DIGITAL CORPORATE GOVERNANCE AND MECHANISMS FOR REDUCING CORPORATE CONFLICTS

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ANNOTATION

This article explores the transformative role of digital technologies in contemporary corporate governance and their efficacy in mitigating corporate conflicts. The author examines the nature, causes, and consequences of disputes within corporate structures, providing a comprehensive classification of conflicts based on scope, participants, and subject matter. The research highlights that traditional governance frameworks often struggle with information asymmetry, opacity, and agency problems.

KEYWORDS

Corporate Governance, Corporate Conflicts, Digitalization, Blockchain, Artificial Intelligence, Agency Costs, Transparency, Information Asymmetry, Shareholder Rights, Stakeholder Engagement, Institutional Shift, Uzbekistan.

Empirical evidence from both national and international experience indicates that the emergence of conflictual situations within corporate relationships represents one of the most frequently observed phenomena in contemporary business environments. Consequently, it is imperative that participants in corporate governance possess comprehensive knowledge regarding the essence of corporate conflicts, their underlying causes, and potential consequences, alongside the internal and external capacities available for the prevention of such situations and the mechanisms through which state regulation operates. Within this ameliorative framework, the effective management of conflicts of interest constitutes a paramount priority. The integration of digital technologies into corporate governance represents a transformative approach to

addressing the root causes of corporate conflicts. Digital corporate governance integrates modern technologies like artificial intelligence, blockchain, and big data into traditional governance frameworks to enhance transparency, accountability, and efficiency, thereby reducing agency conflicts. This digital transformation reshapes the role of the board from passive monitoring to active strategic guidance, utilizing digital tools to align stakeholder interests and mitigate corporate violations. Importantly, digital transformation is not merely a technical upgrade but an institutional shift that, when integrated into a clear governance framework, enhances firm value and sustainability. Corporate conflicts fundamentally arise from antagonisms between subjects of corporate relationships within corporate structures. The foundation of corporate conflicts rests upon the contradiction of interests among participants in corporate relationships. Specifically, corporate conflicts denote disputes that emerge as a result of the failure to achieve mutual agreement among process participants regarding matters pertaining to the activities of joint-stock companies and corporate governance practice. Within this conceptualization, participants in corporate relationships manifest as subjects of corporate conflicts, whereas the interests of the parties constitute the objects of such conflicts. Disputes among subjects of corporate relationships within corporate structures may arise as a consequence of any of the following circumstances: violation of the rights of a shareholder or group of shareholders, violation of the charter of the joint-stock company or other internal documents, or violation of generally applicable legislative norms; information opacity within corporate structures; relationships associated with profit distribution and shareholder dissatisfaction; claims raised against the joint-stock company or its governing bodies based on the substance of decisions rendered; premature termination of the authority of governing bodies; early termination of employment contracts with members of the executive body; shareholder attempts to seize control of the joint-stock company; significant changes in the composition of shareholders, including the entry

of malicious shareholders into corporate activities; and corporate blackmail (greenmail).

Furthermore, in addition to the aforementioned factors, the absence of effective mechanisms for holding managers accountable, the weakness of internal control over corporate structure activities, and the underdeveloped state of judicial practice with respect to corporate disputes may also contribute to the emergence of corporate conflicts.

Classification of Corporate Conflicts

A systematic understanding and effective management of corporate conflicts necessitates their proper classification according to multiple criteria. Corporate conflicts are classified along several dimensions, each providing distinct analytical insight into the nature and dynamics of corporate disputes.

Classification by Scope: Corporate conflicts may be categorized as either internal corporate conflicts or external corporate conflicts. Internal corporate conflicts denote disputes among participants in corporate relationships—specifically, among shareholders, governing bodies, and managers of the corporate structure—and logically arise at the scale of the corporate structure itself. External corporate conflicts, by contrast, encompass disputes arising between the state, potential investors, governing bodies, and other external parties.

Classification by Participants in Internal Corporate Conflicts: Internal corporate conflicts may be further subcategorized according to the identity of the participating parties. Distinct categories include: disputes between various groups of shareholders (for instance, between majority and minority shareholders); disputes between shareholders and managers (with particular emphasis on disputes between the chief executive officer and shareholders lacking a controlling package, which are more commonly observed in joint-stock companies without majority shareholders); disputes between managers and the labor collective (primarily arising from relationships

associated with employment and termination of employment contracts); and disputes between trusted external managers and shareholders at various stages of bankruptcy proceedings (arising principally when bankruptcy procedures are applied to the joint-stock company and in relationships associated with corporate reorganization or liquidation).

Classification by Participants in External Corporate Conflicts: External corporate conflicts arise between the following parties: state supervisory bodies and joint-stock companies; parties involved in unfriendly takeovers; the state, as an active participant in the capital market, and the corporate structure; members of governing bodies whose authority was terminated prematurely and shareholders; residents of the locality where the corporate structure is situated and the corporate administration; and public organizations and the corporate structure.

Classification by Subject Matter: Corporate conflicts may also be classified according to their substantive subject matter. Categories include: conflicts associated with establishing control over the corporate structure; conflicts arising from attempts to acquire property rights to the enterprise's principal assets; conflicts associated with ownership of markets for goods, services, technologies, and ideas; changes in management technologies with the participation of numerous shareholders; conflicts resulting from the clandestine distribution of revenues; conflicts associated with increasing one's share in the authorized capital; and conflicts arising from attempts to consolidate one's position within the management apparatus.

Digital corporate governance represents a paradigmatic transformation in the management of corporate conflicts and the enhancement of organizational transparency. Digital corporate governance integrates modern technologies like artificial intelligence, blockchain, and big data into traditional governance frameworks to enhance transparency, accountability, and efficiency, thereby reducing agency conflicts. This digital transformation reshapes the role of the board from passive

monitoring to active strategic guidance, utilizing digital tools to align stakeholder interests and mitigate corporate violations. Crucially, digital transformation is not merely a technical upgrade but an institutional shift that, when integrated into a clear governance framework, enhances firm value and sustainability.

Core Mechanisms for Reducing Corporate Conflicts Through Digitalization

Digitalization facilitates the reduction of information asymmetry, which constitutes a primary source of corporate conflict, by providing real-time, accurate data. The key mechanisms through which digital governance reduces corporate conflicts encompass several critical components, each addressing distinct dimensions of organizational dysfunction.

Transparency and Information Disclosure: Digital platforms enable broader, faster, and more accurate information sharing with stakeholders, thereby reducing the capacity of management to withhold information. This directly addresses the problem of corporate information opacity that is regularly observed across jurisdictions. Digital platforms facilitate the dissemination of information to stakeholders through channels that are simultaneously more expansive, more immediate, and more precise than traditional mechanisms, thus constraining management's ability to conceal material facts.

Blockchain Technology for Accountability: Immutable, blockchain-recorded transactions reduce the risk of data manipulation and strengthen trust between management and shareholders. Blockchain technology provides an immutable ledger that records all transactions transparently, rendering data manipulation virtually impossible and thereby concealing conflicts of interest. This technological solution directly addresses the issue of insider information misuse that precipitates corporate conflicts.

Artificial Intelligence and Data Analytics: Advanced analytics facilitate risk prediction, improve decision-making, and enhance performance oversight, thereby

reducing the potential for managerial self-serving behavior. AI-powered analytics can identify patterns indicative of potential conflicts before they escalate, enabling proactive management rather than reactive response. This predictive capability is particularly valuable given that corporate conflicts often emerge from subtle behavioral patterns that are difficult to detect through traditional monitoring methodologies.

Remote and Hybrid Participation Mechanisms: Digital tools facilitate remote shareholder meetings and voting, promoting broader investor participation and reducing minority shareholder disenfranchisement. This mechanism is particularly significant for addressing conflicts between majority and minority shareholders, which represent among the most prevalent types of internal corporate conflicts. Remote participation ensures that minority shareholders can participate in decision-making processes without the logistical barriers that traditionally constrained their involvement.

ESG Integration via Digital Tools: Corporate social responsibility and sustainability committees utilize digital tools, such as Internet of Things sensors, to monitor and report on environmental, social, and governance metrics, thereby aligning management actions with social responsibility goals. This alignment helps prevent conflicts arising from divergent stakeholder interests by ensuring that corporate actions remain consistent with stated social and environmental commitments.

For digital corporate governance to function effectively, it necessitates a fundamental shift in organizational structure that addresses the root causes of corporate conflicts. The following structural transformations are essential for successful implementation.

Board Competencies: Increasing the number of board members possessing information technology and cybersecurity competencies is crucial for effective oversight. Many boards currently suffer from a deficit of digital expertise, resulting in superficial oversight that fails to address the complexities of digital governance.

Without adequate digital expertise, boards cannot properly evaluate the risks and opportunities associated with digital transformation, potentially creating new conflicts rather than resolving existing ones.

Science and Technology Committees: Establishing specialized board committees to oversee digital strategy and artificial intelligence adoption ensures that digital governance receives appropriate attention at the highest level of corporate decision-making. These committees provide focused oversight of digital initiatives and ensure that technology decisions align with overall corporate strategy and conflict reduction objectives.

Digital Key Performance Indicators: Utilizing digital dashboards for real-time monitoring of key performance indicators ensures alignment with strategic goals and enables timely identification of deviant behaviors that may precipitate conflicts. Digital KPIs provide continuous, data-driven insight into organizational performance, facilitating proactive rather than reactive governance.

The implementation of digital corporate governance generates multiple significant benefits that directly address the etiological factors of corporate conflicts.

Reduced Agency Costs: Digital transformation strengthens process-based behavioral monitoring, thereby lowering reliance on traditional, less effective, outcome-based incentive mechanisms. This reduction in agency costs directly addresses the principal-agent problem that underlies many corporate conflicts.

Improved Decision-Making: Data-driven insights reduce irrational decisions based solely on experience or intuition. Enhanced decision-making quality reduces the likelihood of decisions that generate conflicts among stakeholders.

Enhanced Risk Management: Digital tools facilitate rapid identification of risks and help prevent financial misconduct. Early risk detection enables preemptive intervention before conflicts escalate to the point of requiring formal dispute resolution mechanisms.

Lowered Operational Costs: Process digitalization improves efficiency, reducing administrative burdens and operational redundancies. Operational efficiency gains free resources that can be redirected toward conflict prevention and stakeholder engagement initiatives.

The integration of digital technologies into corporate governance represents a transformative response to the persistent problem of corporate conflicts. By addressing the fundamental sources of conflict—particularly information asymmetry and the absence of effective accountability mechanisms—digital corporate governance offers a comprehensive framework for enhancing transparency, strengthening accountability, and improving organizational performance. The classification of corporate conflicts into internal and external categories, and further according to participants and subject matter, provides analytical clarity necessary for developing targeted intervention strategies. Digital mechanisms—encompassing blockchain technology, artificial intelligence, remote participation tools, and ESG monitoring systems—constitute concrete instruments through which these abstract objectives can be operationalized.

However, successful implementation requires attention to organizational capacity, particularly the development of digital competencies within boards of directors and the establishment of specialized oversight committees. Furthermore, the challenges associated with cybersecurity, expertise deficits, organizational resistance, and data ethics must be systematically addressed through comprehensive governance frameworks. When these conditions are satisfied, digital transformation functions not merely as a technical upgrade but as an institutional shift that enhances firm value and sustainability while concurrently reducing the incidence and severity of corporate conflicts. The empirical evidence supports the proposition that digital corporate governance represents a critical component of modern corporate governance practice, one that is increasingly indispensable for organizations seeking to thrive in an

environment characterized by heightened stakeholder expectations and regulatory scrutiny.

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