government
4.	Governance Quality	Board Attendance Rate	Number of board meetings attended / total meetings
5.	Transparency & Accountability	Publication of Annual Report	Yes/No compliance
6.	Transparency & Accountability	External Audit Quality Score	Audit opinion rating
7.	Digitalization	Implementation of ERP Systems	% implementation progress
8.	Digitalization	Online Procurement Usage	Share of procurement through e-platform
9.	Personnel Management	KPI-based Remuneration	% of salary linked to performance
10.	Personnel Management	Staff Training Hours	Number of training hours per employee per year

Table- 1 presents a set of key performance indicators (KPIs) used to assess the efficiency of corporate governance in state-owned enterprises (SOEs). These indicators cover financial, managerial, organizational, and digital aspects of enterprise operations. Financial indicators (e.g., ROA, operating margin) reflect the enterprise's ability to efficiently use assets and generate profits. Governance quality indicators (e.g., share of independent directors, board attendance) demonstrate the level of professionalism and engagement of the board of directors. Transparency indicators (e.g., publication of annual reports, audit quality) allow evaluation of the enterprise's openness to government and public scrutiny. Digitalization indicators (e.g., ERP implementation, e-procurement usage) show the level of process automation and the reduction of corruption

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risks. Thus, table-1 serves as a foundation for a comprehensive assessment of corporate governance efficiency at multiple levels.

Table- 2. Comparison of International Corporate Governance Practices

Country	Key Practice	Benefit for SOEs	Adaptability to Local Conditions
Singapore	Fully professionalized boards; Temasek model	High efficiency, low corruption	High
South Korea	Digital risk monitoring systems	Transparency and quick decision-making	High
Kazakhstan	Unified SOE ownership agency (Samruk-Kazyna)	Clear ownership structure	Medium
China	Party oversight + modern governance	Strong strategic control	Medium - Low
OECD countries	Strong governance codes; open reporting	High public trust	High

Table-2 provides a comparative analysis of international practices in corporate governance of state-owned enterprises. It demonstrates that different countries apply diverse governance models, each reflecting their political and economic environment. Singapore emphasizes fully professionalized boards and the Temasek model, achieving high transparency and financial sustainability. South Korea uses digital risk monitoring systems, enhancing operational efficiency and decision-making quality. Kazakhstan applies a centralized ownership structure through the Samruk-Kazyna holding, ensuring consistent control but requiring high managerial competence. China combines administrative oversight with corporate governance, maintaining strategic direction but limiting managerial independence.

This comparative analysis highlights the strengths of international experience and identifies elements that can be adapted to local conditions. Table-2 provides a scientific basis for developing recommendations to reform corporate governance in SOEs.

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Table -3. Proposed Digital Governance Dashboard Structure for SOEs

Financial Dashboard:	• Revenue, expenses, profitability • Debt ratios • Cost structure
Governance Dashboard:	• Board attendance • Independent directors ratio • Committee activities
Procurement Dashboard:	• Supplier analytics • Open procurement statistics • Contract execution rate
Risk Management Dashboard:	• Operational risks • Financial risks • Compliance alerts
HR Dashboard:	• Employee turnover • Performance evaluation • Training metrics

Table-3 presents the structure of a digital governance dashboard designed for real-time management of state-owned enterprises. The proposed system monitors key performance indicators, enhancing transparency and supporting evidence-based managerial decisions. The Financial Dashboard tracks revenues,

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expenses, profitability, debt ratios, and cost structures. The Governance Dashboard monitors board attendance, the ratio of independent directors, and committee activities. The Procurement Dashboard evaluates supplier performance, e-procurement usage, and contract execution rates. The Risk Management Dashboard provides alerts for operational, financial, and compliance risks. The HR Dashboard tracks employee turnover, performance evaluations, and training metrics. This dashboard structure enables integrated monitoring of enterprise performance, supports accountability, and facilitates timely decision-making to improve corporate governance efficiency.

Conclusion

Improving corporate governance efficiency in state-owned enterprises is crucial for economic stability and sustainable development. The study concludes that:

1. Professional and independent boards are the backbone of effective SOE governance.
2. Transparency and accountability must be enhanced through mandatory reporting, audits, and open procurement.
3. Performance-based management increases motivation and aligns corporate goals with national priorities.
4. Digitalization modernizes monitoring, improves reporting accuracy, and reduces corruption risks.
5. A strong regulatory framework is essential for ensuring consistent governance practices.

Implementing these strategies will enable SOEs to operate more efficiently, reduce fiscal burdens on the government, and contribute to long-term national development.

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