

THE CONCEPT OF INNOVATION AND ITS IMPORTANCE IN MANAGING IT IN JOINT-STOCK COMPANIES

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Abstract

This paper examines the concept of innovation and highlights its critical importance in the effective management of joint-stock companies. Innovation is considered a key driver of sustainable economic growth, competitiveness, and long-term corporate development. The study explores the role of innovation in improving organizational performance, enhancing shareholder value, and strengthening market positions. Particular attention is given to the specific features of managing innovation activities within joint-stock companies, including corporate governance structures, investment decision-making, risk management, and strategic planning. The findings suggest that integrating innovation into corporate strategy enables joint-stock companies to adapt to changing market conditions and achieve stable development.

Keywords

Innovation, innovation management, joint-stock companies, corporate governance, competitiveness, strategic development, shareholder value, sustainable growth.

Introduction.

In the modern environment of rapid technological pace and increasing globalization, innovation has taken a significant place in ensuring sustainable economic growth and corporate performance. Contemporary businesses are therefore not only forced to respond to the changes in the market environment, but also to predict them by waging nonstop unleashing of new products, technologies and management approaches. Innovation is therefore no longer viewed as a discretionary practice; but is an element of a long-term success strategy.

The role assumed by joint-stock companies in the domestic and global economy spectrums is a leading one because of their ability to appeal to large amounts of capital and act according to complex corporate governance structures. Such establishment involving the separation of ownership and management creates opportunities and challenges when it comes to the organizing of innovation

processes. Good governance of innovation in joint - stock firms requires a highly synchronized decision-making machine, prudent distribution of risk, and a decisive identification of responsibility between the shareholders, boards of directors and the executive management.

In Uzbekistan, innovation has been declared a strategic national priority. Presidential decrees such as the *Strategy of Innovative Development of the Republic of Uzbekistan for 2022–2026*¹⁰ and related resolutions on its implementation¹¹ provide the legal and institutional framework for fostering innovation in enterprises, including joint-stock companies. These rules emphasize aligning corporate strategies with state policy, enhancing digital technologies, developing human capital, and strengthening corporate governance mechanisms to support innovation-led growth.

The present article investigates the concept of innovation and examines its importance in the management of joint-stock companies. Special emphasis is placed on the role of innovation in enhancing competitiveness, operational efficiency, and shareholder value. By analyzing theoretical models and practical approaches to innovation management, this study demonstrates that successful integration of innovation into corporate strategy is essential for the sustainable development of joint-stock companies.

The current article engages in the discovery of the notion of innovation and an intensive research on the importance of innovation when managing joint-stock companies. Special emphasis is given to the role that innovation has to play in strengthening the competitiveness, operational efficiency, and shareholder value. Through an examination of existing theoretical models and practical aspects that focus on managing innovation, the research paper attempts to show how a successful implementation of innovation into corporate strategy is a requirement of sustainable development of joint-stock firms.

Literature Review

Innovation is widely regarded as a key factor in economic development and corporate competitiveness. The theoretical foundations of innovation were laid by European economists, among whom J. Schumpeter¹² occupies a central place. Schumpeter defined innovation as the introduction of new products, technologies, markets, sources of raw materials, and organizational forms, emphasizing its role in

¹⁰ Sh. Mirziyoyev, *Strategy of Innovative Development of the Republic of Uzbekistan for 2022–2026*, Presidential Decree № YII-165 (Tashkent: Government Press, 2022), 5–12.

¹¹ Resolution of the President of the Republic of Uzbekistan “On Organizational Measures to Implement the Strategy of Innovative Development of the Republic of Uzbekistan for 2022–2026,” 2022, 3–9.

¹² Joseph Schumpeter. *The Theory of Economic Development*. Harvard University Press, 1934, p. 82.

economic dynamics through the process of “creative destruction.” His ideas remain fundamental for understanding innovation in modern joint-stock companies.

European scholars further developed innovation theory by focusing on management and institutional aspects. P. Drucker¹³ considered innovation a systematic and manageable process that should be integrated into corporate strategy. He argued that enterprises, especially large joint-stock companies, must create organizational conditions that encourage innovative thinking while controlling risks. Similarly, M. Porter¹⁴ highlighted innovation as a core source of competitive advantage, stressing its importance in achieving productivity growth and strengthening market positions.

In European economic literature, considerable attention is given to the relationship between innovation and corporate governance. Researchers such as O. Williamson¹⁵ and J. Tirole¹⁶ analyzed how ownership structures, managerial incentives, and control mechanisms influence innovation decisions in joint-stock companies. Their studies show that effective corporate governance frameworks promote long-term investment in research and development and reduce conflicts between shareholders and managers.

Uzbek economists have also made significant contributions to the study of innovation and its management. Uzbek researchers including A. Abdirahmonov¹⁷, D. Abiyev,¹⁸ and N. Akramova¹⁹ analyze innovation activity in joint-stock companies, focusing on improving management efficiency, investment attractiveness, and corporate governance in transitional economies.

In the context of Uzbekistan, innovation management is often studied in relation to structural reforms and the development of joint-stock companies with state participation. Local authors note that effective innovation management requires alignment between state policy, corporate strategy, and shareholder interests. They also emphasize the importance of digital technologies, human capital development, and institutional support in enhancing innovative capacity.

Recent European and Uzbek studies increasingly focus on open innovation models and digital transformation.²⁰ Researchers argue that cooperation between joint-stock companies, research institutions, and international partners accelerates

¹³ Peter Drucker. *Innovation and Entrepreneurship*, Harper & Row, 1985, p. 35.

¹⁴ Michael Porter. *The Competitive Advantage of Nations*, Free Press, 1990, p. 59.

¹⁵ O. Williamson, *The Economic Institutions of Capitalism* (New York: Free Press, 1985), 45–47.

¹⁶ J. Tirole, *The Theory of Corporate Finance* (Princeton: Princeton University Press, 2006), 112–115.

¹⁷ A. Abdirahmonov, *Innovation Activity in Uzbek Joint-Stock Companies* (Tashkent: University Press, 2019), 58–62.

¹⁸ D. Abiyev, *Corporate Governance and Investment Efficiency in Transitional Economies* (Tashkent: Economic Research Institute, 2020), 101–105.

¹⁹ N. Akramova, “Enhancing Innovation Management in Uzbekistan: Challenges and Prospects,” *Journal of Economics and Management* 4, no. 2 (2021): 47–52.

²⁰ European Commission, *Open Innovation and Digital Transformation in EU Enterprises* (Brussels: European Commission, 2020), 14–18.

innovation processes and reduces risks. Overall, the reviewed literature confirms that innovation, supported by effective management and overnance mechanisms, is a decisive factor in ensuring the sustainable development and competitiveness of joint-stock companies in both European and Uzbek contexts.

Research methodology

This study employs a mixed-methods research approach to examine the concept of innovation and its importance in managing innovation activities in joint-stock companies. The combination of qualitative and quantitative methods allows for a comprehensive analysis of both theoretical foundations and practical management aspects.

In addition, logical analysis, synthesis, induction, and deduction are applied to generalize research findings and develop well-grounded conclusions. A comparative approach is used to contrast innovation management practices in joint-stock companies operating in different economic environments, particularly in Uzbekistan and European countries.

Analysis and research

The current discussion examines how innovation can be used to enhance effective operations of joint-stock enterprises and make them more competitive. The innovation efforts in these corporates are inherently bound to their strategic goals, ability to invest as well as their governance structures. The empirical evidence suggests that the joint-stock companies that conduct systematic investment in innovation, in particular, in research and development, digital technologies, and human capital, demonstrate high levels of productivity and stability in the financial perspective over time.²¹

The results confirm that the successful innovation management of joint-stock enterprises is determined by the correspondence of the interests of the shareholdings with the managerial decisions.²² Organisations that have properly developed boards and open decision-making apparatus are more likely to support long-term innovation programs, despite the reference to a high risk profile. Therefore, sound corporate governance can help reduce agency conundrums and promote innovation-based strategies.

Comparative analysis reveals considerable mismatches between joint-stock enterprises which operate in Uzbekistan and those which operate in European jurisdictions. Advanced innovation management paradigms used by European companies usually include open innovation, strategic relationships, and long-term RD funding. On the other hand, hundreds of Uzbek joint-stock companies are still

²¹ Philippe Aghion and Peter Howitt, *Endogenous Growth Theory* (Cambridge, MA: MIT Press, 1998), pp. 51–75.

²² R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (Boston: Pitman, 1984), pp. 52–80.

in the infantile phases of instilling systematic innovation models, although booming economic reforms, state-sponsored innovation policy, has had a positive impact.

The paper also highlights the growing significance of the digital innovation in joint-stock companies. The adoption of digital tools, automation tools and data-based management tools has increased the efficiency of operations and the quality of decision making.²³ Furthermore, the involvement of research organizations and partners on an international scale is also referred to as a central factor in accelerating the realization of innovation concepts and reducing potential risks associated with them.

Overall, the analysis confirms that innovation is a critical element of sustainable development for joint-stock companies. The research demonstrates that integrating innovation into corporate strategy, supported by effective governance mechanisms and investment policies, enables joint-stock companies to adapt to changing market conditions, enhance competitiveness, and increase shareholder value.

Table 1

Scientific Approaches to the Concept of Innovation and Its Role in the Management of Joint-Stock Companies²⁴

Scientist	Theory / Approach	Core Idea	Importance for JSC Innovation Management
Joseph Schumpeter	Innovation & Creative Destruction	Innovation as new combinations of production factors	Source of long-term competitive advantage and growth of market value
Peter Drucker	Innovation as a systematic management function	Innovation is purposeful and organized activity	Requires strategic planning and professional innovation management
Michael Porter	Competitive Advantage Theory	Innovation as the main driver of competitiveness	Strengthens market position and shareholder value
Henry Chesbrough	Open Innovation	Use of external and internal knowledge flows	Reduces costs and increases corporate capitalization
Jay Barney	Resource-Based View	Unique resources create sustainable advantage	Intellectual capital becomes the main value factor
David Teece	Dynamic Capabilities	Ability to adapt to rapid change	Ensures strategic flexibility in JSCs
Christopher	National Innovation	Innovation through	Importance of innovation

²³ Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics* 3, no. 4 (1976): 305–360.

²⁴ Collected by author

Freeman	System	institutional interaction	infrastructure
Everett Rogers	Diffusion of Innovations	Mechanism of innovation adoption	Effective implementation of corporate innovations
OECD	Oslo Manual	Modern innovation classification	Methodological basis for innovation assessment
Yevgeny Yakovets	Theory of Innovation Cycles	Innovation develops in long-term technological waves	Strategic planning of corporate innovation activity
Sergey Glazyev	Technological Paradigm Theory	Economic growth depends on technological structures	Transition to new technological modes in corporations
Nikolai Kondratiev	Long Waves Theory	Innovation drives long economic cycles	Long-term forecasting of innovation development
Yuri Yakovets	Civilizational Innovation Development	Innovation as a factor of socio-economic progress	Integration of corporate innovation into macroeconomic development
Valery Medynsky	Innovation Management	Systematic management of innovation processes	Formation of corporate innovation strategies
G'ani Mavlonov	Innovation in the Modernization of the Economy	Innovation as a key factor of structural transformation	Increases efficiency and competitiveness of joint-stock companies
Bakhodir Khodiev	Innovative Development of the National Economy	Importance of innovation infrastructure and investment	Stimulates corporate innovation activity
Abdug'aniy Alimov	Scientific and Technological Development	Integration of science, production, and education	Development of high-tech joint-stock companies
Murod Sharifxo'jayev	Corporate Governance and Modernization	Corporate governance as a driver of innovation	Increases efficiency of innovation management in JSCs
Utkir Sultanov	Structural Transformation of the Economy	Innovation as the basis of economic growth	Supports long-term innovation strategies
Said G'aniyev	Innovation and Investment Activity	Innovation through investment mechanisms	Growth of company value and financial stability

The scientific approaches presented in the table demonstrate that innovation is a multidimensional and strategically significant process that determines the long-term development trajectory of joint-stock companies. The theoretical views of Joseph A. Schumpeter emphasize innovation as a fundamental source of economic growth and market value through the mechanism of creative destruction, while

Peter F. Drucker considers it a systematic and purposefully organized managerial function that must be integrated into corporate strategy. In turn, the competitiveness perspective of Michael E. Porter proves that continuous innovation is the key factor in strengthening market positions and ensuring sustainable shareholder value.

Modern concepts further expand the boundaries of innovation management. The open innovation model proposed by Henry Chesbrough highlights the importance of effective interaction between internal and external knowledge flows, which allows joint-stock companies to reduce costs, accelerate commercialization processes, and increase corporate capitalization. At the same time, the resource-based approach of Jay Barney shows that unique resources – particularly intellectual capital, technological competencies, and organizational capabilities – become the main drivers of sustainable competitive advantage.

Overall, the integration of these theoretical approaches confirms that effective innovation management in joint-stock companies requires a strategic, system-based, and resource-oriented framework supported by modern corporate governance mechanisms. Their combined application ensures not only operational efficiency and financial stability, but also the growth of long-term shareholder value and the strengthening of positions in the global competitive environment.

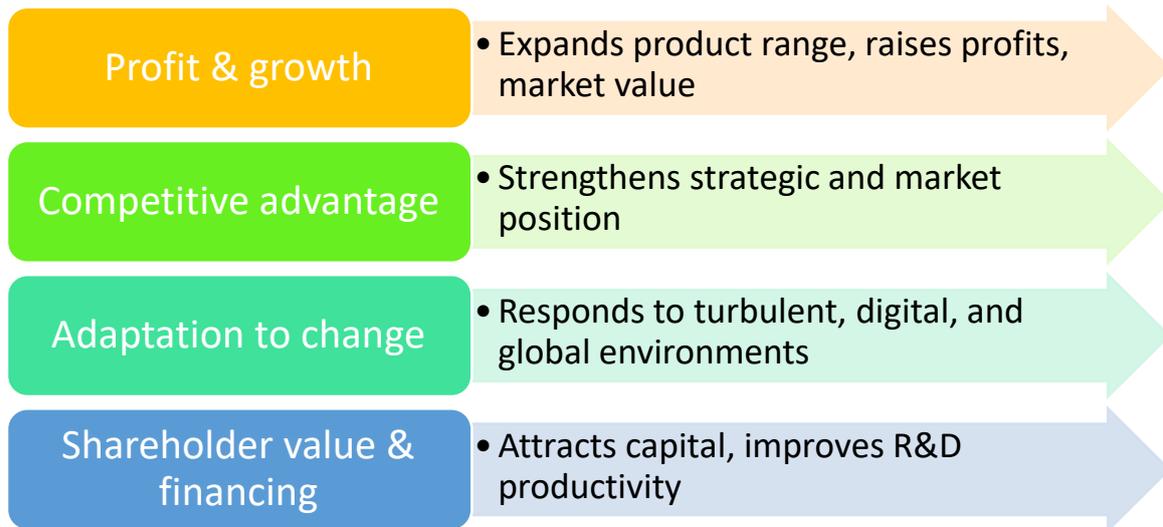
The scientific views of Uzbek economists confirm that innovation is not only a factor of technological renewal but also a key condition for structural transformation of the economy and sustainable corporate development. In particular, the approach of Bakhodir Khodiev highlights the decisive role of innovation infrastructure and investment support in intensifying innovative activity within joint-stock companies. This creates the institutional and financial foundation necessary for the commercialization of new ideas and technologies.

The concept of Abdugʻaniy Alimov emphasizes the integration of science, education, and production, which serves as an essential prerequisite for the formation of high-tech joint-stock companies and the effective use of intellectual capital. At the corporate level, Murod Sharifxoʻjayev substantiates the importance of modern corporate governance mechanisms as a driver of innovation, ensuring transparency, strategic orientation, and efficiency in innovation management processes.

From the macroeconomic perspective, Utkir Sultanov considers innovation as the fundamental basis of structural economic transformation and long-term growth, which in turn strengthens the strategic stability of joint-stock companies. At the same time, Said Gʻaniyev demonstrates that the activation of investment

mechanisms in innovation leads to an increase in company value, financial sustainability, and investment attractiveness.

In general, these approaches prove that the effective management of innovation in joint-stock companies requires the interconnection of corporate governance, investment policy, scientific potential, and institutional infrastructure. Their practical implementation ensures the transition of joint-stock companies to an innovative development model, enhances their competitiveness, and contributes to the sustainable growth of the national economy.



1 st picture Main roles of innovation in joint-stock companies

The figure presents the principal strategic benefits derived from the effective management of innovation within joint-stock companies. Firstly, innovation contributes to **profitability and organizational growth** by enabling product diversification, increasing revenues, and enhancing overall market capitalization. Secondly, it reinforces **competitive advantage**, allowing firms to strengthen their strategic and market positions relative to industry peers. Thirdly, innovation facilitates **organizational adaptation to dynamic environments**, including technological, digital, and global market changes, thereby ensuring resilience and long-term sustainability. Finally, innovation enhances **shareholder value and access to financing** by attracting capital investment, improving research and development productivity, and promoting sustainable financial performance. Collectively, these benefits underscore the role of innovation as a **critical strategic driver of value creation, corporate competitiveness, and long-term economic stability** in joint-stock companies.

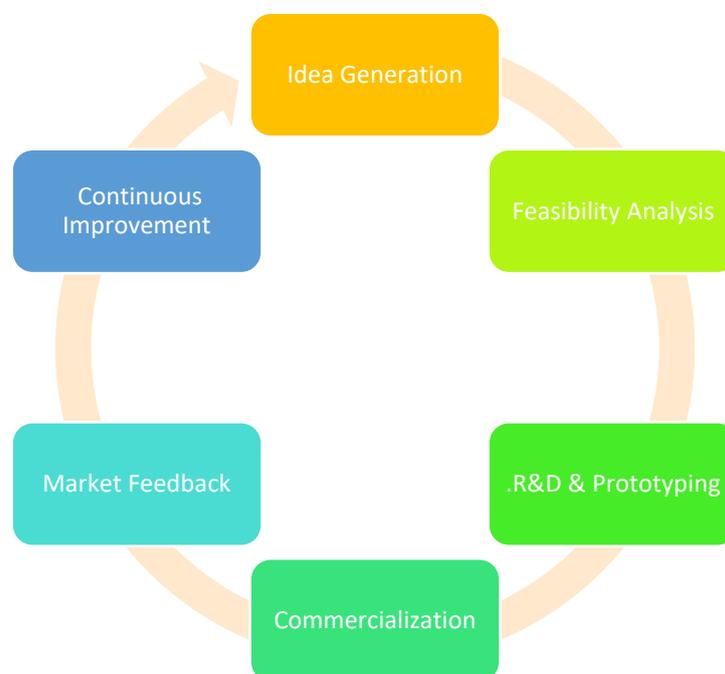
2nd table

Key Characteristics of Innovation in Joint-Stock Companies

Characteristic	Description	Importance	for
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		Management
Long-term economic impact	Innovations often require sustained investment before results are visible.	Strategic planning, risk management.
High risk level	Many innovations may fail or have uncertain outcomes.	Careful project selection, portfolio management.
Link scientific/technological progress to	Innovation relies on new technologies and knowledge.	Investment in R&D, training, and digital infrastructure.
Value creation	Generates additional value for shareholders, customers, and society.	Focus on sustainable growth and shareholder returns.

The key characteristics of innovation in joint-stock companies—long-term economic impact, high risk, reliance on scientific and technological progress, and value creation—highlight the strategic importance of managing innovation effectively. Recognizing these features allows management to plan investments prudently, allocate resources efficiently, and balance risks with potential returns. By understanding these characteristics, joint-stock companies can align their innovation initiatives with corporate strategy, enhance competitiveness, and ensure sustainable growth while maximizing shareholder value.



2nd picture. Innovation Process in Joint-Stock Companies

The innovation process in joint-stock companies is a structured and cyclical sequence of activities that transforms ideas into commercially viable products or services. Each stage—from idea generation to continuous improvement—requires

coordinated efforts between management, the board of directors, and shareholders. Effective management of this process ensures that innovation contributes to sustainable growth, enhances competitiveness, and maximizes shareholder value. By systematically following this process, joint-stock companies can reduce risks, optimize resource allocation, and maintain a dynamic approach to market and technological changes.

Conclusion

In the context of rapid technological development, globalization, and intensifying competition, innovation has become a decisive factor in ensuring the long-term sustainability and market value of joint-stock companies. The study of the concept of innovation shows that it is not limited to the creation of new products or technologies, but represents a comprehensive process that includes organizational, managerial, marketing, financial, and digital transformations. Therefore, effective innovation management serves as a strategic tool for increasing corporate competitiveness, improving operational efficiency, and strengthening investment attractiveness.

For joint-stock companies, innovation management is particularly important due to their complex organizational structure, the presence of shareholders, and the need to ensure transparency and sustainable growth. A systematic approach to managing innovation enables these companies to coordinate the interests of stakeholders, optimize the use of intellectual capital, and transform scientific and technological potential into real economic results. In this regard, the integration of innovation into corporate strategy, the formation of an innovative corporate culture, and the implementation of modern management mechanisms are key conditions for successful development.

Moreover, innovation management contributes not only to microeconomic efficiency but also to macroeconomic growth by accelerating structural changes in the economy, increasing productivity, and fostering the development of high-tech industries. It also strengthens the adaptability of joint-stock companies to external shocks and market fluctuations.

In conclusion, the effective management of innovation in joint-stock companies should be considered a continuous, strategically oriented, and institutionally supported process. Its successful implementation ensures sustainable competitive advantage, growth in shareholder value, and a stable position in the global market, while also contributing to the overall innovative development of the national economy.

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