

DETERMINANTS OF BOARD MEMBERSHIP IN PUBLICLY-OWNED ENTERPRISES: CONTEMPORARY TRENDS AND ISSUES*

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ABSTRACT Board structure is considered one of the most important determinants of board effectiveness. This study examines the personal motives of individuals seeking board membership in Publicly-Owned Enterprises (POEs). Using the sequential mixed methods approach, thirteen in-depth interviews were conducted with current and former board members, and one hundred and thirty-seven (137) questionnaires were administered to key representatives and beneficiaries of POEs. The results indicate several factors that motivate board membership. We find that intrinsic motives, which we refer to as ‘personal benefits,’ and extrinsic motives, which we refer to as ‘social recognition,’ are the most important factors for joining POE board membership. The findings could be helpful in redesigning strategies and policies for appointing professional board members whose primary incentives for board membership are related to POE development rather than personal benefits and self-recognition.

KEYWORDS: board, motives, POE, structure, factors.

1. INTRODUCTION

The Organisation for Economic Co-operation and Development (OECD) issued its first corporate governance principles in 1999. These principles aimed to raise awareness of corporate governance’s importance, encourage countries (especially OECD members) to practise such principles, and serve as a benchmark for countries’ corporate governance codes. The application of these principles is monitored, and the principles are reviewed and updated accordingly (2002, 2004, 2015). The OECD notes that “*the principles themselves are evolutionary in nature and are reviewed*

in light of significant changes” (p.11). In 2015, the OECD published specific guidelines for the corporate governance of State-Owned Enterprises (SOEs).

Although the OECD emphasizes that “*there is no single model of good corporate governance*” (p.10), two models of corporate governance have been developed: the Anglo-American model and the Japanese-German model (Becht et al., 2005; Rosser, 2003). The first model is also known as the Anglo-Saxon model (Groot, 1998) or outsider model (Short et al., 1998; Franks & Mayer, 1994) and is adopted by countries such as the US, UK, Australia, and Canada, while the second model is known as the insider model and

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is mainly used by Japan, Germany, and France (Rosser, 2003; Groot, 1998).

Similarly, there are two types of board structures in corporate governance: unitary boards, known as the one-tier system, and dual boards, known as two-tier boards. The unitary form of boards is mainly applied in countries that implement the Anglo-Saxon corporate governance model, while countries that apply the insider model apply the dual form of a board of directors (Solomon, 2007; Mallin, 2010).

In the one-tier system, the board of directors consists of executive and non-executive members appointed by the shareholders. In the dual boards (two-tier), there are two boards of directors: the supervisory board, which is appointed by the shareholders and consists of non-executive members and is responsible for overseeing the executive board. The latter controls, monitors, and supervises business operations and the CEO (Wheelen & Hunger, 2012; Mallin, 2010). In Kosovo, the outsider model of corporate governance and the one-tier board system are applied.

The contribution of shareholders' capital combined with the expertise of management for mutual benefit has led to the establishment of State-Owned Enterprises (SOEs) as one of the forms of business enterprises. The shareholders appoint the board of directors, which is legally obliged to represent and protect the interests of the shareholders.

According to the World Bank (2014), SOEs account for 20% of investment, 5% of employment, and, in some countries, up to 40% of production. Therefore, appointing professional board members and having them play an active role is crucial for successfully managing SOEs.

Like other public sector organizations, which face various institutional constraints that require organizational reforms for successful integration into organizational operations (Yee and Thiel, 2021), SOEs also face additional governance challenges. For some SOEs, there is no identified principal or owner. The government is the owner in some countries, such as the Republic of Kosovo. In contrast, the state exercises its ownership responsibility in others through multiple actors, such as line ministries and other government agencies. State-owned enterprises face the challenge of achieving multiple objectives. While providing public services is their main objective, aligning with mandatory laws and government policies remains challenging (World Bank, 2014).

On the positive side, SOEs often receive preferential treatment through political backing, implicit government guarantees, subsidies, and bank loans. On the negative side, SOE boards tend to be politicized, often lacking competence and experience,

inadequate internal controls and processes, and inappropriate accounting and auditing practices. Compliance procedures are weak (World Bank, 2014). In addition, many laws regulating their activities and the numerous parties to whom they are accountable create a complex chain for SOEs (OECD, 2015).

In Kosovo, Publicly-Owned Enterprises (POEs) provide key services such as utilities, energy, water, and telecommunications. The Kosovan government owns them as the sole shareholder, managed by the CEO, and supervised by the board of directors. POEs are subject to specific operational characteristics and laws, are among the largest companies and employers in the country, and must formally have boards of directors to monitor and control their operations and performance effectively. This requirement aligns with principle six of the Organisation for Economic Co-operation and Development's Principles of Corporate Governance (2015) and guideline seven of the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2015).

Despite the significant role of boards in POEs and the increasing calls from various reputable institutions for the appointment of professional boards, relatively few empirical studies examine the prevailing and hindering factors for board membership in POEs. In Kosovo, in particular, there are few studies on this topic.

The only reports that served as introductory corporate governance documents were reports by the Riinvest Institute (2006 & 2009). Both reports concluded that corporate governance was newly introduced in the country. Six years later, their survey (2015) of the fifty largest family-owned businesses found that 36% of owners and managers had not even heard of the OECD principles of corporate governance, while those who had at least heard of them were poorly informed about the principles and the importance of boards. This study attempts to address and contribute to this problem.

2. LITERATURE REVIEW

2.1. The role of the Board of Directors

Publicly-Owned Enterprises are supervised and controlled by the board of directors, which has no share in the company's financial contributions but is appointed by the shareholders (the government) to control and set corporate policies that ensure the long-term operation of the company. Considering the powers and responsibilities, the board of directors is widely regarded as the main instrument and centerpiece of the corporate governance system (Hill

et al., 2015; Wheelen and Hunger, 2012; Garratt, 1997; Pettigrew and McNulty, 1995). Similar to other organizations where boards are expected to contribute to their performance (Honingsh et al., 2020), the boards of POEs are entrusted by the government to safeguard the interests of the POEs and the owner.

As POEs must act following the laws of the states in which they operate, the duties and responsibilities of board members also vary depending on national laws and company policies. However, their general responsibility is to act with due care in the best interests of the shareholders. If they fail to do so, board members can be held personally liable if the company is harmed. The case of the board members of Equitable Life in the UK, who were sued for up to \$5.4bn for failing to challenge the CEO's reckless policies, remains a typical example in the corporate governance literature (Wheelen and Hunger, 2012).

Board members are assumed to spend a lot of time fulfilling their duties and responsibilities, although the amount of time they spend on these issues varies. McKinsey and Company's (2006) study of 586 corporate directors found that directors spend 48% of their time on strategy development and implementation, 20% on performance management, 17% on governance and compliance, and 11% on talent management. In this context, Wheelen and Hunger (2012) note that board members' engagement can range from a high level of involvement, which they refer to as a catalyst board, to minimal involvement, referred to as a phantom board.

Following the systemic corporate scandals, there is an increasing trend for company boards to become more involved in corporate governance. This is particularly evident in Publicly-Owned Enterprises. The results of McKinsey and Company's (2006) global survey show that 75% of boards of publicly owned companies are more involved than in 2000. Hill et al. (2015) state that stricter legislation regulating corporate governance and the tendency of boards to hold their members personally accountable for corporate missteps have contributed to this positive development. However, the effectiveness of boards also depends on other factors, including their structure and directors' motivating factors for board membership.

2.2. Structure of the Boards

The composition of boards can vary from company to company, depending on the context, legal environment, and the sector in which they operate. The vast majority of the literature agrees that effective boards tend to strike a balance between executive directors (ED) and non-executive directors (NED) (World Bank, 2014; Zhao, 2011; OECD, 2004).

Since the structure of boards directly affects companies' operations (Klein, 1998), boards should be composed of members with different educational backgrounds, experience, and expertise. Following the failure of companies and intending to limit the CEO's ability to influence the board, new corporate governance laws (and companies themselves) have called for the inclusion of more outsiders on boards and differentiation between the roles of chair and CEO while advocating that the position of chair should go to an outsider (Hill et al., 2015). The experiences of several OECD members also speak in favor of such a division (World Bank, 2014).

2.3. Size of Board of Directors

Previous research on the impact of board composition and size on organizational performance has produced mixed results. For example, Bhagat and Black (1999) found that board composition affects firm performance somewhat, while Hermalin and Weisbach (1991) found no relationship between board composition and firm performance. The study by Andres et al. (2005) of four hundred and fifty non-financial companies in ten Western European and North American countries found an insignificant relationship between board composition and company value.

The study by Lee and Filbeck (2006), on the other hand, found a negative correlation between the profitability of the company and the size of the board of directors. The study by Young et al. (2003) also found that company performance declined as the number of board members increased.

Although the size of boards varies from country to country and from company to company, there is a consensus that small boards generally perform better than their larger counterparts (Andres et al., 2005; Eisenberg et al., 1998; Huther, 1997; Yermack, 1996). The study by Korn/Ferry International (2008) in the USA found that a small private company generally has 4-5 board members compared to listed companies with ten members. The study shows that the average board size is 14 in Japan, 9 in Asian countries (excluding Japan), 16 in Germany, 10 in the UK, and 11 in France. As the number of board members can vary from country to country and from company to company, it is of paramount importance to ensure that the composition is compatible with the board's duties and, at the same time, is not too large as to impair the board's productivity, as stated in the UK Corporate Governance Code: *“The board should be of sufficient size that the requirements of the business can be met... and should not be so large as to be unwieldy”* (p. 10).

2.4. Reasons for joining the Board of Directors

Research on the reasons for individuals joining boards has produced mixed results, depending on the type of companies and the self-determination goals of the candidates. Walther, Moltner, and Morner’s (2017) study of 53 non-executive directors on German supervisory boards found that material factors, reputation, meaningfulness, alignment with corporate goals, and enjoyment of the work were the main reasons for joining the boards. Jong, Hooghiemstra, and Rinsum (2014) found that candidates’ intrinsic motives and personal characteristics, including experience and the number of executive positions they have held in their careers, influence the decision to join a board. Burke’s (1997) study of board members of Canadian companies found that interest in the company or industry and the opportunity to develop skills and knowledge were the most important motivating factors for board membership.

2.5. A brief overview of the governance of Publicly-Owned Enterprises (POEs) in Kosovo

Until 2008, POEs in the country were subject to the Law on Business Organisations. The first law on POEs was enacted in June 2008 (Law No. 03/L-087) and amended in 2012 (Law No. 04/L-111). The law stipulates that the Government of Kosovo owns all central POEs and can exercise all ownership rights. This practice is in line with the OECD guidelines (2015) and the national practices of several European countries (OECD, 2021). The law also provides that each POE has a board of directors of 5 or 7 members. The shareholders appoint the members for three years, while the board members elect the CEO. The government also appoints one of the members as chairperson of the board of directors.

The CEO’s main task is to manage the company’s day-to-day business, while the chairperson heads the board of directors. In addition to controlling, supervising, and monitoring the CEO, the board of directors has the right to appoint, evaluate, remunerate, and dismiss the CEO. In addition, CEO duality (the concept of dual roles), which refers to appointing a company’s CEO as chairperson of the board of directors (Jensen, 1993), is prohibited in Kosovo. The CEO of a POE is a member of the board of directors but cannot be its chairperson.

3. METHODOLOGY

The study uses interviews and questionnaire surveys to collect data and non-probability purposive and

TABLE 1. List of interviewees

Code of the interviewee	Position
I1	Chairman
I2	Board Member
I3	CEO
I4	Former CEO
I5	Former Board Member
I6	CEO
I7	Former Board Member
I8	Former CEO
I9	Former Board Member
I10	Auditor of POEs
I11	Board Member
I12	CEO
I13	Chairman

SOURCE: Authors

judgment sampling methods to capture the population. The methods involve respondents “who are most advantageously placed or in the best position to provide the information required” (Sekaran, 2014, p. 277). Experience in at least one of the POEs was the determining criterion for interviewee inclusion in the interview process. The researchers also used the snowball technique (Goodman, 1961). After each interview, the researchers asked interviewees to recommend at least one potential member suitable to participate in the interview process. Table 1 contains the list of interviewees included in the study.

On average, each interview lasted between one and two hours and was not recorded at the request of the interviewees. The interview questions were compiled from the general literature, with particular attention to previous research on developing countries in an economic context similar to the POEs in Kosovo. Special attention was paid to the toolkit of the World Bank’s questionnaire on State-Owned Enterprises (2014). Based on this and previous studies (Sekaran, 2014), the questions were compiled using the funneling approach.

3.1. Survey

The researchers also used a questionnaire survey to collect data. The questionnaire was sent to a larger number of respondents to investigate motivating and hindering factors for board membership and evaluating different perspectives. One hundred and seventy questionnaires were distributed electronically, and 42

TABLE 2. Questionnaire distribution methods

Distribution method	No. of Questionnaires distributed	No. of Questionnaires returned	Response rate (%)	Valid for analysis
Online	170	98	58	97
Personally	42	42	100	40
Total	212	140	66	137

SOURCE: Authors

were delivered in person, resulting in 212 questionnaires. Several questionnaires were not returned or were more than 25% incomplete and were not included in the analysis. Table 2 shows the number of questionnaires distributed and returned for each distribution method.

Two rules were crucial for participation in the survey. Firstly, respondents had to have some experience with POEs, and secondly, they had to understand the importance of corporate governance principles and the board of directors.

3.2. Data analysis

As the research used an exploratory mixed-methods design, the researchers analyzed the two databases independently (Creswell, 2014). The researchers first analyzed the qualitative findings and then proceeded with the quantitative analysis. The qualitative data was analyzed using the Qualitative Data Analysis (QDA) software (ATLAS.ti), and the quantitative data was analyzed using the Statistical Package for the Social Sciences (SPSS) software.

4. FINDINGS - QUALITATIVE DATA

4.1. Selection process of the Board of Directors

While the interviewees acknowledged that there are appropriate legal procedures for selecting board members, they unanimously stated that the process of selecting them is often disrupted by political interference and intervention. As a result, unprofessional and inadequate board members are elected, which hinders the successful operation of POEs. In this context, a former board member (I7) stated:

The board is the key to the successful operation of a POE. If you have an incompetent board, you cannot expect a good POE. But what happens in Kosovo with POEs is that the selection process is manipulated, and that is the first

step. Everything that happens after that goes in the wrong direction. But if the selection process is rigorous and appropriate and professional boards are selected, everything else would be easier to manage and control.

Without exception, all interviewees had several cases in which they had either been victims of such interventions or had information about them. One interviewee stated that he could list cases of political interference but described two in particular. A mayor of municipality X interfered in appointing his sister-in-law to one of the POE boards, while MP X appointed his wife to chair a POE board. Thus, the motives for the board membership are more related to political support than the candidates’ professional expertise or the intention to contribute to developing POEs.

One former board member (I9), active in the largest POE, recounted how he was dismissed from his post for not following political instructions. He described the situation of a board meeting where the appointment of the CEO, Treasurer, and Chief Financial Officer were on the agenda. During the meeting, the chairman received a call from a politician who ordered the appointment of X member as Treasurer and Chief Financial Officer; *“I was against this person because he did not meet the criteria. The meeting was dissolved, and as a result, I was later dismissed from the board”*. Another board member (I11) recounted his experience at a board meeting:

We have rated the performance of one CEO with the highest marks. He received these high marks from all board members. We then took a break to continue with other items on the agenda. When we returned, someone from politics intervened, and the board called for the CEO to be dismissed. I was against it and said: How can we sack him when we only gave him top marks 15 minutes ago? But the majority voted in favor, and he was sacked. The reason is political interference, and the law (author’s addition: Article 21) gives the board the right to terminate the CEO’s contract at any time, with or without stated cause.

TABLE 3. Main factors affecting the selection of boards of POEs and proposed measures

No	Factors	Proposed measures
1	Political interferences	Independent agency to replace the PMU
2	Personal and group interests	Independent and heterogenous Recommendation Committee
3	Unprofessional board members	Public interview process
4	Interference of boards into CEO responsibilities	Performance measurement of boards and actions taken against poor performance
5	Unaccountability of boards	Individual performance measurement of directors

SOURCE: Authors

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In the face of this political interference and the constant backlash from civil society (see, for example, the INDEP, GAP, and GLPS report of October 9, 2015, detailing the appointment of political boards and the POE by name), the British Embassy in Kosovo had signed an agreement with the Government of Kosovo to assist them in appointing high-level posts, including POE board members.

4.2. Professionalism of Boards

As a result of constant political interference, the study found that the boards of many POEs consist of incompetent, unprofessional, and underperforming directors. Without exception, all respondents agreed that the boards of POEs consist of unprofessional members with very poor performance. A former CEO (18) stated, *“We had a board member who never read the law on POEs,”* while (17) explained:

We had a board member who did not know how to use emails. On one occasion, we sent him an email, to which he did not reply. We waited for some time and never received a reply. We then rang him; his reply was that his son had taken the laptop and would reply soon. We never received a reply. Later, we realized that he was not able to use email. There are boards like this in the POEs. This is the reason why our POEs perform so poorly.

Other most common responses about the existence of poor performing board members were *“X member has no idea why he is on the board”* (18); *“some members never read the documents but rely on their members and just vote the way the majority does”* (17), *“we had a historian on the board of a power-producing POE”*; *“we check the minutes of the board meetings and find that X member never says anything, does not get involved or contribute anything except raising his hand to vote”* (110). Table 3 lists some of the most common irregularities during the appointment process and the proposed actions to address them.

5. FINDINGS - QUANTITATIVE DATA

5.1. Demographic information of respondents

Most respondents (64%) who participated in the study were men, while the proportion of women was 36%. Overall, the respondents were well educated: 29% had a Ph.D., 58% had a Master’s degree, 11% had a university degree, and only 2% had a high school diploma. Five percent were over 60 years old, while 15% had more than 20 years of professional experience (see Table 4).

Based on the demographic information, respondents were categorized into six groups: Boards (B) (chairs, board members, former board members, and board candidates) accounted for 10.7% of the total respondents, followed by the group of management (M; 18%), non-management (NM; 30%), regulators (R; 4.7%), academics (A; 20%) and civil society members (CS; 17%), as shown in Table 5.

Since most of the questions are based on a five-point Likert scale, the descriptive statistical mean measures the responses, while the group mean determines the respondents’ views on the items. After performing normality tests (Kolmogorov-Smirnov and Shapiro-Wilk tests), it became clear that the data was not normally distributed. Therefore, the non-parametric Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests were used. These tests show whether there are significant differences between the groups and, in particular, between the two groups (Vargha and Delaney, 1998). A factor analysis was also carried out to reduce the factors.

TABLE 4. Respondents’ demographic information

	Category	No. of Respondents	%
Gender	Male	87	64
	Female	50	36
	Total	137	100
Age	30 or less	37	27
	31-40	53	39
	41-50	34	25
	51-60	6	4
	Over 60	7	5
	Total	137	100
Work Experience (years)	5 or less	30	22
	6-10	19	14
	11-15	36	26
	16-20	31	23
	Over 20	21	15
	Total	137	100
Level of Education	PhD	40	29
	Master	79	58
	Bachelor	15	11
	High School	3	2
	Total	137	100

SOURCE: Authors

5.2. Factors influencing the selection of Board members in POEs

The study analyzed the factors that influence board members’ selection process in POEs. Table 6 shows that factors such as family background, nepotism, personal relationships, position in society, top management, and political parties, which account for 39% of the variance, influence the selection process of board members. These factors were, therefore, labeled as cultural factors. The second factor is labeled as professional factors, which include qualifications, legal requirements, Code of Ethics and Corporate Governance, and the POEs sector.

Of all the factors, respondents considered political parties, nepotism, and personal relationships to be the most important factors influencing the selection

process of board members, with mean scores of 4.49, 4.01, and 3.90, respectively, while the least important factor was qualifications and experience (M=2.72; SD=1.17).

5.3. Motivating factors for Board membership

The data in Table 7, derived from the factor analysis, show that two factors motivate individuals to become board members. The data in the left-hand column show that the factor Good post to employ relatives has the highest loadings and is labeled ‘personal benefits.’ In contrast, the second group of factors is labeled ‘social recognition.’

TABLE 5. Groups of respondents

Group number	Group of stakeholders	No. of questionnaires completed	Percentage (%)	Group Response rate (%)
	Board (B)			
1	Chairman	3	2	10.7
	Board Member	5	4	
	Former board member	5	4	
	Candidate for Board Member	1	.7	
	Group Total	14		
	Management (M)			
2	Chief Executive director	25	18	18
	Group Total	25		
	Non-management (NM)			30
3	Employees	41	30	
	Group Total	41		
	Regulators (R)			
4	Auditor	5	4	4.7
	Regulator	1	.7	
	Group Total	6		
	Academic (A)			
5	Lecturer	28	20	20
	Group Total	28		
	Civil society (CS)			
6	Researcher	20	15	17
	Journalist	3	2	
	Group Total	23		
	Total	137	100	100

SOURCE: Authors

Of all the factors, salary and other financial benefits alone were considered the most important motivating factor for board membership. 92% of respondents stated that financial and monetary benefits greatly influenced board membership. This was followed by appointment by political parties and the perception of the board position as a good position to employ relatives.

Table 8 shows the results for each group of respondents. All groups perceive salary and other finan-

cial benefits, the opportunity to employ relatives, and appointment by political parties as the top three motivating factors for board membership. Analysis of the table also shows that contribution to society is the least motivating factor for board membership. Only 14% of respondents see this as a motivating factor for board membership.

TABLE 6. Factors affecting selection of Board members

	Cultural Factors	Professional Factors
Family origin	.819	
Nepotism	.802	
Personal relationships	.788	
Position in society	.683	
Top management	.614	
Political parties	.502	
Qualifications and experience		.795
Legal requirements		.751
Code of Ethics and Corporate Governance		.745
Sector of POE		.624
Eigenvalues	3.878	2.459
Proportion of Variance	38.782	24.587
Cumulative Variance		63.368

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SOURCE: Authors

TABLE 7. Motivating factors for board membership

	Personal Benefits	Social Recognition
Good post to employ relatives	.751	
Appointed by political parties	.645	
Travel abroad	.630	
Easy job	.525	
Contribute society		.662
To become popular		.559
Salary and other benefits		.299
Eigenvalues	2.037	1.141
Proportion of Variance	29.095	16.302
Cumulative Variance		45.397

SOURCE: Authors

TABLE 8. Motivating factors for Board membership

		Salary and other financial benefits	To become popular	Easy job	Good post to employ relatives	Appointed by political parties	Travel abroad	Contribute to society	
Board	N	14	4	5	5	9	5	3	14
	% Within group	100.0%	28.6%	35.7%	35.7%	64.3%	35.7%	21.4%	
	% Within question	11.1%	7.7%	9.4%	5.8%	9.4%	11.9%	15.8%	
	% of Total	10.2%	2.9%	3.6%	3.6%	6.6%	3.6%	2.2%	10.2%
Management	N	22	10	11	16	17	6	6	25
	% Within group	88.0%	40.0%	44.0%	64.0%	68.0%	24.0%	24.0%	
	% Within question	17.5%	19.2%	20.8%	18.6%	17.7%	14.3%	31.6%	
	% of Total	16.1%	7.3%	8.0%	11.7%	12.4%	4.4%	4.4%	18.2%
Non-management	N	38	19	16	25	28	12	5	41
	% Within group	92.7%	46.3%	39.0%	61.0%	68.3%	29.3%	12.2%	
	% Within question	30.2%	36.5%	30.2%	29.1%	29.2%	28.6%	26.3%	
	% of Total	27.7%	13.9%	11.7%	18.2%	20.4%	8.8%	3.6%	29.9%
Regulators	N	5	3	1	4	5	2	1	6
	% Within group	83.3%	50.0%	16.7%	66.7%	83.3%	33.3%	16.7%	
	% Within question	4.0%	5.8%	1.9%	4.7%	5.2%	4.8%	5.3%	
	% of Total	3.6%	2.2%	.7%	2.9%	3.6%	1.5%	.7%	4.4%
Academics	N	26	11	11	21	21	10	2	28
	% Within group	92.9%	39.3%	39.3%	75.0%	75.0%	35.7%	7.1%	
	% Within question	20.6%	21.2%	20.8%	24.4%	21.9%	23.8%	10.5%	
	% of Total	19.0%	8.0%	8.0%	15.3%	15.3%	7.3%	1.5%	20.4%
Civil society	N	21	5	9	15	16	7	2	23
	% Within group	91.3%	21.7%	39.1%	65.2%	69.6%	30.4%	8.7%	
	% Within question	16.7%	9.6%	17.0%	17.4%	16.7%	16.7%	10.5%	
	% of Total	15.3%	3.6%	6.6%	10.9%	11.7%	5.1%	1.5%	16.8%
Total	Count	126	52	53	86	96	42	19	137
	% of Total	92.0%	38.0%	38.7%	62.8%	70.1%	30.7%	13.9%	100.0%

SOURCE: Authors

TABLE 9. Professionalism of Board of Directors

	N	Mean	Std. Deviation
1. A. The roles of the board chairperson and CEO should be separated in POEs.	137	4.28	.889
1. B. Board members in POEs are highly qualified.	137	2.48	1.065
1. C. Board members in POEs should be provided with more training in Corporate Governance.	137	4.44	.706
1. D. Non-performing board members exist in POEs.	137	4.29	.909
1. E. Without involvement in politics, becoming a board member in POEs is very difficult.	137	4.57	.694
1. F. More qualified board members are needed in POEs.	137	4.63	.653
1. G. Majority of board members should be non-executive directors.	137	3.77	.910
1. H. Because of politicized boards, a high corruption rate exists in POEs.	137	4.46	.748

SOURCE: Authors

5.4 Composition and professionalism of Boards

To analyze attitudes towards the boards of POEs, respondents were asked to provide information on the composition and professionalism of the boards. Respondents disagree that POE board members are highly qualified (M=2.48; SD=1.06) and believe there are under-qualified board members in POEs (M=4.29; SD=.909). As a result, most respondents indicated that board members should receive more governance training and that more qualified board members are needed, with mean scores of 4.44 and 4.63, respectively.

The analysis of the K-W and M-W tests shows a significant difference (p=.02) between management and civil society on the issue of the politicization of boards. Civil society members strongly believe that it is very difficult to become a board member of a POE without being politically involved (M=4.78), in contrast to management, which, while signaling strong agreement, believes less in political membership as a prerequisite for board membership of a POE (M=4.36), as shown in Tables 9 and 10.

TABLE 10. Group means Kruskal-Wallis and Mann-Whitney test results

	Group Means						K-W P-value	M-W P-values					
	B	M	NM	R	A	CS		B-M	B-NM	B-R	B-A	B-CS	M-NM
1. B.	2.29	2.60	2.78	1.83	2.29	2.35	.10	.39	.13	.26	.73	.80	.51
1. C.	4.29	4.16	4.46	4.83	4.64	4.43	.26	.90	.44	.10	.11	.46	.34
1. D.	4.43	4.04	4.27	4.50	4.39	4.35	.27	.10	.34	.78	.91	.86	.28
1. E.	4.64	4.36	4.51	4.67	4.61	4.78	.28	.31	.49	.92	.83	.27	.57
1. F.	4.71	4.56	4.61	4.83	4.64	4.61	.76	.30	.44	.77	.65	.95	.67
1. G.	4.43	3.60	3.63	3.67	3.61	4.00	.03	.00	.00	.06	.02	.15	.96
1. H.	4.36	4.36	4.41	4.50	4.54	4.61	.60	.96	.71	.78	.45	.14	.71

	M-R	M-A	M-CS	NM-R	NM-A	NM-CS	R-A	R-CS	A-CS
1. A.	.81	.15	.12	.14	.98	.88	.20	.15	.92
1. B.	.10	.19	.28	.04	.03	.07	.35	.39	.99
1. C.	.10	.08	.41	.14	.23	.94	.37	.17	.33
1. D.	.23	.04	.08	.57	.23	.33	.82	.85	.95
1. E.	.50	.31	.02	.68	.55	.04	.96	.29	.13
1. F.	.28	.47	.26	.38	.70	.40	.52	.73	.65
1. G.	1.00	.90	.11	.96	.93	.10	1.00	.36	.21
1. H.	.80	.42	.11	1.00	.61	.15	.75	.32	.34

TABLE 11. Structure of Boards

No. of board members in POEs	No of respondents	%
Three	16	11.7
Five	93	67.9
Seven	24	17.5
More than seven	4	2.9
Total	137	100.0
Duration of board members in POEs		
One term	62	45.3
Two terms	72	52.6
Three terms	2	1.5
More than three terms	1	.7
Total	137	100.0
Maximum number of boards to serve		
Only one board	121	88.3
Two boards	13	9.5
Three boards	2	1.5
More than three boards	1	.7
Total	137	100.0

SOURCE: Authors

5.5. Duration and number of Boards

The study analyzed the number of board members, the duration of the mandate, and the number of board mandates a board member can hold within the same term of office. As shown in Table 11, the overwhelming majority of respondents (68%) indicated that POE boards should consist of five mem-

bers and less than three percent believe that boards should have more than seven members. Respondents also believe that a board member should serve one or a maximum of two terms, but only two respondents indicated that board members could serve three terms. In addition, the overwhelming majority of respondents (88%) believe that board members should not sit on more than one board at a time, while less than 10% of

respondents suggest that board members should be able to serve on a maximum of two boards at a time.

5.6. Transparency of Boards on the POEs’ operations

Irregularities in the selection of the board of directors and the factors that influence the composition of the board of directors ultimately affect the activities of POEs and their transparency. In this context, the study

analyzed the factors that prevent POEs from disclosing information and increasing transparency. The results in Table 12 show that three main factors influence POEs’ transparency and non-disclosure of information: (a) the tendency to hide potentially corrupt and unethical behavior, (b) the unprofessionalism of the board members, and (c) fear of the media and the public. Except for one director who stated that POEs do not have time to disclose enough information, all other groups agree that this is a valid reason.

TABLE 12. Factors preventing disclosure and transparency of POEs

		Occurrences	Unprofessionalism	Not legally required	Afraid of media and public	Hide corruptive and unethical behavior	Total
Board	N	0	8	2	13	11	14
	% Within group	0.0%	57.1%	14.3%	92.9%	78.6%	
	% Within question	0.0%	8.0%	11.1%	14.0%	10.5%	
	% of Total	0.0%	5.9%	1.5%	9.6%	8.1%	10.3%
Management	N	1	16	3	17	19	25
	% Within group	4.0%	64.0%	12.0%	68.0%	76.0%	
	% Within question	100.0%	16.0%	16.7%	18.3%	18.1%	
	% of Total	.7%	11.8%	2.2%	12.5%	14.0%	18.4%
Non-management	N	0	34	8	26	28	41
	% Within group	0.0%	82.9%	19.5%	63.4%	68.3%	
	% Within question	0.0%	34.0%	44.4%	28.0%	26.7%	
	% of Total	0.0%	25.0%	5.9%	19.1%	20.6%	30.1%
Regulators	N	0	3	1	6	4	6
	% Within group	0.0%	50.0%	16.7%	100.0%	66.7%	
	% Within question	0.0%	3.0%	5.6%	6.5%	3.8%	
	% of Total	0.0%	2.2%	.7%	4.4%	2.9%	4.4%
Academics	N	0	24	3	18	23	28
	% Within group	0.0%	85.7%	10.7%	64.3%	82.1%	
	% Within question	0.0%	24.0%	16.7%	19.4%	21.9%	
	% of Total	0.0%	17.6%	2.2%	13.2%	16.9%	20.6%
Civil society	N	0	15	1	13	20	22
	% Within group	0.0%	68.2%	4.5%	59.1%	90.9%	
	% Within question	0.0%	15.0%	5.6%	14.0%	19.0%	
	% of Total	0.0%	11.0%	.7%	9.6%	14.7%	16.2%
	N	1	100	18	93	105	136
	% of Total	.7%	73.5%	13.2%	68.4%	77.2%	100.0%

SOURCE: Authors

6. CONCLUSION

The study analyzed factors influencing and inhibiting board membership in Kosovo's Publicly-Owned Enterprises (POEs). POEs play an important role in the country's economic development and society's well-being. However, they often face challenges and irregularities. A special law has been enacted, and a code has been issued to regulate their activities. Nevertheless, there are still significant irregularities, particularly concerning the appointment process and the quality of board members.

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Interviews and questionnaires were the two main data collection methods for the study. A total of 150 respondents were included in the study: 13 in interviews and 137 in the quantitative survey. The results of both methods show that personal benefits are the most important factors influencing candidates for POE board membership. In addition, the selection process of board members is usually strongly influenced by political factors, which significantly affect the performance of POEs. As a result, boards are often composed of unprofessional, unqualified, inexperienced, and incompetent members.

The study also found that the POEs' transparency towards the public is weak. The three main reasons for the low level of transparency are the attempt to hide corrupt and unethical behaviour, the fear of the media and the public, and the unprofessionalism of the boards. In this context, respondents suggested several measures that need to be taken to ensure better functioning of boards. These include establishing an autonomous agency to monitor POEs, developing a public consultation process for boards, and increasing transparency towards stakeholders through regular and systematic public reporting.

The results of this study could serve as a reference for relevant policymakers to redesign policies and develop guidelines for a transparent board selection process and ensure the appointment of professional board members whose primary incentives for board membership are linked to the development and improvement of POEs rather than personal benefits and social recognition. This could include a more rigorous and transparent process for board selection, proven past performance, relevant experience in the sector in which POEs operate, measurement of performance (as a board and as directors), and measures against poor performance at both board and individual level, as applied in various developed countries (OECD, 2021).

6.1. Research limitations and future agenda

Despite the numerous benefits this study offers, some limitations need to be considered that could be addressed in future studies. The researchers strongly believe there is a significant lack of empirical studies on corporate governance with a particular focus on POEs in the country. A study on corporate governance practices at regional and local POEs would provide further insights into corporate governance practices. Another possible study could be a comparative study between POEs in developing countries, especially in the Western Balkans, which have a similar development environment. The study could be extended to a cross-national study of more developed European countries to analyze the corporate governance practices of POEs and examine the factors that influence the composition of the board of directors.

Finally, future studies could analyze academic programs and curricula on corporate governance at universities. This could strengthen the understanding of the importance of corporate governance and boards in the academic environment.

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DETERMINANTE ČLANSTVA U UPRAVNIM ODBORIMA JAVNIH PODUZEĆA:
SUVREMENI TRENDovi I PITANJA

SAŽETAK

Struktura upravnog odbora smatra se jednim od najvažnijih determinanti njegove učinkovitosti. Ova studija ispituje osobne motive pojedinaca koji teže članstvu u upravnom odboru javnih poduzeća. Koristeći sekvencijalni mješoviti metodološki pristup, provedeno je trinaest dubinskih intervjua s trenutnim i bivšim članovima upravnih odbora te je prikupljeno 137 upitnika od ključnih predstavnika i korisnika javnih poduzeća. Rezultati ukazuju na niz faktora koji motiviraju na članstvo u upravnim odborima. Otkrivamo da su intrinzični motivi, na koje se referiramo kao ‘osobne koristi’, i ekstrinzični motivi, na koje se referiramo kao ‘društveno priznanje’, najvažniji faktori za pridruživanje članstvu u upravnom odboru javnog poduzeća. Nalazi bi mogli biti korisni u redizajniranju strategija i politika za imenovanje profesionalnih članova upravnog odbora čiji su primarni poticaji za članstvo u upravnom odboru vezani uz razvoj javnog poduzeća, a ne osobne koristi i samo-priznanje.

KLJUČNE RIJEČI: *upravni odbor, motivi, javna poduzeća, struktura, faktori.*