Contribution of the Supervisory Board as Corporate Governance Body in the Development of the Company Strategy Of State-Owned Enterprises in Bosnia and Herzegovina

Alden Bajgorić[1,] Hosam Azat Elsaman[2], Liza Gernal[3]

[1,2]Catholic university of Murcia (UCAM), Spain

[3]Westford University College, UAE

Abstract

The importance of the corporate governance principles and practices endlessly raise attention in corporate business environment. The most particularly peak of the attention is culminating in the times of unethical behaviour of corporate governance structures. The purpose of this research is to find to which extent supervisory board is contributing to the development of the company strategy and focus on understanding theories and practices of state-owned enterprises in Bosnia and Herzegovina. The paper methodology followed deductive approaches and descriptive correlation analysis design the SPSS statistics tools. The sampling techniques followed the discriminative snowball sampling model by choosing the Supervisory Board members in Bosnian State-Owned Enterprises, by conducting a questionnaire method. The main results of this research that the role of Supervisory Board members in the development of corporate effectiveness, and overall objectives for state-owned enterprises. Moreover, the researcher spotted a significant relationship between more involvement of Supervisory board concepts of corporate governance and organisation development.

Keywords: Change management, Corporate governance, Strategy, Supervisory Board.

Introduction

The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies." (OECD Official Definition of Corporate Governance 1999, 2004, 2015). In the history of discussions on the definition of Corporate Governance there are many definitions from academic ones to definitions understood by general population and all of them have one common nominator that key factor in the corporate governance is the Board and its relation towards shareholders (owners of the capital) and management (executive board) and out of this relation the success in business operations is determined (profit, excellence, market positions, value in eyes of investors and customers etc.). (Agency theory Htay 2013; Alchian and Demsetz (1972); (Haslinda & Benedict, 2009).

As discussed above, if the board is cornerstone of the corporate governance and in accordance with corporate governance definition board should give direction and control the company. Does this apply to strategic direction as well? Agency Theory and Stewardship Theory of the corporate governance does not address strategy or development of the strategy as one of the tasks for the company. Glinkowska, B., & Kaczmarek, B. (2015) in their work gave the most important aspects of the corporate governance emphasized by the Agency Theory and Stewardship Theory and there is no reference to strategy as aspect of corporate governance. However, Sijakovic (2018) discussed the relationship between corporate strategy and corporate governance and from the same author where was discussed "revisionist view that corporate strategy does not matter" where was through empirical analysis proved that factors directly linked to corporate strategy lead to corporate effects. Cossin (2014) argued that board should not disregard strategy and strategy must be one of the priority tasks in board responsibilities. However, boards find themselves in awkward situation vis-à-vis accountability and responsibility of the development of the corporate strategy since it is commonly understood that accountability and responsibility of development of the strategy is within the job description of the management i.e., CEO which runs company on daily basis" (in one tier system). As a result, some boards often find themselves acting as nothing less than a rubber stamp of the CEO" Cossin D. (2014).

Corporate strategy definitions

The strategy definition: "In essence, strategy, in an organisational context, is concerned with the dynamics of an organisation's relationship to its environment, with the necessary actions being taken to achieve the organisation's goals through the rational deployment of resources" Ronda-Pupo and Guerras-Martin (2012). "The definition illustrates the combination of deliberate decision-making and decisions which emerge from the firm's interaction with its environment". In the book Exploring Corporate Strategy of the authors Gerry Johnson, Kevan Scholes, Richard Whittington (2008) strategy is defined as "direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations". Like in the definition of the corporate governance there is no clear and generally accepted definition of strategy, but all the definitions have the common nominator and that is interaction with the company's environment and decision making in long run.

In dynamic world of business, such as outbreak of COVID-19, companies need to adopt to the development of the new strategies i.e., need to adjust to new environment and initiate the process of strategic thinking of the future. Luiz Moutinho and Paul Phillips (2018) are clear that companies have to prepare in their strategic planning "to shift away from company-centric values, focussed on delivering value for shareholders towards the new customer-centric importance of adding value for customers". Companies need to prepare for non-preparable. Lingren and Bandhold (2003) as in case of with the outbreak of COVID-19 or in case of fast pace coming of Artificial Intelligence (AI) for which many companies even are not thinking about AI strategy to be incorporated in their overall strategy. Ransbotham, S., Kiron, D., Gerbert, P., & Reeves, M. (2017) are suggesting that is the time to start to be develop even if nobody know what exactly might be expected from AI. This is also suggested by Cramer, T. (2017). "It's hard to predict the "future of work" – which jobs will "go", and which will take their place." Bootle (2019).

But how companies in their development of the strategy plan to react to everchanging environment and initiate the process of strategic thinking of the future. The one of the common tools that might be applied is scenario planning which helps companies to develop various scenarios that might occur based on the major trends that exist in the time. Cohen (2016). "Scenario planning has gained increased attention during the last 20 years as an effective method for identifying critical future uncertainties and investigating "blind spots" in the organization." (Kahane, 1999; Chermak 2003). "Rather than claiming an ability to predict the future, scenario planners advocate the construction of multiple stories that encompass a variety of plausible futures (Schwartz, 1997; Chermak 2003). Therefore, in the definitions of the corporate governance and strategy there is no unique definition. Mats Lingren and Hans Bandhold (2003) provided views of different thinkers with their own definitions such as "An internally consistent view of what the future might turn out to be or "That part of strategic planning which relates to the tools and technologies for managing the uncertainties of the future' (Gill Ringland 1998)"

Organisation change management process.

The theoretical framework of this research and particularly in the development of the strategy the management concept of change management is the major "ingredient" in successful implementation of the strategy. Is it just some buzz word used in any type of organisation exploited by everyone who want to put some critic or improve either part of the existing situation in the company? There are many definitions of the change management and mostly depends on the viewpoint of those who proposed, and as with previously discussed definitions there is no unique definition that may cover all aspects of change and understand of change management. The simplest, found in the field of practice and academic research is "The coordination of a structured period of transition from situation A to situation B in order to achieve lasting change within an organization." (BNET Business Dictionary) or focuses on understanding and managing the way that organizations change and adapt (Pollack 2015; Crawford & Nahmais 2010). In 1996 John P. Kotter in his book "Leading Change" developed classical change model which is based on his personal and research experience. Appelbaum, S. H., Habashy, S., Malo, J., & Shafiq, H. (2012). Kotter's change model (Eight step model) has been widely accepted in practice and represents the cornerstone of each change management practice but also one of the most cited books in change management (15.840 times in google scholar). Referencing to the change management, also, shows that in fast moving and challenging company's environment such as COVID-19 pandemic for companies to "survive" in the market conditions are adoption of new realities and subsequently essence in development of strategy.

Corporate governance framework

Corporate governance framework should encourage efficient utilization of the company resources and at the same time demands responsibility for the safeguarding of the resources. Goal is to harmonise at the most possible extend higher interests of the individuals, companies and the society. Some countries in their legislation that governs corporate governance imposed obligatory Codex of corporate governance (particularly in Continental Europe) which define among other things recognition of company's social responsibility i.e., actions of the employees that are based on values integrity and fairness, in both internal and external dealings and particularly of the governance bodies to the economic success of the company and corporate transparency. (Corporate Governance Codex of Messe Düsseldorf GmbH, 2011).

However, term corporate governance ethics and Corporate Governance Responsibility (CSR) must not be understood as identical and to have same meaning. Corporate governance and CSR are two related and interwoven business concepts Nowadays, Verma, Raj Kumar (2012). What is CSR? The idea of CSR largely started as a philanthropic gesture by a few wealthy businessmen Verma, Raj Kumar (2012). In accordance with the United Nations Industrial Development Organisation "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives." (retrieved from: www.unido.org). Furthermore, (Gössling & Vocht, 2007; Huang 2010) define Corporate social responsibility (CSR) has been defined as the obligation of firms to be responsible for the environment and for their stakeholders in a manner that goes beyond financial goals. However, what is the individual responsibility of the those who define ethics in the company or further develop corporate social responsibility. To address this, we need to discuss ethics on the individual basis of board member and the individual participation to the level of overall board. In the composition of the board one of the first pre-requisite is that board director does not have history in known unethical behaviour. This is the official prerogative to be board director, but board member also needs to sit on his/her personal ethics i.e., he/she needs to have trust and integrity by which he/ she personal contribute to the ethical image and standing of the company and contribute to the ethical decisions and operations of the company. However, how companies may address organizationally ethics. The best way is to develop and apply Code of Ethics. It must be noted that Code of Ethics should not only serve as the complience fulfilment request but to help everybody in the company to have basic guidance on the ethical issues in the company and how employees may address their ethical challenges. It needs as well to be communicated throughout whole company. (Duffy, 2017). Research such as Rodriguez-Dominguez, L., Gallego-alvarez, I., & Garcia-sanchez, I. (2009); Carroll (1991); Schwartz and Carroll (2003); Bonn and Fisher (2005) recommend to boards to develop and implement codes of ethics due to the reason that corporate governance is one of the most important influencers of the company view on corporate social responsibility and business ethics. However, does Code of Ethics shall improve ethical dealing in corporate business operations or the ultimate profit maximation shall prevail or what is the model of busines ethics. Appelbaum, Steven & Vigneault, Louis & Walker, Edward & Shapiro, Barbara. (2009) argue that integration of external factors (social and environmental) into company's profit-making strategy is the most challenging exercise.

Models of business ethics

The issues of ethics in relation to the corporate governance. As noted, issue of ethics in corporate governance receives peak of the attention during "scandals" i.e., unethical behaviour of corporate governance structures such as Enron 2001, WorldCom in 2003, Lehman Brother 2007, Wirecard AG 2020.

Ethics, as a broad term defining "moral principles governing the conduct of an individual, a group or an organisation" (Quinlan et al., 2015, p. 40)". Relating ethics in terms of corporate governance Mercier (2004) provided discussion that ethics in corporate governance is "awareness of ethical issues ensures that managers avoid abusing their power or undertaking improper actions that could result in questionable behaviours and practices within organisations". In other words, "Corporate Governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions. In the long run ethical behaviour has a positive impact on the company's performance. Ramachandran, Ramakrishnan (2007).

But is there a right model for business ethics, Svensson, G., & Wood, G. (2008) developed the business ethics model which is consisted of three principal components (i.e., expectations, perceptions and evaluations) that are interconnected by five sub-components (i.e., society expects; organizational values, norms and beliefs; outcomes; society evaluates; and reconnection). This model with the intention that applying variable, and their measurements will lead to company's ethical performance but in practice model was never tested. Nicole Böke & Dewy F. Mulder (2009). But practice shows that nobody is "immune" to unethical behaviour. The focus is always on the companies and its directors i.e., businesspeople but what about academicians, scholars, teachers? To certain extend the Academy Award Documentary Feature in 2010 winner “Inside Job” by Charles Ferguson and Audrey Marrs gave some insight into this issue. The film focuses on the complex ethical issues related to the financial services industry and the industry’s relation to the crisis of 2008. Biktimirov, E. N., & Cyr, D. (2013) In commentary of the documentary director addressed (among other ethical issues in documentary) “the academic conflict of interest” i.e., economists from renowned universities not disclosing their funding sources and eve stating, “they are corrupted by their funding sources”. Charles Ferguson (2011). Nevertheless, Biktimirov, E. N., & Cyr, D. (2013) are recommended using documentary Inside Job to teach and discuss business ethics in order to address topics such as conflicts of interest, fiduciary duty, executive compensation, and financial regulation.

Is the topics of ethics regulated in the provisions of the and law or act imposed by national legislation? Study by Casson, J., 2013 showed that on Pan EU level there is general lack of ethical language in the provisions that govern corporate governance and that they are left to the companies to set their own values. However, companies are recognising by themselves that business ethics, board members ethics and corporate social responsibility are the key for the long-term success of the company.

Whatsoever, business ethics is mostly discussed in terms of “bad behaviour” which ultimately led to higher returns in short run and eventually or in most cases finishes in problem and bankruptcy. But the question arises that is it measurable that business ethics improves company performance. The Institute of Business Ethics based in UK measured companies’ business performance with the implementation of Code of Ethics for at least five years: The results published in research paper showed that companies with implemented Code of Ethics: a) Are consistently more admired by their peers; b) Are rated higher than those without codes on their ability to reduce non-financial risks; c) Perform better financially than those that do not have codes, d) Ethical companies showed far more stable price/earnings ratios than companies without codes. Jessup, P. (2011)
In the end, good ethical practice should improve transparency, decrease the risk of fraud and reduce the likelihood of reputational damage and in the end bankruptcy of the company. Let this part of assignment finish with the words of Sir Adrian Cadbury (1987, p. 73) who said: “Business has to take account of its responsibilities to society in coming to its decisions, but society has to accept its responsibilities for setting the standards against which those decisions are made.”

State-owned enterprises general understanding

Defining an SOE is depending on the legislation in force in the country or any other level of administrative organisation of country.

However, for the purposes of general understanding of the definition of SOE by the Organisation for Economic Co-operation and Development (OECD) is usually adopted "State owned enterprises is where the state has significant control through full, majority, or significant minority ownership. In this definition (OECD) we include SOEs which are owned by the central or federal government, as well as SOEs owed by regional and local governments." OECD (2015).

In EU generally accepted definition of SOE reads as follows: "all those non-financial companies where the state exercises control, regardless of the size of ownership." ESA 2010; EU paper (2016). All definitions have the common nominator the state who plays major or minor part in ownership structure of the company.

Even though that in the last 3 decades many countries started processes of privatisation of the state-owned companies (major trend in 90-ies of last century in post socialist countries in Eastern Europe) they are still major part of the domestic economies especially in the sectors such as utilities and natural resources. World Bank data shows that SOEs account for 20 percent of investment, 5 percent of employment, and represent around 20% of the global equity value and 10% of the total GDP (World Bank (2014); Economist (2019), Bruton, Garry & Peng, Mike & Ahlstrom, David & Stan, Ciprian & Xu, Kehan. (2014)). However, this global numbers on participation of SOE's must be taken with curiosity due to the reason that numbers from China have been included.

Identification of the organisation problem - State-owned enterprises in Bosnia and Herzegovina

State-owned enterprises in Bosnia and Herzegovina have the long "tradition" due to the dominant economic system from 1945 till 1990 since Bosnia and Herzegovina was part of Socialist Federal Republic of Yugoslavia. Since 1990 first privatisations of the state-owned companies started. It should be noted that in the period of socialism in Bosnia and Herzegovina corporate governance was regulated by workers self-management. Workers self-management was the form of decision making in socialist companies in which workers pass decisions on various company issues such as planning work distribution or similar but not the owners (state). However, state was appointing management (through communist party) and workers (employees) act, to certain extend, as General Meeting of Shareholders. Eventhough for certain period this was working due to political consolidation in world (western block, eastern block and non-alignment movement) system as such collapsed at the end of 80's of last century.

Beside economy transformation in 90's form socialist to capitalist system Bosnia and Herzegovina experienced political transformation from introduction of democracy and gaining the independence from Yugoslav Federation in 1992 and total devastation due to the war in the period 1992-1995. The Bosnia and Herzegovina are the state consisted of two entities which are in accordance with the constitution (Dayton Agreement) responsible for legislations in relation to the business operations of the companies i.e., Law on Business Entities (Company Law).

After 1995 state owned enterprises were introduced to principles and practices of corporate governance. As of 2017 in Bosnia and Herzegovina exists 550 SOE's. Cegar and Parodi (2019). Data did not change up to year 2021. However, this number of SOE's represents where state (or other form of administrative division of the country) has directly or indirectly more than 50% in the ownership i.e., the number does not include companies where state has minority ownership rights.

The Corporate Governance of the State-Owned Enterprises is regulated by Law on the Business Entities (on the level of Country Entities) and other various legislations which define the ownership rights of the state represented by the government. Bosnia and Herzegovina follow continental Europe model of corporate governance mostly having roots in German Corporate Governance model. This model is characterised by two-tier board system with the clear goal of separation between management and supervision. The two-tier system is made of Supervisory Board (supervise, appoints, monitors management) and Management Board (runs day to day business of the company) and General Meetings of Shareholders as the highest authority in corporate governance. Dienes, D. & Velte, P. (2016) and Mustafa S. (2018).

What is the footprint of State-owned Enterprises in Bosnia and Herzegovina? In accordance with Cegar and Parodi (2019) Report the status of SOE's in Bosnia and Herzegovina State-owned Enterprises have following characteristics:

- Employment in SOEs is around a quarter of public sector employment and 11 percent of total employment.
- The average salary in SOEs is roughly 40 percent higher than in the private sector, despite lower employee productivity and profitability.
- SOEs negatively impact macroeconomic performance and do not contribute enough to the economy because of low profitability, high leverage, and low liquidity. Total SOE debts total EUR 4 billion (26 percent of GDP).
- Almost half of SOEs is illiquid and require both explicit and implicit budgetary support.
- SOEs only paid 0.3 percent of GDP in dividends in 2017, which implies negative returns to owners considering net budgetary support.
- The SOE sector was loss-making on average in 2015-2017.

Above mentioned leads us to the conclusion on the low quality of the corporate governance in SOE's in Bosnia and Herzegovina. Šunje (2017) concludes that quality of corporate governance is at low level due to inadequate state-owned enterprise management model. Various initiatives have been initiated in to assist Bosnia and Herzegovina in relation to the improvement of the governance model of SOE with the help of International Community present in Bosnia and Herzegovina (EU, WB, IMF, etc) Even the Government(s) committed to these initiatives they faded out over the time. The last commitment was made in Reform Agenda (2015) which are the cornerstone for the path of Bosnia and Herzegovina to EU accession: "Better investor protection laws and practices are needed including improved corporate governance".

As earlier said in this research Bosnia and Herzegovina adopted legislation towards corporate governance among other key issues Board composition. Key principle in board composition follows the universal principle that top executives are the key to efficient and effective running of the company which shall result in the end with fulfilment of the company objective (defined mission and vision) and positive return to all stakeholders. In case of SOE's legislation for board composition was further developed was developed in order to satisfy generally accepted characteristics of board members such as: a) experience in corporate governance b) industry experience, c) knowledge of legislation, d) international experience, f) Integrity and personal characteristics, h) possession of Certificate on finished education on corporate governance etc. Final decision on board composition is given by government decision in accordance with the proposal of SOE's responsible ministries. Moreover, government with further bylaws enacted consider top executives in the form of civil servants and not professional executives. Šunje, A., Kulović, D. (2019). In the real-life interesting phenomena exists and that is that after each election winning political parties are discussing and agreeing who shall be "responsible" for particular SOE's i.e., the right to appoint corporate governance bodies for the particular SOE regardless of the success or failure of existing corporate bodies. In the end only criteria for nomination are the "political party eligibility"

From the overview of the SOE's in Bosnia and Herzegovina it can concluded that legislation exist in relation to the SOE's in terms of Corporate Governance i.e., professional requirements exist and are followed but interpreted to the extent that satisfies political parties chain of control.

OECD in its Guidelines on Corporate Governance of State-Owned Enterprises, OECD (2015) proposes that board of SOE's both Supervisory Board and Management Board (in case of 2-tier system) should have authority, competence and objective to carry out their functions and to have separation of board decision making form the political cycle.

Furthermore, OECD (2015) in its Guidelines stated "SOE boards should effectively carry out their functions of setting strategy and supervising management, based on broad mandates and objectives set by the government." and " In order to carry out their role, SOE boards should actively (i) formulate or approve, monitor and review corporate strategy, within the framework of the overall corporate objectives".

Research objectives.

- To Illustrate to what extent Supervisory Board can contribute to the development of the corporate strategy in State-Owned Enterprises in Bosnia and Herzegovina
- To define the added value of Supervisory Board in development of the strategy
- To understand and develop processes of the Supervisory Board role for enhancing organisation performance and strategy executions .

Research questions / Hypothesis

Question 1
What are the common topics for board to participate in development of the corporate strategy?

- **H1:** Strategic topics and reports are most common subjects usually discuss in Supervisory Board meetings.

Question 2
What can be added value of Supervisory Board in development of the corporate strategy?

- **H2**: More involvement of the Supervisory Bord improve company strategy.

- **H3:** Monthly Supervisory Board meetings highly recommended for supervising the company operations and strategy executions.

Conceptual framework

Independent Variables:
- X1 : Supervisory Board years of experience.
- X2 : Scope of improvement topics highlighted by Supervisory Board
- X3 : Involvement of Supervisory Board members.
- X4 : Number of Supervisory Board meetings annually.

Dependent variable
- Y1 : Development of the company strategy
- Y2 : Adding value for organisation performance and plans executions.

Research methodology.

The study used a quantitative methodology to ensure objectivity and a quantitative analysis (Coefficient Correlation Analysis) method and overall Cronbach's Alpha 0.780, as well as a discriminative snowball sampling technique. The survey was conducted among existing Supervisory Board members in SOE's in Bosnia and Herzegovina (limited sample) 50 with the topic of their involvement in the development of the company strategy and later monitoring and review of the corporate strategy. The researcher used a quantitative analysis method based on the dimension of independent variables corporate strategy formation in Supervisory Board Y1 and added value concept Y2 explored in the study of literature. According to Gray (2014), a research project must strive to preserve objectivity and independence from the quantitative research method. As a result, the researcher attempted to maintain as much objectivity as possible during the quantitative analysis process. For the purposes of this research.

Research Finding & Results

Table 1 Correlation coefficients

		Y1	Y2
X1	Pearson Correlation	.024	.334
	Sig. (2-tailed)	.947	.346
	N	10	10
X2	Pearson Correlation	.000	-.299
	Sig. (2-tailed)	1.000	.402
	N	10	10
X3	Pearson Correlation	.778**	.737*
	Sig. (2-tailed)	.008	.015
	N	10	10
X4	Pearson Correlation	1	.751*
	Sig. (2-tailed)		.012
	N	50	50

***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*
Source: Author's work.

Table 2 Cronbach's Alpha

	Cronbach's Alpha
X1	0.830
X2	0.750
X3	0.770
X4	0.810
Y1	0.790
Y2	0.730
Overall Cronbach's Alpha	0.780

Source: Author's work.

Table 3 *Rank of independent & dependant factors correlations*

Rank of independent factors correlations	Coefficient percentage
X3/Y1 (Involvement of Board members)	0.778^{**}
X3/Y2 (Adding value for organisation performance and plans executions)	0.737^{*}
X4/Y2 (Number of conducted meetings annually)	0.751^{*}

Source: author's work.

- **H1**: Strategic topics and reports are most common topic discussed in Supervisory Board meetings.
- **H0** There is no relationship between involvement in Supervisory Board meeting and discussing the strategy .

Result shows to reject the null hypotheses there is no focus from Supervisory Board on strategy and organisation development, this approved the alternative hypotheses **Ha** Supervisory Board does not focus on strategic topics on Supervisory Board meetings in SOE in Bosnia and Herzegovina. Meantime results showed more concentrate on decision and strategic execution .778 at .01 level of significance that means that 99% accurate relationship in SPSS analysis.

- **H2** : More involvement of the Supervisory Board improves development of company strategy.

  Results approved this hypothesis by significant correlation value 0.778^{**} between two variables X3/Y1 and X3/Y2. This explains the essential role of supervisory board involvement in organisation effectiveness improvement.

- **H3** : Monthly Supervisory Board meetings highly recommended for supervising the company operations and strategy executions.

The results approved this hypothesis by highlighting significant corelation between X4/Y2 variables. Based on this analysis the research findings illustrated that the companies with range of 8 to 12 annually supervisory board meeting have more scopes of improvement and enhance the corporate governance process.

Conclusion & Future recommendations

The paper illustrated to which extent supervisory board is contributing to the development of the company strategy in case of state-owned enterprises in Bosnia and Herzegovina. The results showed that there is minimum or no involvement of the Supervisory Board members in development of the strategy and there is no discussion with the government on the overall corporate objectives for state-owned enterprises. Moreover, researcher goal was to review previous literature and scholarly articles on the topic of involvement of the corporate governance bodies in development of the corporate strategy and to find interrelation between concepts of corporate governance and strategy development. In research for this interrelation the following topic were discussed: corporate governance, corporate strategy, adoption of the strategy to changing company environment, scenario planning as tool in development of the strategy, change management as important part of the strategy implementation and corporate governance ethics. In relation to the topic of assignment discussion was extended to understanding the role of state-owned enterprises with particular emphasis to state-owned enterprises in Bosnia and Herzegovina. Furthermore, presented conceptualisation of the research question and identifies difference stages in the research process with special attention given to ethical consideration in research. Also, researcher identified the significant relationship between more involvement of supervisory board concepts of corporate governance and the added value to organisation development. In addition, more understanding and explanations for the current processes of the Supervisory Board role for enhancing organisation performance and strategy executions.

The current research performed found out that there is no significant number of scholarly articles in relation to the involvement of the corporate bodies in development of the strategy and particularly in two tier system of corporate governance. However, it may be noticed that this topic is becoming of interest in practical research to address current challenges in corporate governance within the responsibilities of the members of corporate bodies who are not participating in substantive way in the development of the corporate strategy. The researcher believes that topic of involvement of the supervisory board as corporate governance body in development of the company strategy is still to be discussed to greater extent and particularly to greater extent within the scholarly research.

References

Htay, S. N. N., Salman, S. A., & Meera, A. K. M. (2013). Let's move to "universal corporate governance theory". Journal of Internet Banking and Commerce, 18(2), 1-11.

Glinkowska, B., & Kaczmarek, B. (2015). Classical and modern concepts of corporate governance (stewardship theory and agency theory). Management, 19(2), 84-92.

Ransbotham, S., Kiron, D., Gerbert, P., & Reeves, M. (2017). Reshaping business with artificial intelligence: Closing the gap between ambition and action. MIT Sloan Management Review, 59(1),

Cramer, T. (2017). Get your AI strategy ready for 2018. EContent, 40(6), 3.

Pollack, J. (2015), Is there a divide between change management theory and practice. London: Centre for Business & Economic Research.

Crawford, L., & Nahmias, A. H. (2010), Competencies for managing change. International Journal of Project Management, 28(4), 405.

Appelbaum, S. H., Habashy, S., Malo, J., & Shafiq, H. (2012) change model. The Journal of Management Development, 31(8), 764-782.

Dessain, V., Meier, O. and Salas, V., 2008. Corporate governance and ethics: Shareholder reality, social responsibility or institutional necessity Management, 11(2), pp.65-79.

Huang, C.J., 2010. Corporate governance, corporate social responsibility and corporate performance. Journal of management & organization, 16(5), pp.641-655.

García-sánchez, I., Rodríguez-domínguez, L., & Frías-aceituno, J. (2015). Board of directors and ethics codes in different corporate governance systems: JBE. Journal of Business Ethics, 131(3), 681-698.

Appelbaum, Steven & Vigneault, Louis & Walker, Edward & Shapiro, Barbara. (2009). (Good) corporate governance and the strategic integration of meso ethics. Social Responsibility Journal. 5. 525-539.

Biktimirov, E. N., & Cyr, D. (2013). Using inside job to teach business ethics: JBE. Journal of Business Ethics, 117(1), 209-219.

Charles Ferguson (2011) Oscar-Winning “Inside Job” Director Attacks Economists” ties to Financial Sector.

Jessup, P. (2011). Ethics: Business ethics does pay: Companies with codes of ethics perform better and are more admired by their peers, says philippa foster back, director of the UK institute of business ethics. New Zealand Management.

Casson, J., 2013. A review of the ethical aspects of corporate governance regulation and guidance in the EU. Occasional Paper, 8, pp.1-44.

European system of accounts ESA 2010 (2013) Luxembourg: Publications Office of the European Union, 2013.

EU paper (2016), State-Owned Enterprises in the EU: Lessons Learnt and Ways Forward in a Post-Crisis Context Economic and Financial Affairs ISSN 2443-8014 (online) State-Owned Enterprises in the EU: INSTITUTIONAL PAPER 031 | JULY 2016.

World Bank, 2014, Corporate Governance of State-Owned Enterprises: A Toolkit. DOI: 10.1596/978-1-4648-0222-5. Washington, DC: World Bank. License: Creative Commons Attribution

Bruton, Garry & Peng, Mike & Ahlstrom, David & Stan, Ciprian & Xu, Kehan. (2014). State-owned Enterprises Around the WORLD as Hybrid Organizations. Academy of Management Perspectives. 29. 92-114.

Šunje, A., & Kulović, D. (2019). THE NECESSITY OF BUSINESS RESTRUCTURING OF STATE-OWNED AND PUBLIC ENTERPRISES IN BOSNIA AND HERZEGOVINA. Zbornik Radova Ekonomskog Fakulteta u Istočnom Sarajevu, (18), 29-45.

Bobana Cegar and Francisco J. Parodi, 2019, State-Owned Enterprises in Bosnia and Herzegovina: Assessing Performance and Oversight, WP/19/201 IMF Working Paper.

Klačmer Čalopa, M. & Cingula, M. (2009) Privatization and Corporate governance - financial and legal aspects: The case of Croatia. U: Jane K. Miller (ur.) Managing in a Global Economy XIII " Management Challenges for a New World"

Dienes, D., & Velte, P. (2016), The Impact of Supervisory Board Composition on CSR Reporting. Evidence from the German Two-Tier System. Sustainability, 8(1), 63.

Šunje Aziz, 2017, Corporatisation of State-Owned Enterprises – Ways to improve Corporate Governance of Public Companies, Publisher: Economic Advisors of the Government of Bosnia and Herzegovina, Foreign Investments Council, Employers' Association of the Federation of Bosnia and Herzegovina (Blue Book), Sarajevo, Bosnia and Herzegovina

Šunje, A., Kulović, D. (2019), The necessity of Business Restructuring of State-Owned and Public Enterprises in Bosnia and Herezgovina, Collection of Proceedings of the Faculty of Economics in East Sarajevo, (18), 29-45.

Ketchen, David & Bergh, Donald & Boyd, Brian. (2019). The Research Design Canvas: A Tool for Creating Better Studies. 10.1108

Zheng, C. and Kouwenberg, R., 2019. A bibliometric review of global research on corporate governance and board attributes. Sustainability, 11(12), p.3428.

Thomas, D.R., 2006. A general inductive approach for analyzing qualitative evaluation data. American journal of evaluation, 27(2), pp.237-246.

Weligodapola, M., & Darabi, F. (2018). Developing general analytical inductive qualitative research strategy to explore small enterprise growth in turbulent economies. Kidmore End: Academic Conferences International Limited.

Jain A. K. (2010). Ethical issues in scientific publication. Indian journal of orthopaedics, 44(3), 235–237.

Wallace, M., & Sheldon, N. (2015). Business research ethics: Participant observer perspectives: JBE. Journal of Business Ethics, 128(2), 267-277.

Gibson, J. W. (2010). A winning combination for business researchers: A review of qualitative methods in business research. The Qualitative Report, 15(4), 1012-1015.

Quinlan, C., Zikmund, W., Babin, B., Carr, J. and Griffin, M. (2015) Business Research Methods. South Western Cengage, Andover, UK

Latham, J. R., (2016), The research canvas: A framework for designing and aligning the "DNA" of your study (2.4 ed.). Monument, Colorado: DrJohnLatham.com

Venable, J. (2011). Incorporating design science research and critical research into an introductory business research methods course: EJBRM. Electronic Journal of Business Research Methods, 9(2), 119-129.

Sijakovic, Ivan. (2018). The role of motivation in the organizational behavior-the experience of the companies in Bosnia and Herzegovina. СОЦИОЛОШКИ ДИСКУРС. 5. 10.7251/SOCEN1510057S.