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IN BOARD WE TRUST: THE ROLE OF SUPERVISORY BOARD IN PUBLIC COMPANIES IN BOSNIA AND HERZEGOVINA

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ABSTRACT

The role of supervisory boards in corporate governance has become a focal point of academic and practical scrutiny, especially in the context of public enterprises undergoing a transition in post-socialist countries. Bosnia and Herzegovina, a nation experiencing a protracted and complex transition, presents a unique case for examining how supervisory boards influence the management and operational strategies of public companies. The interplay between corporate governance structures and the broader socio-economic transformation processes provides fertile ground for insights into the effectiveness of governance practices. This article aims to delve into the dynamics of supervisory boards within the public enterprises of Bosnia and Herzegovina, assessing their impact on strategic management and financial performance. The research is motivated by the preposition that robust and active supervisory boards can significantly shape the strategic direction of companies, enhancing their governance and contributing to their success in a competitive and evolving economic landscape. By exploring the composition, roles, and effectiveness of these boards, the study seeks to contribute to the broader discourse on corporate governance in transitional economies, offering implications for policy and practice in similar contexts.

KEY WORDS

corporate governance, public companies, supervisory board, company governance

CLASSIFICATION

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INTRODUCTION

The role of supervisory boards is a topic of significant debate, with various studies highlighting different challenges and changes. Peij and Bezemer [1] both emphasise the evolving nature of this role, with Peij focusing on the challenges faced by non-executive directors in the Netherlands and Bezemer discussing the increased involvement of board chairmen in both control and service roles. Xiao [2] adds a cross-cultural perspective, identifying four potential roles for supervisory boards in Chinese companies. Zamojska [3] further expands the discussion by examining the role of independent directors in Central and Eastern European countries, underscoring the need for a nuanced understanding of the diverse factors influencing the role of supervisory boards.

The relevance of the topic for transition countries like Bosnia and Herzegovina is underscored by the complex state structure and the need for defence reform [4]. However, the incorporation of socio-economic concerns into transitional justice has been challenging, leading to the marginalisation of these issues [5]. The negotiation process with the EU is crucial for the country's growth and development, particularly in terms of strengthening state institutions and achieving economic convergence [6]. The transformation dynamics in the country have adversely affected economically vulnerable sectors, highlighting the need for a balanced approach to economic transformation [7].

This article explores the role of supervisory boards in corporate governance within Bosnia and Herzegovina – a nation embedded in complex and protracted socio-economic transitions. By examining the composition, roles, and effectiveness of supervisory boards, the study seeks to understand their influence on the management and operational strategies of public companies. As Bosnia and Herzegovina continues to navigate its transition, the relationship between these governance structures and the broader economic transformations offers valuable insights into the dynamics of corporate governance. This research investigates how robust and proactive supervisory boards can potentially enhance strategic management and financial performance, thereby contributing to the overall success of enterprises in a competitive and evolving market. Through this analysis, the article contributes to the broader discourse on the effectiveness of governance practices in transitional economies, with implications for both policy and practice.

LITERATURE REVIEW

Due to its role, the supervisory board is the most important corporate governance body. That is why a balanced and sound supervisory board plays a key role for effective and effective corporate governance [8]. It is very important to point out that the body has the greatest or ultimate responsibility in corporate governance. In order for everything to function at a high level, an adequate structure and size of the supervisory board is required, good communication between the members of the supervisory board, their competence, commitment to work in the board, and the issue of representing the interests of individual members of the supervisory board. Many factors, such as the size of the company, the age of the company, the number of business segments, activity, legal solutions, ownership structure and more, can determine the size and structure of supervisory boards [9].

Kor [8], in his work, proves the existence of a two-way influence of the supervisory board on the composition of the supreme management team. Therefore, this research has shown that there is a two-way relationship between these two key organs of the enterprise. Unlike this research, the authors Schalka and Sarfati [9] proved the influence of management structures on the financial operations of the enterprise. By measuring four variables such as the percentage of independent aliens on the board of directors, separation of CEO and president, adoption of conditional benefits and percentage of institutional investors in the ownership structure, the authors concluded that increasing the formal management structure through external directors in management and ownership of institutional investors could lead to a worse performance of the company [9]. Therefore, the excessive influence of the supervisory board on management can contribute to companies achieving poorer performance.

Huynhm, Gudergan, and Wilden [10] indicate in their research that the interaction between the supervisory board and management can significantly contribute to the development of the dynamic capacities of the organisation. Specifically, exploring the control and service role of the board of directors as the two main roles that condition the dynamic implementation of capabilities, the authors explain how these two board roles can weaken or strengthen the influence of the top management team on the dynamic implementation of capabilities. Therefore, according to this research, the supervisory board has a strong influence on the decision-making of the highest management. Unlike these studies, author Bremert [11] argues that board composition and board structure only give the board some potential to contribute to the performance of the enterprise but do not guarantee that this potential will be exploited. Therefore, in his research, the author proposes the interaction of the supervisory board and the management as a factor that allows management to realise their problem-solving potential and thus contribute to the results of the company. Based on the theoretical argument, Bremert [11] proposes that boards with the appropriate configuration of composition, structure and interaction can build a "board capability" that would increase an enterprise's competitive advantage. Therefore, composition, structure and interaction are important factors to pay attention to during research.

A special significance to these factors was given by Tipurić [12], who, in his research, pays special attention to the composition, structure and scope of work of supervisory boards in Croatian companies, proving the influence of the supervisory board on key management activities of Croatian companies through three key roles: strategic, control, and connecting. Furthermore, some authors believe that the supervisory board individually influences certain elements of the work of the supreme management team. For example, authors Lo and Fu [13] state that the supervisory board and top management dominate business strategy. The results of their research confirm that the interaction of the supervisory board and the top management team can significantly improve the performance of the organisation. This claim is also proved by Mešin [14], who shows in her research that the supervisory board is an important factor in corporate governance and that greater efficiency of its work in performing tasks increases the company's business performance. Some authors deepen this influence even more.

In their research, Qiao, Yang and Yin [15] aim to differentiate the CEO and other top management team members into two independent groups and explore the types of interactions between them and the impact of these interactions on the company's results. All this undoubtedly indicates that there is a certain connection between the supervisory board and the management. Suppose we start from the assumption that the basic determinants of the strategic management process are the orientation of the company, which is manifested in the formulation of vision, mission and strategic goals. In that case, it is important to examine the real (essential) role in the business of the company, which stands out as the fundamental determinant of the strategic management process. The management body imposes itself in the process of strategic management. This research sought to obtain data on the extent to which supervisory boards are independent in directing the work of the management of public company owners in formulating mission and vision and independently adopting strategic goals[15].

The importance and significance of strategic management in public companies are more than significant today, especially in a situation where a business faces problems, starting from the unsettled ambient context of the business and ending with unprofessional management.

In companies with a concentrated ownership structure, the majority of owners decide on the composition and size of the supervisory board with mandatory compliance with legal provisions, such as the mandatory participation of workers' representatives in the supervisory board [14]. In general, when the supervisory board is viewed conceptually, it can be said that the number of members, structure, professional qualifications of members of the supervisory board, the election of members and the organisation of work determine it. Unlike the supervisory board, the management of a company is the body that, together with the supervisory board, forms the management structure of the company [15]. The powers of the management are the execution of decisions of the supervisory board, the management of the company's day-to-day affairs and the implementation of the strategy approved by the supervisory board [11].

The research includes an analysis of the role and significance of the Supervisory Board in the strategic management of public companies. The focus is on researching the fundamental importance of the role of supervisory boards in strategic management in public companies in the Federation of Bosnia and Herzegovina. The aim of this article and the accompanying research is to obtain information on the independence of supervisory boards in directing public companies, including shaping mission and vision and setting strategic goals.

THE SUPERVISORY BOARD IN THE LEGISLATION OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

LEGAL FRAMEWORK

The legal system of Bosnia and Herzegovina, which regulates the operations of economic entities, as well as corporate governance itself, is determined by the specifics of the constitutional order. Regarding the legal and state regulation of Bosnia and Herzegovina, the legislative framework of corporate governance in force in Bosnia and Herzegovina is different in the entities, and there is no compliance at the state level. Thus, some laws are unique to the entire territory of Bosnia and Herzegovina, then laws that exist at the level of the Republic of Srpska and the Federation of Bosnia and Herzegovina, and ten special cantons within the Federation of Bosnia and Herzegovina itself. A special feature is the existence of so-called umbrella laws that should be the basis for the adoption of special entity laws that must be harmonised with them. Brcko District is in a separate legal regime, enjoying a special kind of international protection and legal legislation. This status of the Brcko District has led to the fact that it is completely outside the legal system of Bosnia and Herzegovina. The legal matters of corporate governance, establishment, and operations of companies in Bosnia and Herzegovina are within the competence of the entities. In addition, additional specificities are prescribed by special sectoral laws relating to banks, insurance companies, funds and companies with a majority ownership stake in the state.

According to the Law on Companies of the Federation of Bosnia and Herzegovina, "the management, in addition to the directors, consists of executive directors. The Executive Director organises the work, represents the company, and is responsible for the legality of the business and the scope established by the Director's written act. Executive Directors shall be appointed and dismissed by the Supervisory Board on a proposal from the Director for the period to which the Director has been appointed. The salary and other substantive rights of the Executive Director shall be governed by a contract between the Director and the Executive Director, with the prior consent of the Supervisory Board. Members of the management board may be re-elected in accordance with the interests of the company, i.e., if the supervisory board positively evaluates their work and if it considers that they can lead the company.

The management board organises work and conducts business, represents the company, and is responsible for the legality of the business. The board consists of directors and executive directors. The number of members of the management board shall be determined by an act of incorporation, normative acts or a special decision of the supervisory board. The management board is chaired by a director who manages the business, represents the company, and is responsible for its legality. The term of office of the director usually lasts four years. The position, powers, responsibilities, and rights of the director shall be regulated by a contract between the Supervisory Board and the Director (management). For the successful business of the company, the way in which the Supervisory Board and the Management Board cooperate is crucial, with another prominent criterion that the Supervisory Board, as a key corporate body, dimensions and determines the way the management works. Viewed in the above context, the supervisory board should always have the status of a superior body that fully determines the mode of operation and operation of the administration, not allowing the transition of real power from the hands of the supervisory board to the hands of the management, which, however, often happens. A precisely defined managerial contract, signed by the chairman of the supervisory board with board members, can be a good tool for defining the aspects of power delimitation between these two key corporate bodies.

PUBLIC COMPANIES IN THE FEDERATION OF BOSNIA AND HERZEGOVINA

For public companies in the Federation of Bosnia and Herzegovina, we can say that a closed system of corporate governance with a concentrated ownership structure is applied, which in this case is a state which functions in a dual model, i.e. in the management structure two types of boards have been established. One is the supervisory board, whose members have no executive functions, and the other is the management. Members of the Supervisory Board have the task of supervising and monitoring business, i.e. performing a strategic, controlling and connecting role, while members of the management board take on the role of managing and managing the company. Given the separation of ownership and management functions and given that the owner of public companies is the state, it is interesting to see whose interests are represented by the supervisory board elected by the state through the assembly of a public company. The Supervisory Board is the link between the owners of capital and the management, whose main task is the functioning of the enterprise and the creation of the value of the enterprise. According to agency theory, the supervisory board is the agent of the owner, but the principal management also has the role of agent. The basic tasks and responsibilities of the members of the supervisory boards of public companies are defined by the Law on Public Enterprises of the Federation of Bosnia and Herzegovina [16]. However, the law does not define the more detailed roles of the supervisory board and the strategic role of the supervisory board. This is particularly important to point out since a clear strategic commitment should generate a stable and long-term sustainable development of a public company. Corporate governance in state-owned enterprises is a significant challenge in many economies. However, so far, there has been no international benchmark to help governments assess and improve the way these companies, which often make up a significant part of the economy, own. The main challenge is to find a balance between the competence of the state to actively carry out its ownership functions, such as the appointment and election of the administration while refraining from imposing excessive and inappropriate political interference in the operation and management of the enterprise. The Supervisory Board is a body that, with its strategic role of consulting, discussing strategic issues, and approving key strategic decisions, should help management in managing the company's business. The strategic role of the supervisory board should be active and permanent, i.e., the supervisory board would have to participate in the process of strategic planning, risk assessment, defining performance indicators and evaluating the work of the management. As already stated in this article, the supervisory board should not and should not take on the role of implementing the strategy because this is the task of the management. Still, it should direct the business and control the work of the management, i.e. establish control mechanisms for controlling the work of the management. The positioning of the

Supervisory Board in the legislation of Bosnia and Herzegovina requires understanding (i) The position of the Supervisory Board in the legislation of the Federation of Bosnia and Herzegovina and (ii) the position of the Supervisory Board in the legislation of the Republic of Srpska.

SUPERVISORY BOARD IN THE LEGISLATION OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

In the Federation of Bosnia and Herzegovina, as already noted, a continental model of corporate governance was adopted for all joint-stock companies, as well as public enterprises. In this regard, they have a supervisory board and management. According to the Economic Companies Act, the supervisory board consists of the president and at least two members, appointed and dismissed by the assembly, and the number of members of the supervisory board must be odd [16]. Some of the basic duties of the members of the Supervisory Board are supervision of the company's operations and the work of the management board, adoption of management reports on operations per semi-annual and annual calculation with the balance sheet and profit and loss account. as well as audit report, the appointment of board members and members of subcommittees for remuneration and appointments making proposals for profit distribution submitting reports to the meeting on business operations, internal audit and other [16]. There is a clear difference in the work of the Supervisory Board and management in terms of obligations and responsibilities. While the supervisory board is responsible for the selection of board members and the assessment of their work, as well as the business of the company, the management is responsible for the company's operations.

The management organises the work and conducts business, represents the company, and is responsible for the legality of the business. The board shall consist of a director or one or more executive directors, as determined by the statute. The Management Board is chaired by a director who represents and represents the company and is responsible for the legality of the business. A contract between the Supervisory Board and the Director shall govern the responsibilities and rights of the Director. In addition to the directors, the members of the management board are also executive directors who represent the company and are responsible for the legality of business in the affairs and scope established by the written act of the director. Executive Directors shall be appointed and dismissed by the Supervisory Board on a proposal from the Director for the period to which the Director has been appointed. The substantive and other remuneration of executive directors shall be governed by a contract between the Director-General and the Executive Directors, with the prior consent of the Supervisory Board. A joint stock company has a secretary appointed by the supervisory board at the proposal of the director of a joint stock company for the same time to which the director is appointed. The Secretary shall be empowered to enforce the decisions of the Assembly, the Supervisory Board and the Director. The Secretary shall be responsible for the preparation of the meetings and keeping the minutes of the Assembly and the Supervisory Board [16].

An audit committee is formed in a joint-stock company. The chairperson and the member of the audit committee may not be members of the supervisory board and management, employed or have a direct or indirect financial interest in a joint-stock company other than salary based on that function. The Audit Committee shall, at the request of shareholders with at least 10% of voting shares, audit the semi-annual and annual accounts and audit the financial operations of the joint stock company, and submit a report to the general meeting and supervisory board, no later than eight days after the completion of the audit. When it comes to protecting the rights of minority shareholders, the law states that a member or group of members of a company whose shares make up one-tenth of the share capital can be requested by the court to appoint an external auditor. The court will appoint an auditor if the proponents make it likely that a more serious violation of the law, contract or statute has been committed. The management of public companies is regulated by law, and the management of joint stock companies or limited liability companies that have a supervisory board, i.e., a two-level model of corporate governance, was applied. According to the Public Enterprises Act, the governing bodies of public enterprises are the assembly, the supervisory board, and the administration [16].

SUPERVISORY BOARD IN THE LEGISLATION OF THE REPUBLIC OF SRPSKA

The Republic of Srpska can be said to have a specific model of corporate governance. When it comes to joint-stock companies, the bodies of a joint-stock company established without issuing a public invitation for subscription and payment of shares are the assembly and the director, and the companies established by issuing a public invitation for subscription and payment of shares are the assembly and the board of directors. The tasks of the assembly and the director in a one-member joint stock company are performed by the owner unless otherwise specified by the decision on incorporation [17].

The number of members of the board of directors of an open joint stock company shall be determined by the act of incorporation. In an open joint stock company, the board of directors has at least 3 members and a maximum of 15 members [17]. Members of the board of directors are elected by the owners at the annual general meeting or at any extraordinary meeting convened for that election. The existing board of directors proposes candidates for the election of members of the board of directors, the owners, or the board of directors if it is formed.

Corporations whose shares are listed on the official stock market must have a majority of non-executive members of the board of directors, at least two of whom are independent members. The term of office of the director or members of the management board, including members who have been elected to the vacant posts of members, shall not exceed 5 years with the possibility of re-election but may terminate at each annual meeting if an annual business report is submitted, and it was adopted.

The President of the Management Board shall be elected from among its ranks by a simple majority of the total unless otherwise provided by the memorandum of association or statute. The president of the board of directors is the general director of the company unless otherwise specified by the memorandum of association or the articles of association of the company. The Management Board shall hold at least 4 regular meetings per year, one of which shall be no later than 60 days before the annual general meeting. The following are a few important issues for which the Board of Directors is responsible: (i) managing the development strategy and supervision of executive directors and administration, (ii) establishing or approving a business plan, (iii) selecting and dismissing executive directors, approving the terms of contracts and determining their remuneration, and (iv) determining the amount and date of dividend, the date of payment and the dividend payment process, when the memorandum of association gives it such authorisation [17].

An open joint stock company has a board of directors, and a closed joint stock company may have a director or a board of directors. Open joint stock companies whose shares are listed on the official stock exchange market shall have a majority of non-executive members of the board of directors, of which at least two are independent members. Executive Directors shall be elected from among persons who are members of the Management Board or of other persons. In a joint stock company that has more than two executive directors, an executive board is formed. The scope of the executive board includes the implementation of the decisions of the joint-stock company's board of directors and all issues related to the management and current affairs of the company, except for issues that fall within the competence of the board of directors and a shareholders' meeting. Members of the executive board may be dismissed by the board of directors of the company at any time, for or without a specific reason, where this is, in the assessment of the board, in the best interests of the company. Here, it is important to note that independent board members cannot be employed in society while the company employs members of the executive board. The Executive Board is obliged to report permanently and comprehensively to the Management Board, while the Steering Committee is obliged and responsible to report to the Assembly. The memorandum of association or the statute of an open joint stock company may determine (and in the case of an open joint stock company whose shares are listed on the official stock market, it must be determined) that the company has an internal audit and an audit committee.

The articles of association or social contract of a closed joint stock company may provide that the company has an internal auditor or audit commission. The audit committee shall have at least 3 members, and their total number shall be odd. The assembly elects members of the audit committee. Some of the most important tasks of the audit committee are reports to the Management Board on the implementation of recommendations based on audit reports, reports to the assembly on accounting and financial operations, and expressing an opinion on the proposal for a decision on the distribution of profits adopted by the assembly. An open joint stock company has an independent auditor whose position and powers are determined by the law governing accounting and auditing. An independent auditor is elected at the ordinary annual meeting of the current year for the audit of the financial statements for the following business year. According to the Law on Public Enterprises of the Republic of Srpska - "the bodies of the public company are the assembly, the supervisory board and the administration." [17]. Thus, public companies, unlike joint stock companies that have a board of directors, have a supervisory board, board and board of directors, i.e., a two-tier model of corporate governance is applied. The Supervisory Board consists of at least three members, and the right to one seat on the Supervisory Board is vested in shareholders or members of the company who have at least 5% of voting rights. According to the same Law [17], the competence of the Supervisory Board is in the domain of election and dismissal of management members, supervision of the work of the management board, adoption of rules of procedure on the work of the Supervisory Board, proposing statutes, code of ethics, other acts of the assembly, making decisions on investments and more.

METHODOLOGY

RESEARCH INSTRUMENT

A questionnaire form created by Tipurić [12] was used in the preparation of the questionnaire. The questionnaire has been modified in a certain part of the question and thus adapted to the requirements of this research, so some questions are omitted or modified to serve the goals and tasks of the research in this article. Survey questionnaires for members of directors of public companies and members of supervisory boards are identical in structure, with some questions slightly adapted to the group that is the subject of the survey, but in a way that the results for both groups of respondents can connect and compare answers. The questionnaire contains a total of 30 questions, of which the largest number of questions is closed type, i.e. with already offered answers within which the respondents have opted. The questions in the questionnaire are divided into general questions that aim to provide basic starting information about respondents to questions that explore the role and scope of work of supervisory boards. The research questions for this work are posed as follows.

RQ_1: What are the distinguishing characteristics of the members of the board of directors and supervisory boards in public enterprises in Bosnia and Herzegovina, and how do these characteristics influence corporate governance?

RQ_2: How do stakeholders perceive the impact of the board of directors and supervisory board members on the governance and success of public enterprises?

RQ_3: What are the prevalent practices of supervisory board operations in these enterprises, and how do these practices affect their governance and operational efficiency?

RQ_4: What are the key problem areas within the jurisdiction of the supervisory board, and how do they prioritise and address these issues?

RQ_5: How are the roles of supervisory boards assessed by internal and external stakeholders in terms of their contribution to strategic management and organisational success?

RQ_6: In the current economic and transitional context of Bosnia and Herzegovina, how relevant are the supervisory boards to the strategic and operational goals of public enterprises?

RQ_7: What are considered the top priorities for supervisory boards in these public enterprises, and how do these priorities align with the broader goals of corporate governance and enterprise success?

DATA COLLECTION

The required data were obtained after the respondent, in the function of a member of the supervisory board and the role of a member of the management board, independently completed the questionnaire in advance. This research procedure, through identical questions for both populations of respondents, formulated questions with the immediate aim of obtaining facts of scientific interest. The survey was conducted in the form of a questionnaire that was distributed to respondents by personal contact, e-mail or mail.

The survey questionnaire has been sent to the 85 public companies, which is about 84% of the total number of public utility companies (a total of 101), regardless of whether they have positive or negative financial statements which are published in publicly available database. Out of 85 surveyed public utility companies, 36 adequately answered the questionnaire, which represents a turnout of about 42% of the total number of registered public companies for research.

Within the surveyed companies analysed in this article, the responses of 36 board members and 108 supervisory board members were analysed. One of the problems of this research is the very poor transparency and availability of public information, status and financial information on the official websites of public utility companies, which has further hampered the research in question.

Significant assistance and contribution to the realisation of this project was given by the Association of Employers of Utility Services in the Federation of BiH, without which this research would practically not be possible. The surveyed public companies are owned by the municipalities of the Federation of Bosnia and Herzegovina and geographically spread throughout the Federation, without special emphasis on individual regions. Given that the Legislation and business practice of public utility companies of the Federation of Bosnia and Herzegovina applies a dual model of corporate governance, i.e. that the supervisory board and the management are two separate bodies of corporate governance, two identical questionnaires have been formulated, one for members of the management board and the other for members of the supervisory board.

RESULTS

CHARACTERISTICS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD (RQ_1)

Table 1 shows the comparative characteristics of members of the administrative and supervisory boards of public and utility companies in the Federation of Bosnia and Herzegovina.

Table 1. Characteristics of the members of the board of directors and supervisory board.

Characteristic	Members of the board of directors (n = 108)	Members of the supervisory board (n = 36)	Chi-square (p-value)
Gender			
Male	89.8%	86.1%	0.375 (0.540)
Female	10.2%	13.9%	
Education			
Higher vocational education	0.0%	2.8%	0.819 (0.664)
University degree	74.1%	75.0%	
Master of Science	25.9%	22.2%	
Age			
30-40	4.6%	0.0%	4.721 (0.193)
40-50	17.6%	11.1%	
50-60	65.7%	63.9%	
60-65	12.0%	25.0%	
Term on the board			
The first term	33.3%	19.4%	14.969 (0.005)***
The second term	31.5%	13.9%	
The third term	19.4%	22.2%	
The fourth term	10.2%	25.0%	
The fifth term	5.6%	19.4%	
Positive financial results of the company			
Yes. in the last year	36.1%	36.1%	0.000 (1.000)
Yes. in the last three years	50.0%	50.0%	
No	13.9%	13.9%	

*statistically significant at 10%
**statistically significant at 5%
*** statistically significant at 1%

Table 1 provides a comparative analysis of the characteristics of members of the board of directors and members of the supervisory board in a company, using chi-square tests to determine if there are significant differences in their profiles based on gender, education, age, term on the board, and company performance.

Gender of respondents

The table shows a slight gender variation between the board of directors (89.8% male, 10.2% female) and the supervisory board (86.1% male, 13.9% female). However, the chi-square test indicates that these differences are not statistically significant (chi-square 0.375; p-value 0.540), suggesting a similar gender distribution across both boards.

The data note that the low representation of women on both the board of directors and the supervisory board reflects a broader trend in many corporations where gender disparity at higher levels of management and governance remains prevalent. In this specific instance, women constitute only 10.2% of the board of directors and slightly better at 13.9% on the supervisory board. This underrepresentation raises concerns about diversity and inclusion within the organisation’s leadership structure.

The significance of gender diversity on boards has been extensively researched and discussed in corporate governance circles. Diverse boards are often associated with a range of positive outcomes, including better decision-making, increased corporate sustainability, richer innovation, and improved company reputation. The presence of women on boards brings different perspectives and experiences, which can enhance board dynamics and lead to more balanced and comprehensive governance.

Moreover, various studies suggest that companies with gender-diverse boards tend to outperform those with less diversity in terms of sales, return on invested capital, and other financial metrics. The reasons for underrepresentation might include systemic barriers to women's advancement in the corporate ladder, such as gender biases in selection and promotion processes, lack of mentorship and sponsorship opportunities, and broader societal norms that influence gender roles.

Addressing this gap may involve proactive measures such as setting diversity targets, implementing mentoring programs aimed at preparing women for leadership roles, and ensuring transparent and equitable board selection processes. Additionally, fostering an inclusive corporate culture that actively supports the career advancement of women could help increase their representation in leadership roles over time.

Education

The education levels of the members of both the board of directors and the supervisory board highlight a strong preference for highly educated individuals in governance roles within the organisation. The majority of board members across both boards hold university degrees, with 74.1% of directors and 75% of supervisors having achieved this level of education. Additionally, a significant proportion of both boards—25.9% of directors and 22.2% of supervisors—have advanced their education to obtain a Master of Science degree. The chi-square test results suggest no significant differences in the educational background of the members of both boards (chi-square 0.819; p-value 0.664).

The presence of individuals with higher academic qualifications underlines the emphasis on advanced knowledge and specialised skills in managing and overseeing corporate affairs. This educational background is crucial for understanding complex business environments, making strategic decisions, and fulfilling the responsibilities required for effective governance. However, it is notable that there is a minimal representation of higher vocational education, particularly in the supervisory board, where only 2.8% of members possess such qualifications. This suggests a potential undervaluation of vocational training compared to traditional university education pathways in the recruitment and selection process for these high-level positions.

Age

The age distribution among the members of the board of directors and the supervisory board provides insights into the demographic composition and experience levels within the organisation's leadership. The chi-square result does not suggest statistical significance in age distribution (chi-square 4.721; p-value 0.193), although the younger age group of 30-40 is not represented in supervisory boards.

The bulk of both boards' members fall within the 50-60 age range, with 65.7% of directors and 63.9% of supervisors fitting into this category. This suggests that both boards are predominantly composed of individuals who likely possess a significant amount of professional experience and industry knowledge, which is crucial for effective governance and strategic decision-making.

The data also shows that the supervisory board has a notably higher representation of members in the 60-65 age group, at 25%, compared to 12% on the board of directors. This could indicate a tendency for the supervisory board to retain more senior members, possibly reflecting a preference for seasoned expertise in their oversight roles, which benefit from the long-term industry perspective and wisdom that comes with age.

On the other hand, the younger age bracket, particularly 30-40 years, is minimally represented, with only 4.6% of directors and no members of the supervisory board. This low representation of younger members could suggest potential areas for development in terms of succession planning and bringing in new perspectives or innovative approaches to board activities.

Term on the board

The term lengths on the board provide important insights into the tenure and turnover dynamics of the organisation's governance structures. According to the data, there are noticeable differences in the term lengths between the members of the board of directors and the supervisory board. The chi-square test shows that this difference is statistically significant for the second term (chi-square 14.969; p-value 0.005), highlighting a notable variance in term longevity between the two boards.

For the board of directors, a third (33.3%) are serving their first term, which is notably higher compared to 19.4% of the supervisory board members in their first term. This suggests a higher rate of new member induction on the board of directors, potentially indicating a strategy to infuse fresh perspectives or skills into the board's decision-making process. Conversely, the supervisory board shows a higher proportion of members in longer tenures, particularly those in their fourth (25%) and fifth (19.4%) terms, compared to the board of directors, where only 10.2% and 5.6%, respectively, are in these later terms. This pattern suggests greater continuity and possibly deeper institutional knowledge within the supervisory board, which may contribute to more stable and consistent oversight.

ATTITUDES TOWARDS THE IMPACT OF MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD (RQ_2)

Table 2 provides a useful insight into the views of the members of the supervisory and management boards on the impact of the supervisory board on the financial performance of public undertakings in the example of a post-transition country. First, we can note that many members of the supervisory board (63.9%) and the board of directors (52.8%) fall into the category of having a major impact on the financial result. This suggests that there is a tendency among members of both boards to perceive the supervisory board as an important factor influencing financial performance.

Table 2. Comparison of the views of supervisory and management board members on the impact of the supervisory board on the financial result.

The impact of the supervisory board on the financial result	Members of the board of directors (n=108)	Members of the supervisory board (n=36)	Chi-square (p-value)
Very strong	5 (4.6%)	2 (5.6%)	6.440 (0.265)
Strong	69 (63.9%)	19 (52.8%)	
Mediocre	18 (16.7.%)	9 (25.0%)	
Weak	5 (4.6%)	2 (5.6%)	
Very weak	8 (7.4%)	4 (11.1%)	
Not able to assess	3 (2.8%)	0 (0.0%)	
Total	108 (100%)	36 (100%)	

PRACTICE OF THE SUPERVISORY BOARD OPERATIONS (RQ_3)

Table 3 presents an assessment of supervisory board operations as perceived by members of both the board of directors and the supervisory board. It covers various aspects of supervisory board functionality, ranging from the frequency of meetings to the expertise of its members and the reliability of business reports.

Firstly, the frequency of supervisory board meetings seems consistent across both groups, with the majority having more than four meetings annually, followed by about 28% having four meetings. There is uniform agreement (over 86%) among both groups that the legally defined powers of the Supervisory Board are appropriate, despite a small percentage from the board of directors feeling they are too limited.

Table 3. Assessment of the practice of supervisory board operations from the board of directors and supervisory board.

	Members of the board of directors (n=108)		Members of the supervisory board (n=36)		Chi-square	p-value
	Frequency	Percent	Frequency	Percent		
How often are supervisory board meetings held annually (on average)?						
3 meetings and less	9	8.3%	3	8.3%	0.000	1.000
4 meetings	30	27.8%	10	27.8%		
More than 4 meetings	69	63.9%	23	63.9%		
How do you assess the legally defined powers of the Supervisory Board?						
They are appropriate	93	86.1%	31	86.1%	1.666	0.434
Need to be expanded	4	3.7%	0.0	0.0%		
Ddo not affect the business	11	10.2%	5	13.9%		
How do you assess the expertise of your Supervisory Board members in reading interpretations and analysis of financial statements and other business analyses submitted by the Management Board?						
A minority of members are sufficiently professional	3	2.8%	3	8.3%	5.672	0.058*
Most of the members are professional enough	84	77.8%	21	58.3%		
All members are sufficiently professional	21	19.4%	12	33.3%		
Are members of the Management Board present at supervisory board meetings?						
Rarely	3	2.8%	3	8.3%	2.098	0.350
Mainly	12	11.1%	4	11.1%		
Always	93	86.1%	29	80.6%		
The work. operation and decision-making of the Supervisory Board is...						
Mostly depending on	9	8.3%	4	11.1%	20.591	0.000***
Mostly independent	52	48.1%	8	22.2%		
Completely independent	44	40.7%	15	41.7%		
It is not possible to estimate	3	2.8%	9	25.0%		
How often does the Supervisory Board assess the work of management board members?						
Per month	24	22.2%	8	22.2%	1.230	0.873
Quarterly	15	13.9%	5	13.9%		
Twice a year	57	52.8%	19	52.8%		
Once a year	9	8.3%	4	11.1%		
Unable to estimate	3	2.8%	0	0.00%		
Is there a formally established system for measuring the success of members of the Management Board?						
There is a	15	13.9%	7	19.4%	0.644	0.422
There is not	93	86.1%	29	80.6%		
How do you assess the reliability of business reports and analyses that the Management Board sends to the Supervisory Board for consideration?						
Satisfying	99	91.7%	36	100%	3.200	0.073*
Not possible to estimate	9	8.3%	0	0.0%		
Is it practice that there are days of strategic planning in the company?						
Yes	21	19.4%	15	41.7%	7.214	0.027**
No	63	58.3%	16	44.4%		
Do not know	24	22.2%	5	13.9%		
What period does the adopted strategic plan relate to?						
One year	18	16.7%	13	36.1%	17.943	0.000***
Three years	33	30.6%	13	36.1%		
Five years or longer	9	8.3%	7	19.4%		
A strategic document as a plan does not exist	48	44.4%	3	8.3%		

*statistically significant at 10%
**statistically significant at 5%
***statistically significant at 1%

Regarding the expertise of Supervisory Board members in understanding financial statements and business analyses, a significant proportion (about 78% from the board of directors and 58% from the supervisory board) believe that most members are professional enough. However, there is a notable perception among the supervisory board (33.3%) that all members are sufficiently professional compared to 19.4% from the board of directors.

The presence of management board members at supervisory board meetings is overwhelmingly frequent, with 86.1% from the board of directors and 80.6% from the supervisory board indicating they are always present. Interestingly, assessments of the Supervisory Board's independence in decision-making reveal significant perceptions of dependency, particularly from the supervisory board members.

Most assessments of management board members occur twice a year, aligning across both groups. However, there is a divergence in views on the reliability of business reports sent for consideration, with 100% of supervisory board members finding them satisfying compared to 91.7% from the board of directors.

Strategic planning days are more common among supervisory board members (41.7%) than among the board of directors (19.4%). When examining the period related to the adopted strategic plan, a substantial difference emerges, with 36.1% of supervisory board members focusing on one and three-year plans, compared to 16.7% and 30.6%, respectively, from the board of directors. This suggests a more short-term focus on strategic planning among supervisory board members compared to their counterparts.

THE IMPORTANCE OF PROBLEM AREAS WITHIN THE COMPETENCE OF THE SUPERVISORY BOARD IN THE WORK OF THE SUPERVISORY BOARD (RQ_4)

Table 4 offers an insightful comparison of how members of the board of directors and supervisory board view various problem areas within an organisation, from strategic planning to internal controls and stakeholder relations. This assessment measures relevance on a scale from 1 (not relevant) to 5 (very relevant), revealing nuanced perceptions about different organisational concerns. Strategic enterprise planning is perceived similarly by both groups, with approximately 43% of both boards considering it mediocre and about 35% finding it relevant. A smaller portion, 22.2%, believes it is very relevant, indicating a consistent appreciation of strategic planning's importance across the board.

When it comes to the authorisation of proposed strategic decisions, the views are again closely aligned. Around 20% feel these are only relevant to a small extent, while 25-26% deem them mediocre. Notably, a greater proportion – around 32% from the board of directors and 31% from the supervisory board – consider these decisions very relevant, reflecting a significant recognition of the need for strategic decision-making oversight.

Assessment of the management's work reveals a stark contrast in the minimal perceived irrelevance, with 3.7% from the board of directors and none from the supervisory board finding it minimally relevant. The majority, over 56%, consider this assessment relevant, and about 30% rate it as very relevant, underscoring the critical view both groups hold regarding effective management oversight.

Regarding the internal controls, there is a shared viewpoint, with a third considering it mediocre and over half finding it relevant. This suggests a general agreement on the importance of internal controls, though not necessarily viewed as a critical issue, with only about 11% rating it as very relevant.

Lastly, maintaining and securing important relationships with stakeholders shows a consistent pattern. A little over 20% of both groups see it as minimally relevant, and around 42% find it

Table 4. Assessment of the problem areas by the board of directors and supervisory board (1-not relevant, 5-very relevant).

	Members of the board of directors (n=108)		Members of the supervisory board (n=36)		Chi-square	p-value
	Frequency	Percent	Frequency	Percent		
Strategic enterprise planning						
Mediocre	46	42.6%	15	41.7%	0.012	0.999
Relevant	38	35.2%	13	36.1%		
Very relevant	24	22.2%	8	22.2%		
Authorisation of proposed strategic decisions						
Relevant to a small extent	21	19.4%	8	22.2%	0.141	0.986
Mediocre	28	25.9%	9	25.0%		
Relevant	24	22.2%	8	22.2%		
Very relevant	35	32.4%	11	30.6%		
Assessment of the work of the management						
Relevant to a small extent	4	3.7%	0	0.0%	1.378	0.710
Mediocre	11	10.2%	4	11.1%		
Relevant	61	56.5%	21	58.3%		
Very relevant	32	29.6%	11	30.6%		
Conducting internal control						
Mediocre	37	34.3%	12	33.3%	0.011	0.994
Relevant	59	54.6%	20	55.6%		
Very relevant	12	11.1%	4	11.1%		
Maintaining relationships with stakeholders						
Relevant to a small extent	23	21.3%	8	22.2%	0.038	0.981
Mediocre	47	43.5%	15	41.7%		
Relevant	38	35.2%	13	36.1%		
Securing important relationships with stakeholders						
Relevant to a small extent	22	20.4%	8	22.2%	0.107	0.991
Mediocre	46	42.6%	15	41.7%		
Relevant	26	24.1%	8	22.2%		
Very relevant	14	13.0%	5	13.9%		

mediocre. The perception that maintaining these relationships is relevant or very relevant varies slightly, highlighting an overall recognition of the importance of stakeholder relationships, albeit not uniformly seen as a critical area.

ASSESSMENT OF THE ROLES OF THE SUPERVISORY BOARD (RQ_5)

Table 5 provides an in-depth analysis of the perceptions of the board of directors and the supervisory board members regarding the roles of the supervisory board.

The majority of supervisory board members (61.1%) and a somewhat smaller number from the board of directors (49.1%) consider the task of examining, verifying, and revising significant strategic choices provided by management to be of utmost importance. Nevertheless, there is a significant decrease in the number of those who consider it highly or just important, indicating a general agreement on the crucial significance of this obligation, but with differing levels of emphasis.

Regarding the responsibility of engaging in strategy development and overseeing its execution, the answers are distributed more fairly. Approximately 20% of both boards see it as the utmost priority, while a significant proportion – more than 45% from the board of directors and 44.4% from the supervisory board – regard it as highly essential. There is a consensus on the significance of this job, but it is considered less crucial in comparison to directly supervising strategic choices.

Perceptions vary substantially when it comes to monitoring and managing the work and results of management. Although 61.1% of the board of directors consider this position to be of utmost importance, just 33.3% of the supervisory board shares the same viewpoint. The disparity in perception in this context may indicate a divergence in the importance placed on direct supervision between the two groups, maybe reflecting distinct experiences or expectations regarding the efficacy of the supervisory board.

When it comes to safeguarding owners against too-cautious managers, the positions are considered less crucial in comparison to other domains. A mere 17.6% of the board of directors and 19.4% of the supervisory board regard it as the utmost priority. At the same time, a significant number perceive it as somewhat essential or of lesser significance. This suggests a reduced emphasis on risk management as the main responsibility of the supervisory board.

Maintaining relationships with major stakeholders and powerful organisations is viewed as highly essential by around 21% of the board of directors and 22.2% of the supervisory board. However, a notable percentage of individuals believe it to be of lesser importance. This variation highlights a subtle perspective on the significance of stakeholder interactions, which may not be perceived as a primary supervisory responsibility by all board members.

Finally, the task of safeguarding the interests and rights of employees and the local community is seen as moderately significant overall, with roughly 9% considering it the most important and around 23% thinking it vital. This position appears to be considered essential but not as a primary function of the supervisory board in comparison to other duties.

Table 5. Assessment of the roles of the supervisory board by the board of directors and supervisory board; 1-not relevant, 5-very relevant (continued on p.472).

	Members of the board of directors (n=108)		Members of the supervisory board (n=36)		Chi-square	p-value
	Frequency	Percent	Frequency	Percent		
The supervisory board evaluates, confirms, and corrects the most important strategic decisions proposed by the management.						
Most important	53	49.1%	22	61.1%	5.858	0.210
Very important	13	12%	0	0.0%		
Important	2	1.9%	0	0.0%		
Moderately important	24	22.2%	9	25.0%		
Less important	16	14.8%	5	13.9%		
The supervisory board, along with the management, participate in the formulation of the strategy and monitor its implementation.						
Most important	22	20.4%	8	22.2	1.185	0.880
Very important	16	14.8%	5	13.9%		
Important	18	16.7%	7	19.4%		
Moderately important	49	45.4%	16	44.4%		
Less important	3	2.9%	0	0.0%		
The supervisory board monitors and controls the work and results of the management's work						
Most important	66	61.1%	12	33.3%	9.956	0.041**
Very important	21	19.4%	13	36.1%		
Important	13	12%	7	19.4%		

**statistically significant at 5%

Table 5. Assessment of the roles of the supervisory board by the board of directors and supervisory board; 1-not relevant, 5-very relevant (continuation from p.471).

Moderately important	6	5.6%	4	11.1%		
Less important	2	1.9%	0	0.0%		
The supervisory board protects owners from overly risk-averse managers						
Most important	19	17. 6%	7	19.4%	0.779	0.941
Very important	37	34.3%	12	33.3%		
Important	3	2.8%	2	5.6%		
Moderately important	11	10.2%	3	8.3%		
Less important	38	35.2%	12	33.3%		
The Supervisory Board maintains formal and informal relations with key stakeholders and influential groups.						
Most important	23	21.3%	8	22.2%	4.055	0.399
Very important	15	13.9%	3	8.3%		
Important	34	31.5%	13	36.1%		
Moderately important	4	3.7%	4	11.1%		
Less important	32	29.6%	8	22.2%		
The supervisory board takes care of the protection of interests and rights of employees and the local community						
Most important	10	9.3%	4	11.1%	0.947	0.917
Very important	21	19.4%	8	22.2%		
Important	25	23.1%	9	25.0%		
Moderately important	19	17.6%	7	19.4%		
Less important	10	9.3%	4	11.1%		

THE RELEVANCY OF THE SUPERVISORY BOARD (RQ_6)

Table 6 provides a detailed assessment of the relevancy of various supervisory board activities as rated by members of both the board of directors and the supervisory board. This table explores the perceived importance of tasks like setting strategic goals, selecting key performance indicators, and forming strategic plans, among others.

In setting strategic goals, both groups largely agree on their relevance, with over 50% from the board of directors and 47.2% from the supervisory board rating this as relevant. However, a smaller segment finds it very relevant, suggesting that while generally acknowledged as an important function, it may not be considered crucial by all. The selection of key success indicators shows a majority leaning towards moderate relevance, with 53.7% of directors and 52.8% of supervisory members selecting this option. This points to a consensus that while key indicators are useful, they may not be seen as pivotal to the board's functions.

Formation of strategic plans is perceived as highly relevant, with a notable portion from both boards marking it as relevant and a significant 26.9% from the board of directors and 25% from the supervisory board rating it as very relevant. This indicates a strong acknowledgement of the supervisory board's role in shaping strategic direction. The change of key business policies is

Table 6. Assessment of the relevancy of the supervisory board by the board of directors and supervisory board (1 – not relevant, …, 5 – very relevant).

	Members of the board of directors (n=108)		Members of the supervisory board (n=36)		Chi-square	p-value
	Frequency	Percent	Frequency	Percent		
Setting strategic goals						
Relevant to a small extent	24	22.2%	7	19.4%	0.719	0.868
Medium	21	19.4%	8	22.2%		
Relevant	55	50.9%	17	47.2%		
Very relevant	8	7.4%	4	11.1%		
Selection of key indicators success						
Relevant to a small extent	13	12.0%	4	11.1%	0.055	0.996
Medium	58	53.7%	19	52.8%		
Relevant	26	24.1%	9	25.0%		
Very relevant	11	10.2%	4	11.1%		
Formation of strategic plans						
Relevant to a small extent	12	11.1%	4	11.1%	0.049	0.997
Medium	35	32.4%	12	33.3%		
Relevant	32	29.6%	11	30.6%		
Very relevant	29	26.9%	9	25.0%		
Change of key business policies						
Medium	36	33.3%	13	36.1%	0.155	0.925
Relevant	64	59.3%	20	55.6%		
Very relevant	8	7.4%	3	8.3%		
Entering into a new strategic partnership						
Relevant to a small extent	8	7.4%	3	8.3%	3.761	0.288
Medium	16	14.8%	1	2.8%		
Relevant	52	48.1%	20	55.6%		
Very relevant	32	29.6%	12	33.3%		
Decision on a larger capital investment						
Relevant to a small extent	9	8.3%	2	5.6%	1.419	0.701
Medium	3	2.8%	0	0.0%		
Relevant	60	55.6%	22	61.1%		
Very relevant	36	33.3%	12	33.3%		
Change of the organisational structure						
Relevant to a small extent	14	13.0%	4	11.1%	0.299	0.960
Medium	18	16.7%	7	19.4%		
Relevant	49	45.4%	17	47.2%		
Very relevant	27	25.0%	8	22.2%		
Redundancy of more employees						
Not relevant	12	11.1%	4	11.1%	1.333	0.931
Relevant to a small extent	24	22.2%	8	22.2%		
Medium	3	2.8%	0	0.0%		
Relevant	6	5.6%	3	8.3%		
Very relevant	39	36.1%	13	36.1%		
Not able to asses	24	22.2%	8	22.2%		
Change managers at intermediate levels						
Not relevant	11	10.2%	3	8.3%	0.330	0.987
Relevant to a small extent	20	18.5%	7	19.4%		
Medium	46	42.6%	17	47.2%		
Relevant	9	8.3%	4	11.1%		
Very relevant	13	12.0%	5	13.9%		

mostly considered relevant by both groups, with around 59% from the board of directors and 55.6% from the supervisory board choosing this designation. This suggests that policy oversight is a recognised responsibility of the supervisory board, though not uniformly seen as critically important.

Entering new strategic partnerships is viewed differently. At the same time, a minority considers it of small relevance; a larger percentage, nearly 48.1% of the board of directors and 55.6% of the supervisory board find it relevant. This disparity might reflect different strategic priorities or experiences within the boards. Regarding decisions on larger capital investments, a substantial majority from both groups sees this as relevant or very relevant, underscoring the critical financial oversight role played by the supervisory board in major investment decisions.

When examining changes to the organisational structure, opinions are fairly evenly distributed across the relevance spectrum, with a significant number considering it relevant and very relevant. This reflects a general view that structural adjustments are within the purview of the supervisory board's responsibilities.

The issue of more employees being redundant is rated variably, with a notable 36.1% from both boards considering it very relevant. This might highlight the supervisory board's role in significant personnel decisions during restructuring or downsizing phases. For changes in managers at intermediate levels, the responses are spread out, with a sizeable proportion seeing it as moderately important. This suggests that while it has been recognised as part of the supervisory board's role, it is not deemed as critical as other functions.

THE PRIORITIES OF THE SUPERVISORY BOARD (RQ_7)

In examining the prioritisation of different stakeholder interests by the board of directors and supervisory board, our analysis reveals nuanced perceptions regarding the importance of various groups within the organisation (Table 7). Firstly, the interests of the owner are predominantly regarded as critical, with a majority of both boards (45.4% of directors and 50% of supervisory members) classifying these interests as the most important. This underscores a strong alignment across both boards in prioritising the owner's objectives, though there remains a substantial fraction that deems these interests as moderately important.

In terms of worker interests, these are also highly valued, albeit slightly less so than owner interests, with 38.9% of the board of directors and 36.1% of the supervisory board viewing these as the most important. The relatively even distribution of responses across other importance levels suggests a balanced consideration of worker interests within the organisation's priorities.

The assessment of management interests presents a more varied picture. Notably, a significant portion of the board of directors (35.2%) perceives these interests as the least important, in stark contrast to just 8.3% among the supervisory board. Moreover, a higher proportion of supervisory board members (33.3%) see these interests as moderately important, compared to only 5.6% of directors. This divergence highlights differing views on the significance of management's role and interests within the organisation.

The company's interests, viewed as a holistic system, receive overwhelming consensus as the most important, affirmed by more than 59% from both groups. This strong agreement indicates a shared priority for maintaining the systemic health and functionality of the company above specific group interests. Finally, the general interests of the wider community are regarded with varying levels of importance. A small percentage view these as the most important, while a more significant number find them very important. This distribution reflects a recognition of the organisation's broader social responsibilities, though these are not ranked as the highest priority.

Table 7. Assessment of the priorities of the supervisory board by the board of directors and supervisory board (1 – the least important, ..., 5 - the most important).

	Members of the board of directors (n=108)		Members of the supervisory board (n=36)		Chi-square	p-value
	Frequency	Percent	Frequency	Percent		
The interests of the owner						
The most important	49	45.4%	18	50.0%	2.255	0.689
Very important	6	5.6%	0	0.0%		
Important	20	18.5%	7	19.4%		
Moderately important	31	28.7%	10	27.8%		
The least important	2	1.9%	1	2.8%		
The interests of the workers						
The most important	42	38.9%	13	36.1%	1.405	0.843
Very important	18	16.7%	7	19.4%		
Important	9	8.3%	4	11.1%		
Moderately important	36	33.3%	12	33.3%		
The least important	3	2.8%	0	0.0%		
The interests of the management						
The most important	26	24.1%	8	22.2%	23.809	0.000***
Very important	29	26.9%	9	25.0%		
Important	9	8.3%	4	11.1%		
Moderately important	6	5.6%	12	33.3%		
The least important	38	35.2%	3	8.3%		
The interests of the company as a system						
The most important	64	59.3%	21	58.3%	0.259	0.992
Very important	11	10.2%	4	11.1%		
Important	9	8.3%	3	8.3%		
Moderately important	4	3.7%	1	2.8%		
The least important	20	18.6%	8	22.2%		
General interests of the wider community						
The most important	9	8.3%	4	11.1%	0.327	0.988
Very important	42	38.9%	14	38.9%		
Important	21	19.4%	7	19.4%		
Moderately important	24	22.2%	7	19.4%		
The least important	12	11.1%	4	11.1%		

***statistically significant at 1%

CONCLUSION

This study set out to explore the dynamic role of supervisory boards in the strategic management of public companies within Bosnia and Herzegovina's transitional economy, aiming to assess their impact on both strategic management and financial performance. Through a comprehensive analysis of the composition, roles, and effectiveness of supervisory boards, this article has made several significant contributions to the field of corporate governance in transitional economies.

The research objectives were clearly delineated: to understand the influence of supervisory boards on company management and operations, to evaluate their contribution to the strategic and financial outcomes of public enterprises, and to provide insights that could guide policy and practice in similar transitional contexts. The methodology employed, including a survey of directors and supervisory board members across a representative sample of public utility companies, allowed for a nuanced examination of these objectives.

The findings indicate that supervisory boards play a critical role in shaping the strategic directions of companies, largely perceived as influential in guiding both governance practices and financial performance. The survey results highlighted a consensus among board members on the significant impact of supervisory boards, with notable agreement on their roles in setting strategic goals, overseeing management, and ensuring compliance with governance standards. Moreover, the research identified key areas for improvement, particularly in enhancing the independence and professional development of supervisory board members to boost their effectiveness in oversight functions. The perceptions of board members regarding the adequacy of the powers granted to supervisory boards suggest a need for legislative and regulatory enhancements to strengthen their role in the governance framework.

In conclusion, the study successfully met its objectives by providing empirical evidence on the pivotal functions of supervisory boards in Bosnia and Herzegovina's public companies. It has laid a foundation for further research into how these boards can be optimised to foster better governance and financial stability, thereby contributing to the broader discourse on improving corporate governance structures in transitional economies. This work not only enriches our understanding of the subject but also offers practical recommendations for policymakers, company boards, and stakeholders aiming to refine governance mechanisms in similar contexts.

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