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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**IMPROVEMENT OF THE CORPORATE
MANAGEMENT SYSTEM IN INDUSTRIAL ENTERPRISES**

Speciality: 5311.01 – Organization and Management of Enterprises

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INTRODUCTION

Relevance and development of the research work. The fast technological innovations and profound economic transformations that occurred in the last decade of the XX century has been necessitated the improvement of corporate management models at the global level. This process has been particularly expressed more intensive character in the industrial sector, including in the oil and gas sector being important strategically and as a result, it opened the way for large-scale initiatives in the direction of modernization of corporate management mechanisms.

However, despite these positive changes in corporate management, a number of fundamental economic problems, especially the low capitalization level of joint-stock companies, continue to create serious limitations in the development of financial markets. This factor leads to a weakening of investment activity, a decrease in the volume of stock transactions and a gradual loss of interest of professional participants in the stock market. The current situation requires the reformation of the corporate management system on conceptual bases based on more efficient and modern approaches.

In the document “Azerbaijan 2030: National Priorities for socio-economic development” approved by the Decree signed by the President of the country on February 2, 2021, one of the main directions intended to be implemented in the country’s economy in the period 2021-2030 is the formation of competitive human capital and the space for modern innovations. For this purpose, it is planned to build an ecosystem that encourages the creativity and innovation potential of the society to ensure the competitiveness of the country’s economy.

As a result of targeted economic reforms implemented in the country in recent years, a dynamic growth of the Gross Domestic Product (GDP) has been observed, and industrial production, including the non-oil sector, has expanded significantly. The increase in global demand for oil and the increase in prices on world markets have created conditions for the stability of the country’s financial system and an increase in budget revenues. In this context, improving corporate

management has come to the fore as an issue of strategic importance, especially in terms of attracting large shareholders and foreign investors.

In this regard, first of all, the main criteria for the optimal functioning of corporate management for companies operating in our country should be determined. After this, the existing corporate management structures should be improved and strategic directions for the development of companies should be determined. In accordance with all these processes, appropriate proposals and recommendations should be prepared and implemented, which would create an important basis for the long-term development of corporate management in our country. Such a management system will be important for achieving the strategic goals of companies, strengthening their position in international markets, and at the same time making the investment environment more attractive.

On the other hand, as a result of the purposeful economic policy carried out in our country, GDP growth has reached its highest level, industrial production indicators have improved significantly, and the country has been greatly enriched with gold and currency reserves. Periodically high demand for oil and an increase in world oil prices have allowed the financial system of Azerbaijan to normalize. Corporate management has also become a matter of principle for the government, which wants to attract large shareholders.

In other words, in addition to reducing the risk of investors, it is important to regulate the activities of industrial companies in the fields of finance, organizational structure, innovation and marketing with a management model in accordance with international corporate management standards. This necessity is aimed at increasing competitiveness both at the local and international levels and is considered an important step in ensuring the sustainable development of industrial companies. By creating a management system that meets international standards, companies can strengthen both the efficiency of their economic activities and the trust of investors. This approach is important for increasing the efficiency of corporate management in industrial enterprises of our country. In this regard, first of all, the main criteria for the optimal functioning of corporate management for industrial companies operating in our country should be determined.

After this, the existing corporate management structures in industrial enterprises should be improved and strategic directions for their development should be determined. In accordance with all these processes, appropriate proposals and recommendations should be developed and implemented, which would create an important basis for the long-term development of corporate management in industrial enterprises of our country. Such a management system will be important for achieving the strategic goals of companies, strengthening their position in international markets and at the same time making the investment environment more attractive.

In the world economic literature, numerous studies have been conducted in the direction of the characteristics, complex analysis, evaluation and improvement of the corporate management system. They are reflected in the research works of prominent contemporary economists M.E. Porter, A.Rappaport, A.Afua, L.Brown and M.Caylor, B. Black, V.Kim, H.Jang, S.Claessens, S.Djankov, T.Nenova, D.Larker and many other authors, as well as Azerbaijani scientists Z.A.Samadzade, A.Sh.Shakeraliyev, T.A.Guliyev, M.A.Akhundov, A.I.Bayramov, K.A.Shahbazov, H.S.Hasanov, M.J.Atakishiyev, G.S.Suleymanov, A.B.Abbasov, I.M.Abbasov and R.F.Sadigov. The problems of modern development of the corporate management system in Azerbaijani industry, including the oil and gas sector, have been extensively studied in the works of R.G. Talibov, N.A. Aliyev, A.J. Valiyev, V.I. Valiyev, N. D. Gurbanov, B.V. Ismayilov and others, while the scientific research works of E.A. Rzayev, R.O. Sadikhov and others are devoted to the formation and development of share capital.

Separate aspects of this problem have been the object of research by local economists E.E. Gasimzadeh, R.H. Guliyev, T.N. Polukhov, K.B. Rustamova, P.H. Rustamov, S.C. Zeynalova, A.I. Abdullayev and others.

Despite the fact that the formation of the corporate management system in industrial enterprises is of great importance in the current conditions, this problem has not yet been comprehensively researched and studied from the methodological and organizational-economic point of view. In the conditions of economic integration, insufficient study of

the problem related to corporate management, as well as the demand for its flexible organizational and economic mechanism determines the relevance of the chosen topic of the dissertation.

The evaluation of the corporate management system in the example of SOCAR in the oil and oil products market of Azerbaijan, the relevance of the problem, taking into account the factors currently in the dominant position, determined the choice of the topic, goals and objectives for the research.

The object and subject of the research. The creation and development processes of the corporate management system in the industrial enterprises of Azerbaijan, especially SOCAR, which is the largest participant in the oil and gas sector, are investigated as the object of the research. The subject of the research is the study of the economic relations and mutual relations that emerged during the formation and development of this system.

The aim and objectives of the research. The purpose of the research is to study and systematize the theoretical and methodological aspects of the corporate management system, its formation and development characteristics, to develop scientifically based proposals and recommendations for its improvement based on the analysis and evaluation of the current state of the corporate management system in industrial enterprises (in SOCAR).

The following tasks are planned for the realization of the set goal:

- researching and revealing the theoretical aspects of the formation of corporate management;
- determination of factors affecting the efficiency of partnership relations within the framework of corporate management between the state and private sector;
- evaluation of the mechanism of formation of socio-economic interests and responsibilities of enterprises;
- Justification of the role of the state as a provider of the corporate management system in the industrial enterprises of Azerbaijan;
- complex value assessment of the interaction of the country's industrial enterprises, including the financial control and innovation activities of SOCAR, and the corporate management system;

- identifying and justifying ways to increase the efficiency of the corporate management system;
- preparation of proposals and recommendations regarding the improvement of SOCAR's corporate management structure;
- determining the directions of strategic development of corporate management and assessing the possibilities of their application in Azerbaijan.

The methods of the research. Analysis and synthesis, generalization, classification, comparison methods, econometric modeling were used in the dissertation work.

The principal provisions put forward for defense:

The following new provisions, conclusions and recommendations were received by the author:

1. The socio-economic importance of corporate management is undeniable in terms of the influence on the efficiency of relations between the state and private partners, the formation of the socio-economic responsibility and interests of enterprises.

2. It is important to fully analyze the financial control, innovation and marketing areas of state-owned companies, which have an important role in the development of the country's economy, and establish a corporate management system in those companies based on the assessment of these areas. This process is necessary to ensure sustainable and efficient operation of companies.

3. Improvement of corporate management in joint-stock companies is an important condition for increasing the investment flow, as well as increasing their stability and operational efficiency. Modernization of this management system is essential to attract investment from both domestic and foreign financial sources. In this context, one of the main means for companies to operate more transparently and efficiently is the application of the corporate management code. This code is important not only in terms of regulation of management principles, but also in terms of increasing competitiveness in the market economy.

4. Using the econometric modeling method, it was determined that there is a mutual dependence between the total income and the value of assets, the volume of retained earnings and the value of total capital in the example of SOCAR.

5. Azerbaijan's corporate management model has specific characteristics and is mainly formed as a result of the interaction of internal and external influence mechanisms. The development of this model is determined by the peculiarities of the national economy and the integration of international management practices. In particular, the state regulatory policy and market economy requirements in the activities of local enterprises become serious factors in the formation of this system.

6. In order to clarify the organizational and legal form of state-owned companies and to apply corporate management standards in management, to carry out changes that accurately and clearly define transparency and accountability obligations in accordance with relevant legislation, as well as to adopt relevant norms and rules regulating financial flows between SOCAR and the state, it is necessary to prepare and implement strategic development directions of corporate management in order to increase the efficiency of SOCAR's quasi-fiscal activities.

Scientific novelty of the research. The scientific novelty of the dissertation consists of the following:

- The process of formation of the corporate management system in the industrial enterprises of Azerbaijan was investigated and its specific aspects were determined;

- The impact mechanism of corporate management on the efficiency of partnership between industrial enterprises and the state and on increasing the social responsibility of enterprises was investigated and assessed, and the efficiency and feasibility of positive effects from an economic point of view were justified;

- In the industrial enterprises of Azerbaijan, especially in SOCAR, which is the leading company of the oil and gas sector, the interaction mechanism of the corporate management system with the company's financial and economic and innovation activities was comprehensively analyzed and evaluated, existing negative factors in the mentioned directions of activity and their causes were discovered;

- Based on the data for 2010-2023, the correlations between the total income and the value of assets, the amount of retained earnings and the total capital in the SOCAR sample were evaluated by the method of

econometric modeling and it was determined that the main influencing factors in the increase of the company's total income are the increase of the value of assets and the amount of retained earnings;

- Scientifically based proposals for improving SOCAR's existing corporate management system were developed;

Theoretical and practical significance of the research. The practical importance of the research work is that the provisions and recommendations put forward by the author have been applied in SOCAR's activities. The theoretical provisions, results, proposals and recommendations of the research are of great importance for the application of the corporate sector of the Republic of Azerbaijan on oil and gas, broadening and deepening the knowledge about the corporate management system.

The approbation and application of the research work. The main scientific-theoretical provisions of the dissertation are reflected in 6 articles (including 1 abroad) and 3 theses (including 1 abroad) published in prestigious journals and conference materials recommended by the Supreme Attestation Commission under the President of the Republic of Azerbaijan. From the conference materials, the theses "Theoretical and practical issues of the formation of the corporate management system" (Baku, 2019), "The role of innovations in the sustainable development of the economy of Azerbaijan" (Nakhchivan, 2020), "Paths of improving the efficiency of the system of corporate management" (Poltava, 2020) can be cited.

The author also wrote "Preliminary conditions and characteristics of the formation of corporate management in the conditions of market economic relations" (Baku, 2017), "Impact of corporate management on the efficiency of relations between state and private partners" (Baku, 2017), "Mechanisms of implementing innovation strategy in corporate management" (Baku, 2019), "Role of transparency and accountability in corporate management" (Moscow, 2019), "Corporate management the role of innovative mechanisms in the development" (Baku, 2020), "Issues of improving the corporate management structure in the state-owned enterprises of Azerbaijan" (Baku, 2021) were published.

The name of the organization where the dissertation has been accomplished. The work was performed at the department of

the “Management” of Azerbaijan Cooperation University.

The volume of the structural sections of dissertation separately and the general volume with the character. The dissertation consists of introduction, three chapters, conclusion and list of used literature. The introduction of dissertation consists of 8 pages (14 284 characters), I chapter is 48 pages (81 990 characters), II chapter is 46 pages (70 279 characters), III chapter is 26 pages (46 317 characters), conclusion is 8 pages (11 148 characters), the list of used literature. The total volume of the dissertation consists of 150 pages and 15 tables, 4 figures, 7 diagrams and 1 graphics.

MAIN STRUCTURE OF THE RESEARCH WORK

INTRODUCTION

I CHAPTER. THEORETICAL-METHODOLOGICAL BASIS OF THE FORMATION OF CORPORATE MANAGEMENT

- 1.1. Theoretical aspects of the formation of corporate management
- 1.2. The impact of corporate management on the effectiveness of relations between public and private partners
- 1.3. Features of corporate management and the formation of socio-economic responsibilities and interests of enterprises

II CHAPTER. ANALYSIS AND EVALUATION OF THE CURRENT STATE OF THE CORPORATE MANAGEMENT SYSTEM IN INDUSTRIAL ENTERPRISES

- 2.1. Evaluation of the role of the state as a provider of corporate management in industrial enterprises of Azerbaijan
- 2.2. Comprehensive analysis of SOCAR's financial and economic activities on corporate management
 - 2.2.1. Factorial analysis of SOCAR's total revenue dynamics
- 2.3. Evaluation of SOCAR's innovation activities on corporate management

III CHAPTER. WAYS OF IMPROVEMENT THE CORPORATE MANAGEMENT SYSTEM IN INDUSTRIAL ENTERPRISES

- 3.1. Ways to improve the efficiency of the corporate management system
- 3.2. Directions for improving the corporate management structure of SOCAR
- 3.3. Improving the strategic development mechanisms of corporate management

CONCLUSION

THE LIST OF THE USED LITERATURE

MAIN CONTENT OF THE RESEARCH WORK

In the **introduction** part of the dissertation, the relevance of the topic is justified, the object and subject of the research, goals and tasks, methods, the main provisions defended, the scientific innovations, theoretical-practical importance, approval and application of the work are reflected.

In **chapter I** of the thesis called “Theoretical-methodological basis of the formation of corporate management” the theoretical aspects of the formation of corporate management in the current conditions are reviewed, the effect of corporate management on the efficiency of relations between state and private partners is investigated, and the interaction between corporate management and the characteristics of the formation of socio-economic responsibilities and interests of enterprises is clarified. In this section, it is unambiguously stated that the socio-economic importance of corporate management is undeniable in terms of its compatibility with the conditions and global characteristics of the modern era, its effect on the efficiency of relations between state and private partners, and the formation of the socio-economic responsibility and interests of enterprises.

Since corporate management is a relatively new field of research not only for Azerbaijan, but also globally, the theoretical-methodological and organizational-methodological foundations of this direction have not yet been fully formed. Existing gaps require a more precise explanation of the concepts of “corporation” and “corporate management”, as well as a systematic examination of the essence of these concepts. Along with this, the scientific study of the content of corporate relations and the formation features of management models also stands out as one of the current research directions.

The important role of corporations in the creation and development of the globalization process has been studied. Research shows that globalization has a significant impact on the growth of the world economy and the expansion of international trade. Against the backdrop of economic development, the need for producers, traders and transporters to combine their efforts through cooperation and collaboration to achieve common goals has been justified.

Corporate management problems have emerged due to the growth of companies. Thus, the formation of companies and the expansion of their activities created the basis for the development of corporate management systems on a global scale. This required the application of more complex management approaches than small enterprises, due to the division of ownership and the sharing of management functions between individual managers. In this regard, the historical role and essence of companies in the corporate management system have been extensively researched and analyzed.

In the study, the main models of corporate management - English-American, German, Japanese and family models were analyzed, and their development dynamics in the conditions of globalization were investigated. The specific characteristics and main principles of each model are determined, the convergence tendencies of these models and the trends of forming a single structure in different countries are justified. It is then noted that the corporate management system is a mechanism aimed at ensuring the common benefit of stakeholders. The effectiveness of this system is based on transparency, timely and accurate disclosure of financial and non-financial data, as well as independent audit of reports. This approach, in addition to increasing investor confidence, creates the basis for reliable and efficient cooperation in the corporate environment.

The dissertation shows that the board of directors evaluates the work of managers more objectively and creates conditions for making better decisions in the future. Corporate management principles and international practice ensure such an annual assessment of the board of directors. Therefore, shareholders who entrust their companies to directors should be sure that their companies are managed by honest and competent professionals, because the development and prosperity of companies depends on their actions. Therefore, it is necessary to determine in advance the criteria for evaluating the performance of directors, to determine the mechanism of its implementation, and to link the results of the company with such evaluations.

In the process of research, the author considered the evolution of management functions, the place and role of corporate management in the management system of companies, determined the place and role of

corporate management in the management system of companies, investigated and explained the essence of corporate management principles. At the same time, in the dissertation, the interests of each of the corporate management participants were investigated and it was shown that each participant has a certain interest in society, therefore, the corporate management structure should take into account their rights.

In modern realities, one of the most important factors of the economic development of the enterprise is corporate social responsibility (CSR). This not only improves the image and reputation of the enterprise, but also ensures its economic growth and competitive advantage in the long term. Social business initiatives will be more effective if CSR is incorporated into the overall management strategy of the enterprise. Also, in modern times, CSR requirements and relevant standards are becoming more important in the business world. For this reason, the expansion of research is important to ensure the long-term sustainable development of companies by increasing their social responsibility.

In **chapter II** of the thesis called “**Analysis and evaluation of the current state of the corporate management system in industrial enterprises**”, first, the role of the state as a provider of corporate management in the industrial enterprises of Azerbaijan was substantiated, and then, within the framework of corporate management, the analysis of the financial control and innovation activities of state companies, including SOCAR, as well as the factorial analysis of the general income dynamics of SOCAR was conducted. With this, a provision has been made for the defense that in order to fully restore the financial and economic activities of state-owned companies, including SOCAR, which are important in the development of the country’s economy, it is necessary to achieve the creation of a corporate management system in them based on the analysis and evaluation of their financial control and innovation activities.

If transparency is ensured, the society has more information about the essence of the decisions that will be taken by the state institutions, which creates conditions for social discussion, increases social trust in the economic subjects of the government, and makes the functions of

those subjects in the direction of accountability and responsibility more flexible. Ensuring transparency leads to improvement of activity in state bodies, more efficient analysis and evaluation. Transparency is also one of the main conditions for the development of the economy, the creation of a favorable business environment, and the attraction of foreign investments.

On January 23, 2021, by the decree of the president of the country “On measures to improve the management of the State Oil Company of the Republic of Azerbaijan”, SOCAR was placed under the management of the AIC. The AIH was instructed to implement the corporate management standards related to the management of SOCAR, to prepare and start the implementation of the performance evaluation system of the members of the management bodies, as well as to conduct diagnostics on the results of its activities in the fields of law, commerce, finance and taxation, with the help of an international consulting company, in compliance with existing contractual obligations.

In order to further strengthen the financial position of SOCAR, the involvement of independent experts and consultants, the evaluation and renewal of procurement strategies, as well as the introduction of new technologies can bring positive results. Such approaches will strengthen SOCAR’s position in the market environment and ensure its long-term sustainability.

1. Conduct centralized procurement for equipment and materials of the same name.
2. To sign annual, as well as half-yearly and quarterly contracts.
3. Involving manufacturing companies directly in purchasing operations.
4. Payment of advance payments (about 10-15%) to the staff of winning companies in procurement operations.
5. To organize a logistics management structure that works together with the supply department within the framework of SOCAR and, as a result, to have the opportunity to work directly with enterprises.
6. To draw up a rating table for the participants of procurement operations.
7. Centralized implementation of customs affairs.

8. Prohibition of manual creation of materials belonging to the category of regularly used materials (MIM), which are automatically generated in the SAP system.

9. Prohibition of manually increasing the amount of regularly used materials generated automatically in the SAP system.

10. Prohibition in the SAP system for non-repurchase of materials belonging to the category of non-liquid materials.

11. Conducting constant monitoring in order to further increase the control over the application of management and regulation methodology for material and technical resources.

Although SOCAR has seen progress in terms of technological capabilities and the discovery of new fields, oil production has decreased. In 2015-2023, the company's oil production decreased to 6.1%. In 2023, oil production will be 7.7 mln. tons, and oil refining 6.3 mln. tons, which is 4.05% and 6.8% more than the corresponding indicators of 2020. The fluctuation in the specific gravity of SOCAR in the total volume of oil produced in the country was around 16.7-20.5% in 2010-2019. In 2020, this indicator has increased to 21.4%, and in 2023 to 25.7%.

Along with oil, gas production also decreased. In 2008, the gas production of OJSC was 7.75 billion. m³, in 2020 it will be 7.34 billion. m³, and in 2023 it will be 8.39 billion. rose to m³ (Table 1).

In 2023, SOCAR's gas production amounted to 8.39 billion cubic meters, which shows an increase of 14.3% compared to 2020. Despite this, SOCAR's share in gas production across the country decreased by 2.7 percentage points to 17.3% compared to 2020. In 2023, gas processing at SOCAR will cost 3.5 bln. cubic m. which is 5.4% less than in 2020.

As a result, the share of gas processing in SOCAR in the country's processing increased by 0.9 percentage points in 2023 compared to 2020 and was close to 14.0%.

Table 1.

Oil and gas production in Azerbaijan, including SOCAR, in the years 2008-2023

| Years | Oil production in AR, mln. Ton | As well as SOCAR, mln. ton | SOCAR's share in AR for oil production, % | Gas production on AR, mlrd. m ³ | As well as SOCAR, mlrd. m ³ | SOCAR's share in AR for gas production, % |
|-------|--------------------------------|----------------------------|---|--|--|---|
| 2008 | 44,5 | 8,65 | 19,4 | 23,4 | 7,75 | 33,1 |
| 2009 | 50,4 | 8,54 | 16,9 | 23,7 | 6,90 | 29,1 |
| 2010 | 50,8 | 8,46 | 16,7 | 26,4 | 7,18 | 27,2 |
| 2011 | 45,6 | 8,40 | 18,4 | 25,8 | 7,08 | 27,5 |
| 2012 | 43,4 | 8,29 | 19,1 | 26,9 | 6,92 | 25,7 |
| 2013 | 43,5 | 8,32 | 19,1 | 29,5 | 7,14 | 24,2 |
| 2014 | 42,0 | 8,32 | 19,8 | 29,6 | 7,22 | 24,4 |
| 2015 | 41,6 | 8,16 | 19,6 | 29,0 | 6,87 | 23,7 |
| 2016 | 41,0 | 7,52 | 18,3 | 29,4 | 6,27 | 21,3 |
| 2017 | 38,7 | 7,43 | 19,2 | 28,6 | 6,18 | 21,3 |
| 2018 | 38,8 | 7,54 | 19,4 | 30,5 | 6,53 | 21,4 |
| 2019 | 37,5 | 7,68 | 20,5 | 35,6 | 6,82 | 19,2 |
| 2020 | 34,5 | 7,41 | 21,4 | 37,1 | 7,34 | 20,0 |
| 2021 | 34,6 | 7,89 | 22,8 | 43,9 | 7,86 | 17,9 |
| 2022 | 32,7 | 7,79 | 23,9 | 46,7 | 8,07 | 17,3 |
| 2023 | 30,2 | 7,74 | 25,6 | 48,5 | 8,39 | 17,3 |

Source: <http://www.socar.az/socar/assets/documents/az/socar-annual-reports/davamli-inkisaf2023.pdf> *compiled by the author using data from above site.*

SOCAR will increase its assets to 12.5 billion in 2008-2023. 72.0 billion from AZN. reached 6 times the increase by bringing it to manat. Although the growth of the total capital, especially the authorized capital, increased the assets, the main increase was realized due to the liabilities. The value of the company's total capital is 7.5 billion in 2008-2023. 34.85 billion manats. increased to manat. Despite such growth, the share of total capital value in assets fell from 59.8% in 2008 to 48.4% in 2023. The share of funds attracted by OJSC (trade and other creditors, short and long-term debt obligations, etc.) has increased accordingly. The amount of the charter capital is 0.42 billion in 2008. from AZN to 5.01 billion in 2023. increased to manat (Table 2)

The amount of undistributed profit in the company is 6-8 billion per year. changed around manat. If in 2008, 90.5% of SOCAR's special capital was formed due to undistributed profits, by the end of 2023, this

indicator has decreased to 46.5%. The specific weight of the charter capital increased from 5.6% to 7.3% during the analyzed period.

Thanks to the implemented measures, the depth of oil refining in SOCAR was 53.3% in 2001, and 94.3% in 2023. However, since 2014, the downward trend is showing itself.

Table 2. SOCAR’s main financial efficiency indicators in 2008-2023, in %

| Years | Capital / Assets | Authorized capital / Assets | Retained Earnings / Total Capital |
|-------|------------------|-----------------------------|-----------------------------------|
| 2008 | 59,8 | 2,8 | 85,9 |
| 2009 | 54,2 | 4,2 | 84,3 |
| 2010 | 51,9 | 4,0 | 82,0 |
| 2011 | 54,6 | 6,3 | 73,0 |
| 2012 | 45,1 | 5,0 | 73,4 |
| 2013 | 44,7 | 5,7 | 73,3 |
| 2014 | 45,9 | 6,2 | 75,5 |
| 2015 | 36,7 | 4,1 | 42,3 |
| 2016 | 33,4 | 3,4 | 35,4 |
| 2017 | 35,8 | 5,0 | 33,5 |
| 2018 | 38,5 | 6,7 | 32,0 |
| 2019 | 37,2 | 6,6 | 31,1 |
| 2020 | 34,2 | 7,3 | 24,5 |
| 2021 | 32,8 | 6,9 | 27,9 |
| 2022 | 41,2 | 5,9 | 45,3 |
| 2023 | 48,4 | 7,0 | 46,5 |

Source: Compiled by the author based on SOCAR’s financial statements.

Oil products processed by SOCAR in recent times are mostly aimed at the local market. While in 2009, up to 57% of oil refining products were exported, in 2018, it was 82%, in 2019-2021, 17-25%, including 23% in 2020, 9-10% in 2022-2023, including 9.7% in 2023. In 2010, the Company’s sales of refined products in the domestic market reached the highest level - 43.5%.

The amount of receipts from the export of oil refining products is 338.9 mln. dollars, and the amount from domestic sales is 2491.5 mln. manats (1465.6 million dollars).¹

In 2010, SOCAR's total income was only 5.5 billion manats, but in 2018, this figure increased to 107.8 billion manats. At the end of 2019, revenues decreased to 83.7 billion manats, and in 2020, they decreased by 1.7 times compared to the previous year and became 49.6 billion manats. However, in 2023, compared to 2020, it increased by 1.72 times and amounted to 85.2 billion manats (Diagram 1).

The main reason for this increase is the income from the sale of crude oil. The increase in the price of crude oil in world markets has led to a significant increase in SOCAR's annual income.

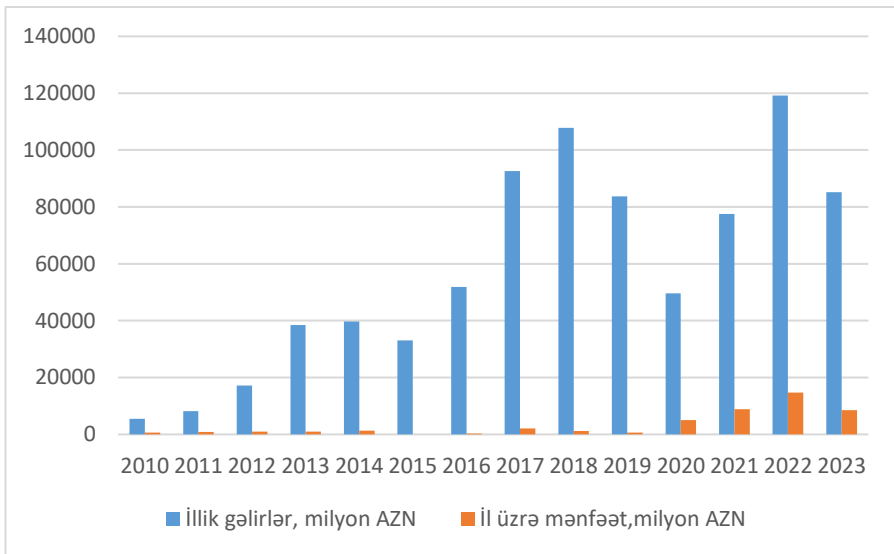


Diagram 1. Dynamics of annual profit and annual revenues in SOCAR

Source: Compiled by the author based on SOCAR's financial statements.

¹ Azərbaycan Respublikasının Biznes Mühiti və Beynəlxalq Reytinglər üzrə Komissiyası. EKOLOJİ, SOSIAL VƏ KORPORATİV İDARƏETMƏ (ESG). Bakı, 2024. – 136 s., s. 119

As a result, despite the decline in crude oil production, its share in total revenues increased from 23.8% to 63.2% from 2008 to 2020. During the analyzed period, revenue from crude oil sales increased from 0.66 billion manat to 83.8 billion manat. During the same period, annual revenue from natural gas sales increased by 5.2 times compared to 2008, reaching 2.7 billion manat.

Although the company increased its annual profit from 655.7 million manat in 2010 to 2 billion manat in 2017, it fell again to 653 million manat in 2019 and to 1.7 billion manat in 2020. The volume of annual profit in 2023 was 8562 million manat, which is 1.7 times more than in 2020.

It is clear from the Charter of the institution that, except for cases stipulated by the legislation, the company is not liable for the obligations of the state. The property of a company engaged in commercial activities is formed from various sources, including property provided by the state, income from commercial activities. The company exercises its rights of ownership, use and disposal. After paying taxes and other mandatory payments to the state, SOCAR has the right to concentrate the income it receives from its activities and the activities of its entities in centralized funds and independently dispose of these funds. SOCAR does not have a clear system of rules regulating financial relations with the state. The existing rules do not reflect a special approach between an institution playing a special role in the country's economy and the state, which is almost indistinguishable from the relationship between an ordinary enterprise.

Using the econometric modeling method, the level of mutual dependence between total income (Y) and the value of assets (X1), the volume of retained earnings (X2) and the value of total capital (X3) was determined in the example of SOCAR. For this purpose, first, the density (correlation) relationships between these indicators were evaluated using econometric modeling based on statistical data for 2010-2023 (Table 3).

Table 3. Correlation dependence of variables

| | Y – Ümumi gəlirlər (ÜG), mln manat | X1- Aktivlərin dəyəri, mln manat | X2- Bölüş- dürülməmiş mənfəətin həcmi, mln manat | X3- Ümumi kapitalın dəyəri, min manat |
|---|---|---|---|--|
| Y - Ümumi gəlirlər (ÜG), mln manat | 1.000 | 0,897069 | 0,525740 | 0,885551 |
| Aktivlərin dəyəri, mln manat | 0,897069 | 1.000 | 0,448406 | 0,947760 |
| Bölüşdürülməmiş mənfəətin həcmi, mln manat | 0,525740 | 0,448406 | 1.000 | 0,693213 |
| Ümumi kapitalın dəyəri, min manat | 0,885551 | 0,947760 | 0,693213 | 1.000 |

Source: Calculated by the author using SPSS software package using data from www.stat.gov.az.

The values of the obtained pairwise linear correlation coefficients show that there is a positive, linear relationship between the value of assets ($r = 0,897$), the amount of retained earnings ($r = 0,526$) and the value of total capital ($r = 0,886$). In addition, there is a positive, linear relationship between the value of assets ($r = 0,897$) and the value of total capital ($r = 0,886$) and a relatively weak relationship between the value of retained earnings ($r = 0,526$).

The value of the multifactor linear correlation coefficient, which expresses the joint effect of the three factors mentioned, is reflected in Table 4:

Table 4

**The value of the multivariate linear correlation coefficient
(Model Summary^b)**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .968 ^a | 0,827 | 0,775 | 8252.2750 | 1.427 |

a. Predictors: (Constant), Aktivlərin dəyəri, mln manat; Bövlüşdürülməmiş mənfəətin həcmi, mln manat; Ümumi kapitalın dəyəri, mln manat.

b. Dependent Variable: Ümumi gəlirlər (ÜG), mln manat

As can be seen from the table, the multifactor linear correlation coefficient is equal to $R = 0.909$ and shows the strong influence of the three named factors on the level of OG.

Based on the value of the determination coefficient $R^2 = 0,827$, it can be said that 82.7% of the change in the volume of CE is caused by the 3 mentioned factors, 17.3% by other factors. It should also be noted that a large determination coefficient can also occur due to the small number of observations².

Thus, in the context of the dynamics of total revenues in SOCAR during the last 14 years (2010-2023), we investigated and evaluated the degree of influence of specific factors and determined that factors such as the increase in the value of SOCAR's assets and the volume of undistributed profits were the main factors in increasing the company's total revenues in the studied period. We believe that increasing the impact of these two factors in these two directions will allow not only to improve SOCAR's main development indicators at the micro level, but also macroeconomic indicators at the country level as a whole.

One of the main points envisaged in the "Corporate Strategy of SOCAR until 2035" is to expand the application of innovations in SOCAR. Accordingly, work is being carried out to apply a scientific innovative approach in SOCAR's corporate activities and operations.

² Borodiç S.A. Ekonometrika. Praktikum. Dərs vəsaiti / Rus dilindən tərcümə /. Bakı: "İqtisad Universiteti" Nəşriyyatı, 2019. - 428 s.

In order to systematize the set goals and determine the next steps, an innovation roadmap has been prepared and work has been done to stimulate internal ideas and develop a program for management. In addition, work is being carried out to form an innovation culture in SOCAR's enterprises and organizations and to implement relevant seminars, training and information events in this area.

In order to create new generation nanotechnologies suitable for the oil industry and to benefit from modern international experience in this area, cooperation relations have been established and are developing between SOCAR and many leading universities and science centers around the world. Currently, Memorandums of Understanding and Protocols have been signed and implemented with organizations operating in the field of nanotechnologies in Germany, Italy, Luxembourg, Iran, Russia and Canada.

The analysis shows that the main reason for the fact that only a small part of the production in the oil and gas sector of Azerbaijan is carried out with the help of nanotechnologies is the lack of necessary financial resources, that is, there is a need to prepare and implement appropriate measures related to the improvement of the financing of nanotechnologies in the companies of the relevant sector of the country.

The State Oil Company of the Republic of Azerbaijan (SOCAR) has taken steps towards the implementation of reforms based on international experience in order to optimize the transport provision of the institutions included in its structure, as well as to increase the efficiency of the operational activities of the Transport Department and to ensure cost effectiveness. For this purpose, a relevant agreement was concluded between SOCAR and the Ernst & Young Consulting Company and cooperation was initiated.

Since February 1, 2017, the implementation of a pilot project on the "Implementation of a Continuous Improvement System (CIS)" has been launched at SOCAR's main production facilities in order to increase the efficiency of operational processes, improve the level of labor protection and safety, as well as systematically adopt innovative initiatives.

In order to improve operational activities in the Transport Department, organize transport provision in a centralized and efficient manner, as well as expand the application of the FTS in other structural divisions of SOCAR, a relevant order was signed by the President of SOCAR on April 6, 2017, and based on that document, the application of the CIS and its regulations began.

In a short period of time, the training, promotion and phased application of the CIS and its regulations were ensured in 11 enterprises and organizations of SOCAR, as well as in 12 structural divisions of the “Manafteg Production Union”.

In the **III chapter** called “**Ways of improvement the corporate management system in industrial enterprises**”, the ways of improving the efficiency of the corporate management system are investigated, the directions for improving the corporate management structure on the example of SOCAR are determined, and relevant proposals are given and justified regarding the improvement of the strategic development mechanisms of corporate management.

The efficiency of corporate management is a decisive factor in the successful operation of any company. Currently, corporate management in Azerbaijani enterprises faces a number of unresolved issues. Among these issues, the lack of a standard methodology for evaluating the efficiency of corporate management, as well as the lack of regulation of corporate relations, stand out.

One of the main provisions put forward for defense is that improving corporate management is the most important measure necessary to increase the stability and efficiency of the joint-stock company’s activities, as well as to increase the flow of investment both from domestic sources and from foreign investors. One of the ways to such development is the introduction of a corporate management code. SOCAR was one of the 22 state-owned enterprises transferred to the management of the State Enterprise of Azerbaijan Republic (SEA) based on the decree signed by the President of the country on November 5, 2020. The changes in the management of the company did not end with its transfer to the management of the State Enterprise of Azerbaijan Republic (SEA). Another decree of the President of the country on

improving the management of SOCAR was signed on January 23, 2021.³

The main activity of the Supervisory Board, established in accordance with the Decree to provide general management and control over SOCAR's activities, is aimed at increasing the efficiency of SOCAR's activities, based on advanced international experience and modern management requirements, and improving its management in the light of modern corporate management standards.

One of the ways of such development is the application of a corporate management code, which allows for the organization of a shareholder's management system in accordance with the following principles in general.

1. The company should strive to treat all shareholders equally and fairly in the exercise of their rights and participation in the management of the company.

2. An effective risk management and internal control system should be developed for the company in order to provide reasonable confidence in achieving the company's goals, etc.

For the better functioning of joint-stock companies, it is proposed to pay special attention to:

1. Corporate relations. For this, it is necessary to apply state regulatory methods and tools. This is necessary for the state to transform from a simple shareholder into an active shareholder.

2. Improvement of the legislative framework. Amendments to the Law of Azerbaijan "On Joint-Stock Companies". This will allow improving the work of joint-stock companies.

3. Improvement of corporate culture in the company, in particular, compliance with shareholders' rights.

4. Increasing the competitiveness of the Azerbaijani stock market and access to foreign markets.

5. Increasing the investment attractiveness of joint-stock companies, in particular, optimizing dividend policy and increasing information transparency of the company.

³ "Azərbaycan Respublikası Dövlət Neft Şirkətinin idarə edilməsinin təkmilləşdirilməsinə dair tədbirlər haqqında" Azərbaycan Respublikası Prezidentinin 23 yanvar 2021-ci il tarixli Fərmanı. Bakı şəhəri, 23 yanvar 2021-ci il № 1258.

6. Implementation of the basic principles of corporate management in a joint-stock company and justification of the role of the corporate secretary in the work of a joint-stock company.

In the dissertation work, the corporate management model applied in Azerbaijani companies, its specific features, as well as the internal and external influence mechanisms that shape this model, were analyzed and visually presented through appropriate schemes.



Figure 1. Internal mechanisms determining the corporate management model in Azerbaijani companies.

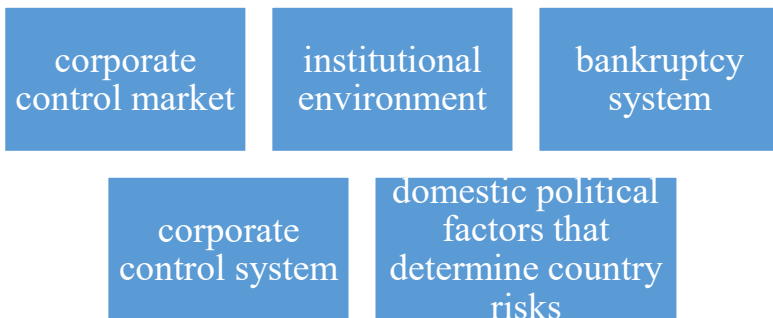


Figure 2. External mechanisms determining the Azerbaijani corporate management model.

Thus, in order to further improve the Azerbaijani corporate management model, it is appropriate to take into account the world management experience and adapt it to the national economic

conditions. Future research should focus on increasing the interest of local corporations in creating an effective corporate management structure using existing achievements.

The specific features of the Azerbaijani corporate management model are formed largely under the influence of internal and external mechanisms. These mechanisms provide opportunities to further strengthen the organization's strengths and eliminate weaknesses in internal mechanisms by objectively guiding the decision-making process of managers. In general, external corporate management mechanisms consist of many elements that help increase the overall efficiency of the organization.

It is proposed to clarify the organizational-legal form of state-owned companies and to apply corporate management standards in management, to make changes that accurately and clearly define the obligations of transparency and accountability in accordance with the relevant legislation, as well as to adopt relevant norms and rules regulating financial flows between SOCAR and the state, to improve the efficiency of SOCAR's quasi-fiscal activities, it is proposed to prepare and implement strategic development directions of corporate management.

Based on the new strategy, it will be possible to review the investment portfolio, ensure the sustainability of the business, as well as increase the efficiency of the company's operating model.

As a result of the research work, the following results were obtained and certain proposals were put forward:

According to creating a more competitive, accountable and transparent environment, controlling government spending, and thereby achieving efficiency, the new corporate management model proposed for the period before privatization, formed directly by the President of the country, will be useful and effective. As the President of the country also noted, for this, there is a need to further strengthen state and public control.

In our opinion, steps towards liberalization and privatization must be intensified. Many state-owned companies that do not operate efficiently and only aim to preserve their existence, in fact, use state

resources to build businesses. These enterprises impose a heavy burden on the state and ultimately crowd out the private sector, preventing healthy competition in the economy.

Such inefficient activity of state enterprises, including open joint-stock companies (JSC) and state service providers, disrupts the market environment and prevents innovative development. This situation results in these companies using state resources exhibiting more monopolistic behavior and inhibiting the development of independent businesses. As a result, the presence of such companies in the market not only harms the activities of private enterprises, but also has a negative impact on economic growth and social welfare in a broad sense. It is impossible for private enterprises to compete with such institutions in the current conditions. In our opinion, the newly created ECJ should immediately prepare a list of state-owned companies to be privatized.

By considering all this, it is necessary to take steps in the following directions to increase the efficiency, transparency and accountability of SOCAR's corporate management:

Defining future goals in the company and clarifying the scope of activities. In this direction, we consider it important to implement the measures mentioned below:

- Development of a single strategy for the company's medium-term (5 years) and long-term (15-20 years) development;

- Preventing SOCAR from becoming a company with a very large status, preventing its horizontal and vertical monopolistic position in order to create a competitive environment in the market;

- Limitation of targets leading to horizontal integration of the company. In order to realize this, it is appropriate to remove the production union "Azerkimya" from the company and establish its activity as an independent company;

- Limitation of goals that lead to vertical integration of the company. In order to strengthen mutual control and transparency between the production enterprise and the sales enterprise, "Azerigas" LTD SOCAR, which is engaged in the sale of natural gas to the population and vulnerable groups in the country, was removed from its composition and turned into an independent entity.

It is important to accurately determine the organizational and legal form of the company and to apply corporate management standards in its management system. In this context, it is important to implement the following measures:

- Changing the organizational-legal form: Currently, the society has the status of “state enterprise”. The transition from this status to the status of a state joint-stock company, which can operate more modern and flexible, should be ensured. This change will make the management principles of the company more transparent and efficient.

- Implementation of corporate management standards: Systematic implementation of corporate management standards in the company will increase the quality of management processes, protect the rights of shareholders and facilitate the achievement of the strategic goals of society. These standards may include measures such as appointing independent directors, establishing appropriate committees and ensuring transparency of financial statements.

The principal theses of the dissertation work have been reflected in the following articles and scientific works of the author:

1. Təhməzov M.A. Bazar iqtisadi münasibətləri şəraitində korporativ idarəetmənin formalaşmasının ilkin şərtləri və xüsusiyyətləri. // - Bakı: “Kooperasiya” elmi-praktiki jurnal. 2017, №1 (44), - s. 95-103.
2. Təhməzov M.A. Korporativ idarəetmənin dövlət və özəl tərəfdaşları arasında əlaqələrin səmərəliliyinə təsiri. // - Bakı: “Audit” elmi-praktiki jurnal. 2017, №3, - s. 113-121.
3. Təhməzov M.A. Korporativ idarəetmədə innovasiya strategiyasının reallaşdırılması mexanizmləri. // - Bakı: “Kooperasiya” elmi-praktiki jurnal. 2019, №1 (52), - s. 23-28.
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5. Тахмазов М.А. Роль прозрачности и подотчетности в корпоративном управлении. // - Москва: “Финансовая

Экономика” всероссийский научно-аналитический журнал. 2019, №4 ч.7, - с. 754-757.

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8. Тахмазов М.А. Пути повышения эффективности системы корпоративного управления. // - Полтава (Украина): Международная научно-практическая конференция: “Актуальные проблемы экономики, учета, менеджмента и права”. 16 сентябрь 2020, - с. 56-58.
9. Təhməzov M.A. Azərbaycanın dövlətə məxsus müəssisələrində korporativ idarəetmə strukturunun təkmilləşdirilməsi məsələləri. // - Bakı: “Kooperasiya” elmi-praktiki jurnal. 2021, №4 (63), - s. 143-152.



The defense of the dissertation will be held on the 17th of October in 2025 at 11⁰⁰ at the meeting of One-time Dissertation Council – BED 1.10 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at the Institute of Economics of the Ministry of Sciences and Education of the Republic of Azerbaijan.

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