

## **Boards attributes and their implications on decision-making process**

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**Abstract:** The results of the research presented in the paper are expected to confirm that all dimensions and aspects of the new model of corporate governance are present in the practice of companies in the Republic of Serbia, and that attributes of the board of directors, or the supervisory board of companies, considered in this paper, are present in accordance with the requirements of positive law and the practice of good corporate governance.

**Keywords:** board of directors, corporate governance, strategic management

**JEL classification:** G34

## **Atributi odbora i njihove implikacije na proces donošenja odluka**

**Sažetak:** Očekujemo da ćemo u radu potvrditi pretpostavke da su sve dimenzije i aspekti novog modela korporativnog upravljanja prisutni u praksi kompanija u Republici Srbiji, te da su atributi odbora direktora, odnosno nadzornog odbora kompanija, koji su razmatrani u radu prisutni u skladu sa zahtevima pozitivnog prava i praksom dobrog korporativnog upravljanja.

**Ključne reči:** odbor direktora, korporativno upravljanje, strategijski menadžment

**JEL klasifikacija:** G34

### **1. Introduction**

The basic approach to corporate governance perceives this notion as a relationship between the board of directors, i.e. the supervisory board, top management, shareholders and other stakeholders. This paper perceives the new model of corporate governance, with its dimensions and aspects (contextual-situational, strategic, integrative and evaluative), through the work of companies in the Republic of Serbia. In relation to this model, we created a questionnaire that should show its validity in the business practice of corporate governance in our country. That is the primary goal of this paper. First of all, we tried to present and, then, examine the presence of the basic attributes of the board of directors, or the supervisory board, in Serbian companies, considering that the attributes, in addition to other elements, can be viewed within the internal point of view of the contextual-situational aspect of corporate governance. We expect the research to confirm the following assumptions:

1. all dimensions and aspects of the new model of corporate governance are present in practice of companies in the Republic of Serbia,

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2. the considered attributes, composition, i.e. the structure of leadership, as well as the diversity, size and composition of the board of directors, or the supervisory board of companies, are represented in accordance with the requirements of positive regulations and the practice of corporate governance.

The work is divided into four parts. After the introduction, (part one), the second part represents the theoretical framework in which the above mentioned model of corporate governance and the strategic role of the board of directors will be good considered. In the third and fourth parts, the methodology of the research, the results of the research and the discussion were presented successively. The paper ends with the conclusion.

## **2. Theoretical framework**

Factors that affect the work of the board are numerous. However, in order for the board of directors to effectively and efficiently perform all of its functions, it is necessary to establish a certain relationship between a number of factors of the board and the processes within the board, that will have positive business results. The success of the board of directors is manifested in the successful accomplishment of the management service function, supervisory and control function and in the implementation of the strategic role. The realisation of all those roles is preceded by a number of processes that include making fast, cohesive and efficient decisions, which presupposes motivated, cohesive, educated, trained and informed board members, who cooperate well with executive directors. ([Ogbechie, 2012](#)).

It is assumed that, apart from human capital, the key factors for the success of the board, i.e. company performance, are the attributes of the board of directors, which include the size of the board, composition, diversity, and structure of leadership. When it comes to the size of the board, there are some considerations and experiences which show that small boards reach an agreement faster, but the bigger ones, i.e. boards with more members, have a more complex approach to decision-making, which enables them to analyse a problem from different perspectives. The structure of the board gives information regarding the board's independence when it comes to a decision-making process, especially from the Chief Executive Officer, i.e. CEO, as well as other managers. In accordance with the OECD Principles of Corporate Governance from 2004 and the legislation of the Republic of Serbia, the category of non-executive directors, that have to be predominantly represented in the board of directors of the joint-stock company, has been established ([Article 387 of the Law on Companies of the Republic of Serbia, 2011](#)), in order to make fairer and more successful decisions within the board, i.e. the supervisory board, and the presence of independent members in the supervisory board of the public joint-stock company is mandatory ([Article 392 of the Law on Companies of the Republic of Serbia, 2011](#)).

When it comes to the diversity or variety of the board of directors, the main attributes that are taken into consideration are social, intellectual, gender, age and other characteristics. Composition, i.e. the leadership structure, draws attention to the dual function of the leader, who, in addition to being a CEO, may also be the chairman of the board of directors, i.e. the company. According to the current legislation of the Republic of Serbia, the chairman of the board of directors in public joint-stock companies has to be one of the non-executive directors, which legally excludes the duality ([Article 400 of the Law on Companies of the Republic of Serbia, 2011](#)). When it comes to human capital, we accept those interpretations that perceive human capital as a set of specific knowledge, experiences and skills of board members.

Despite expectations, some empirical research shows interesting results. Thus, the size of the board, the duality of the CEO, and the independence of the board have no significant impact

on the processes within the board and its effectiveness. However, the board diversity as well as the professional human capital within the board was found to have a significant impact on the processes in the board and its performance. It has been determined that the processes within the board, in terms of operations, cohesion and decision-making, have a significant impact on the key dimensions of the service, strategic and controlling function of the board ([Ogbechie, 2012](#)). Therefore, it seemed important to conduct a company research in the Republic of Serbia. Good corporate governance depends on balanced relationships between internal and external mechanisms that ensure management efficiency ([Tipurić et al., 2011](#)). The internal mechanisms of corporate governance, in addition to the board of directors, include: reimbursement to management, concentration of ownership, relationship with influential and interest groups-stakeholders, financial transparency, and disclosure of relevant information. The external mechanisms include: the market for corporate control, legal infrastructure, protection of minority shareholders and competitive conditions ([Tipurić, 2007](#)). There is no doubt that the board of directors is the key body when it comes to fulfilling the management and supervisory role of the company, as foreseen in the [Cadbury Report \(1992\)](#), as well as in the [OECD Principles of Corporate Governance \(2004\)](#). However, the question is how to ensure that board members make a responsible and successful decision.

## **2.1 New corporate governance model**

In order to answer this question, we will try to present the basic characteristics of M. Hilb's new corporate governance model and analyse it further considering the environment in Serbia, with an emphasis on the attributes of the board of directors and their influence on its success.

The new model of corporate governance, as perceived by M. Hilb, has the following dimensions or aspects:

1. contextual-situational,
2. strategic,
3. integrative and
4. evaluative ([Hilb, 2013](#)).

1. The contextual-situational aspect of corporate governance can be observed from an a) external and b) internal point of view. The context is all that surrounds us. It is the understanding of one's own involvement in the outside world and the realisation that without respecting this environment it is difficult to manage. In order to understand and analyse the context, the literature proposes to act in accordance with the reverse pyramid, which has answers related to the analysis of the territory, geography and demography at the top. The lower level suggests considering the market and the main stakeholders in the given branch of the economy. The level below deals with the problem of organisation and structure of a company, which includes the analysis of personnel functioning at the workplace ([Жадько & Чуркина, 2009](#)).

a) As for the internal point of view, we consider the power relations in the board, the mix of board functions, the size of the company, level of its development, components of the complexity of the board as well as ownership relations, company development stages and the degree of business internationalisation. The size of the company and the level of its development affect the number of board members which usually ranges from three, in small, to seven, in large and developed companies. In accordance with the Corporate Governance Code of the Chamber of Commerce and Industry of Serbia from 2012, (Principle 6), the size and composition of the directors board (supervisory board in case of two-tier model of

corporate governance), should correspond to the size and activities of the company. The number of the board members should be defined by the internal acts of the company.

Serbian law on companies gives an autonomous choice between the one-tier and two-tier model of corporate governance ([Article 198 and Article 326 of the Law on Companies of the Republic of Serbia, 2011](#)). (In the one-tier model of corporate governance, in addition to the assembly of a limited liability company, in which all members of the assembly of shareholders of the joint stock company are represented, one or more directors form the management body in limited liability company, and when it comes to joint stock company there are one or more directors, that is, the board of directors. In the case of two-tier management, in limited liability companies, besides the assembly, one or more directors, there is also a supervisory board. In limited liability companies where the management is one-tier, the directors perform all tasks that are not within the jurisdiction of the assembly and the supervisory board, while in limited liability companies where the management is two-tier, the directors perform all tasks that are not within the jurisdiction of the assembly and the supervisory board of the company. In the two-tier management of a joint stock company, there is a shareholders assembly, a supervisory board and one or more directors or the executive board.) ([Article 198, Article 224 and Article 326 of the Law on Companies of the Republic of Serbia, 2011](#); more in [Vasiljević, 2011](#)).

Regardless of the accepted corporate governance model, members of the board are expected to make a responsible business decision. Board members are undoubtedly responsible to the shareholders' assembly, which appointed them to represent the interests of shareholders, but are also responsible for the way they represent the interests of other stakeholders, such as employees, creditors, customers, clients, local community, banks, and others. When making a responsible decision, they should be guided by the principles of economic efficiency, legal compliance and personal integrity ([La Rue & Barry, 2013](#)). The decision is considered to be righteous, fair, or legitimate, if it is universal (applicable to all), absolute (without exception for anyone), impartial (without favouring anyone) and basic (understandable for all), and achieves the common good (for individuals, companies and society as a whole). Manager's decisions that are in accordance with the law, without considering the principle of justice, provides benefits to individuals, groups and companies, but we have to bear in mind that their business decisions can also harm others, i.e. while recognising the rights of some, others can be deprived of that at the same time. Taking into consideration that parties do not have the same financial support during legal proceeding, meaning that one party may have fewer possibilities to hire an expensive and successful advocates, in comparison to the other party, and also the fact that engaged competitive legal offices do not have the same legal knowledge, experience and skills, it is necessary to rely on personal integrity as an additional corrective instrument in order to make a righteous decision ([La Rue & Barry, 2013](#)). In this situation, we should also bear in mind that people come from different economic, social and cultural environments.

b) Within an external point of view we can perceive its: i. institutional, ii. national and cultural and iii. normative dimension ([Hilb, 2013](#)).

- i. The institutional dimension of the external viewpoint of the contextual-situational aspect of corporate governance in Serbia is manifested in: a) legal protection of property rights for holders of majority and minority capital (e.g. [Articles 49, 55, 202, 205, 337, 339, 334, 342, 372, 376, 417, 474, 469, 498, 515 of the Law on Companies of the Republic of Serbia, 2011](#)). Therefore, organisations that defend the interests of minority shareholders have been established in some countries in order to, for example, achieve a fair price when selling the shares (e.g. Association for the Defence of Minority Shareholders – ADAM in France). ([Charkham & Ploix, 2008](#)); b) financial system based on banks, with a poorly developed financial market; c) in terms of

intercompany relations, there are forms of holdings, a group of companies, and mutual funds, all based on [Article 550 of the Law on Companies of the Republic of Serbia, 2011](#)); d) as for the position of employees in our law, they do not have to be, as such, represented in the management bodies of the company. They can achieve their goals by organising a union. There is a tendency to enable employees to participate in management processes through workers' councils, or board members' appointments, or to participate in decision-making processes through some other statutory rights ([Charkham & Ploix, 2008](#)).

- ii. The national-cultural dimension of the external viewpoint of the of the contextual-situational aspect of corporate governance in Serbia is characterised by a 'hard' business culture, which is defined, inter alia, by objectives that focus on work rather than relationships, where business is the motivational factor instead of people.
- iii. Normative dimension of external viewpoint of the contextual aspect of corporate governance in Serbia tells us that, in addition to legal and regulatory norms, soft law provisions are also applicable in the company law (Corporate Governance Code of the [Chamber of Commerce and Industry of Serbia, 2012](#), and the codes of corporate governance of individual companies).

2. Strategic dimensions. A strategically diverse board enables the achievement of the strategic dimension of the board. If differences within the board in terms of basic competences, i.e. knowledge, social characteristics (such as age, gender, different cultures), but also the roles of individual members (the initiator, constructive thinker, critical thinker, organiser, controller) are no more complex than real life, and if members of the board are aware of their identity and the identity of other members, then those differences can be the source of a competitive advantage, given that they are properly managed ([Hilb, 2013](#)). The structure and management of the board are one of the seven segments for calculating SEECGAN scorecard index. Within the mentioned segment, twenty-one questions were raised, for example on gender equality, the representation of independent members, information transparency of the board members and financial reports, etc. The purpose of all these questions is to evaluate the role of management in one-tier or two-tier model of corporate governance ([Tipurić et al., 2015](#)).

3. The integrative dimension of the corporate governance model indicates that there are four components of integrated board management. Those are careful selection of members of the board and executive management; targeted feedback for members of the board and administration, that would enable their advancement and further development of their professional competencies and roles; targeted salaries for board and management members; targeted advancement of members of the board and administration, on individual, team and company level ([Hilb, 2013](#)).

The evaluative dimension of the board should be clearly separated from other supervisory tasks exercised by other subjects within the company, such as the audit committee, internal audits, and financial controls carried out by the management (financial executive director) ([Hilb, 2013](#)).

## **2.2 Strategic role of the board of directors**

The role of the board of directors in the process of strategy creation and implementation is a matter of interest both in theory and practice. The aim is to find a framework that would enable finding the optimal relationship between the board of directors and the company's management. The optimal relationship in this context implies a high degree of co-operation and increased efficiency in making business decisions, which should lead to the company's success over a longer period of time. In spite of the increasing interest of experts in the field

of management for corporate governance and board of directors, there are still no empirical evidences of the influence of the composition of the board and its structure on board's decisions or the financial results ([Minichilli et al., 2009](#)).

There is still no common opinion regarding the place and role of corporate governance in the strategic processes in companies. In this respect, an explanation can be found in theories of strategic management, viewed in the context of corporate governance: Managerial hegemony theory, Agency theory, Stewardship theory, and Resource dependence theory ([Hendry & Kiel, 2004](#)).

Managerial hegemony theory - Modern companies are now managed by professional managers who have the power to make business decisions that will help achieve the set goals and protect the interests of both owners and stakeholders. In this respect, managerial hegemony theory assumes that the role of members of the board of directors is ephemeral, i.e. they are completely under the influence of the company's management and their function is to agree with the decisions of the management.

Agency theory - One of the consequences of separating the management function from the ownership function is the agency problem that is primarily based on the division of control between managers and shareholders. Owners of companies generally do not actively participate in their work, but hire managers. The agency theory describes the relationship between the two sides: the principal (owner) and the agent (management) that have opposing interests and attitudes. According to this theory, an appropriate mechanism is necessary for the two sides to overcome opposing attitudes and act in the best interests of the owner. In this regard, the focus of the agency theory is compliance functions, i.e. the control of the board of directors' role, which should prevent the management from putting its personal interests before the owners' interests.

Stewardship theory - The management theory, which emphasises the performance function or the strategic role of the board, can trace its origin in the human resource management school. Stewardship in this context can be defined as an effort to protect and care for the needs of others. The basic premise of the stewardship theory is the tendency for a manager and an owner to set common goals. In this sense, the stewardship relationship exists until one party fails or tries to deceive the other; then it turns into a typical agency relationship, with features described in agency theory ([Tipurić & Podrug, 2010](#)). In accordance with the management theory, company managers protect the interests of owners or shareholders and make decisions on their behalf. Their sole purpose is to create and maintain a successful and prosperous company.

Resource dependence theory - Resource dependence theory represents the theory of corporate governance that puts the resources in the foreground, i.e. the need for them as a prerequisite for successful business operations. Unlike the three previous theories: the resource dependence theory does not focus on the relationship between management and board members, but rather on the availability of resources, that today represent a critical factor in the successful management of a company. This theory is externally oriented and guided by the idea that the success and sustainability of a business is determined by the extent of the resources the company has at its disposal.

The strategy is a set of decisions and activities aimed at achieving goals of an organisation, whereby its abilities and available resources match ('coincide') with the chances and dangers in its immediate environment ([Coulter, 2010](#)). In this context, a legal strategy is of particular importance. Legal strategies can come from several aspects: judicial (process strategy), managerial and normative aspects. The managerial approach refers to how companies use the right to maximise organizational performance and profit, or to achieve their different business goals ([Ljubojević et al., 2016](#)). Thus, the strategy represents a balance between the current state of the internal capacity of an organisation (strengths and weaknesses), the goals



set, available resources and characteristics of the external environment (chances and threats). It is believed that the main role of the board of directors in strategic management processes is to adapt to the needs of the organisation by defining a mission, vision and certain common goals. However, that does not have to be the case in practice. There are several reasons for involving the board of directors in the strategic process ([Jensen, 1992](#)):

- 1) formulating and monitoring the procedures for creating and developing strategies,
- 2) taking a stand that enables choosing between multiple options,
- 3) understanding the dynamics of both the organisation and the business sector in which the organisation operates. Knowledge and understanding of the business environment is a prerequisite for making the right business decisions,
- 4) evaluating the selected corporate strategies and the development process,
- 5) evaluating the outcomes and the results of the strategy. Without active participation and knowledge, this becomes meaningless, and
- 6) sharing risks and attitudes of executive directors and top management in general.

The relationship between the board of directors on one hand and the top management on the other determines the style of corporate governance. This style depends on the degree of engagement from both sides and the following four distinctions can be made: chaos management, entrepreneurship management, marionette management and partnership management ([Haddad & Esposito, 2008](#)).

When it comes to corporate governance styles, ways in which the board of directors makes decisions cannot be ignored. Some of the factors that influence the decision-making style are: power of the board of directors, leadership role in the board of directors and common mental model and decision-making ([Bailey & Peck, 2013](#)).

The way in which decisions are made, among other things, represents one of the key factors that defines the management style and, therefore, the strategic role of the board of directors.

### **3. Research methodology**

The answers to the questions were determined in accordance with five-level Likert scale and the statistic analysis of the data was done accordingly. Twenty-two managers from the same number of companies were surveyed. The obtained data were analysed by using descriptive and analytical statistic methods. The descriptive method used was arithmetic mean. The questionnaire consists of 9 sets of questions, which cover topics that correspond to the research goal. The first set of questions is related to the composition of the board of directors, and includes questions regarding: the separation of the chairmanship of the board of directors' function from the chief executive's function, the size of the board of directors, the ratio of the number of executive and non-executive board members, as well as the number of independent members of the board. The second set of questions refers to the structure of board members and the role of human capital in creating wealth for the company: the diversity of board members (education, professional orientation, function), the vocation of independent members of the board (lawyers, accountants/auditors, engineers), non-executive directors' knowledge of the company (understanding of the way company does business, business branches, as well as issues related to knowledge of the financial situation in the company and legal regulations). The next, third set of questions includes questions related to the decision-making process and the operations adopted by the board of directors: enough time for quality work, the awareness about the responsibilities that the position of a member of the board of directors carries, work transparency, the dynamics of meetings, and the way in which the meetings of the board are held. The cohesiveness of the board of directors in managing the company represents the fourth set of questions and includes questions that refer to work analysis, way of solving conflicts, but also possible

informal meetings. The fifth set of questions - the degree of implementation of the network of organisational/informal contacts that have a role in creating the company's wealth, covers questions related to: the cooperation with the republic and local authorities, as well as membership in social clubs and professional associations. The sixth set of questions concerns the degree to which the administrative committee exercises its supervisory (controlling) role. Next, the seventh set includes questions regarding the support that board of directors provides to executive management in terms of creating an environment that will enable the achievement of the set goals. Questions regarding the involvement of board members in the creation of the company's mission and vision, the way in which they deal with opportunities and threats from external surroundings and internal strengths and weaknesses, and finding an optimal organisational structure that fully corresponds to the set objectives constitute the eight set of questions: the strategic role of the board of directors. The questionnaire ends with questions that should determine which of the offered characteristics are seen as the most important when it comes to factors that contribute to the effectiveness of the board of directors by the respondents - the ninth set of questions.

#### **4. Results of the research and discussion**

The important information from the first set of questions relating to the composition of the board of directors was that in more than two thirds of companies (68.2%), out of the total number of those who filled in the questionnaire, the roles of the chairman of the board of directors and chief executive officer were separated. The reason for this may be the intention to prevent some kind of conflict of interest, but also to emphasise the independence of the board of directors, or its supervisory role. The average number of members in the board of directors is 6.64, two extremes in terms of the number of board members were 2 members (one answer) and 11 members (one answer). The structure of the board has 3.4% of dependent members and 3.1% of non-executive directors. In ten companies, non-executive directors were associated with the company in terms of Article 392 of the Law on Companies, which is 45.5% of the total number of companies. The analysis of the questions concerning the structure or the diversity of the board of directors showed that the respondents gave priority to professional orientation 80.4%, education 63.3%, and 31.7% to functional positions. In terms of knowledge of the company and its environment, half of the respondents (50%) felt that members of the board were completely or partially familiar with the company, and 40.9% thought that they knew the environment in which the company operates.

When it comes to the group of questions concerning the decision-making process, 40.9% of the respondents believe that the members of the board did not have enough time for the board activities and did not perform their duties properly, while 36.4% thought that they had enough time. Over half of all respondents, or 54.6% exactly, thought that board meetings are well-lead, and 45.4% agreed that it had been precisely determined who was responsible for following through the activities agreed upon on board meetings. It is interesting that more than a third of respondents did not give their opinion regarding the openness and transparency of the board's work.

Board cohesion-related groups of questions showed that 31.8% responded positively when asked whether members of the board of directors also socialise outside the meetings but 54.6% responded positively when asked if board members and top management resolve mutual conflict in a constructive way. This may indicate a professional approach to business. When it comes to creating a network of contacts outside the organisation, 40.9% of respondents think that board members work on establishing contacts with representatives of the executive, while 45.5% of the subjects say that board members establish contacts with the representatives of local authorities. More than 60% of the respondents believe that



membership in professional organisations is especially important for creating a business network. When asked whether the board oversees the work of financial managers, 40.9% of all participants answered positively, 41.8% said they enabled the organisation to have an adequate financial system and procedures, whereas 40.9% maintained that board members were ready to undertake corrective actions and monitor the work of top management.

The most important data collected from the group of questions concerning executive management support are the following: 68.2% of the respondents say that members of the board work on finding investors, 45% respond that the board supports the entrepreneurial spirit. As for the strategic role of board members, only 27.3% of the subjects think that board members are partially or fully involved in defining organisational mission and determining its values. This result can be justified by the fact that board members are delegated later, i.e. they are not in the company from the start, so they only accept the existing state. More than half of the respondents believe that the board of directors determines, supports and applies the policies of the organisation, but only 31.8% say that the role of board of directors in creating the organisational structure and ability fully corresponds with the chosen strategies. The role and importance of board members in terms of its efficiency was analysed in relation to 15 criteria. The respondents evaluated them in the following way:

Table 1: Evaluation of the efficiency of the board of directors in accordance with the selected 15 criteria

Criteria	%	Mean	Stand. dev.
Competence (knowledge and skills of directors)	84.2	4.5	0.86
Integrity of directors	52.6	3.64	0.85
Good interpersonal relations among directors	57.9	3.64	0.85
Readiness to accept a great deal of criticism	31.8	3.41	1.14
Level of preparation for meetings	57.9	3.64	0.95
Variety of the board	36.9	3.41	0.91
Transparency and openness of the board of directors	42.1	3.64	0.95
Independence of the board of directors	57.9	3.59	0.96
Compliance with codes/laws and regulations	47.4	3.55	1.01
Commitment of individual directors	45.5	3.68	1.13
Participation of the members of the board of directors in the strategy	42.1	3.5	1.06
Leadership style of the chairman	57.9	3.5	1.14
Supervisory/controlling function of board members	63.2	3.78	1.11
Connection with groups and organisations that are vital to business	52.6	3.68	0.78
Timely and balanced reports to the management	47.4	4.45	0.96

The results of our research show that the components of the new model of corporate governance are recognised and accepted in the surveyed companies, but that they are not the result of an organised, systematic implementation of the said model, but as an attempt to find an optimal relationship between the members of the board of directors and management, all for the purpose of more efficient work and achieving better business results. A systematic approach to the introduction of a new model of corroborative management would result in synergistic effects in raising the efficiency of the board of directors and creating such a business and work climate where good business features will represent a routine. Since it is not possible to create a single corporate governance model that would positively affect business and be applicable in different types of companies, the new corporate governance model is a framework that can be the basis for the development of an appropriate form of corporate governance.

## 5. Conclusion

This paper analyses the attributes of the board of directors in the process of making business decisions. As stated in the paper, there is a clear difference in opinion regarding the company's success and characteristics of the board of directors, and the relationship between board of directors and top management. The mentioned differences in the existing literature are mostly determined by the context and environment in which companies operate. Our research has shown that the composition, i.e. the structure of the leadership of the board of directors or the supervisory board in the companies, in most cases (68.2%) is in accordance with the request of the legislator and good business practice that the functions of the chairman of the board and the chief executive should be separated.

The diversity of the board of directors or supervisory board is present in the practice of companies in the Republic of Serbia; according to the results, in 63.64% of companies board members differ in education and in 83.36% of them there is a difference in professional orientation.

The size of the board of directors, or the supervisory board, (an average of 6.64 members) corresponds to the average number of board members in European countries. The composition of the board of directors, i.e. the supervisory board of companies in Serbia, shows the presence of an average 3.4 dependent members and 3.1 non-executive members, and in 45.5% of the companies the non-executive members are not independent.

When it comes to the composition, a deviation from the requirements of the legislator and the recommendations of the corporate governance code is present, which foresees that the majority of the board members in companies in the Republic of Serbia are non-executive directors. The reason for these results might be a relatively small sample and not-selective approach in the survey, which are two main constraints in this research. In addition to these, the possible limitations of this research might include the disregard of specificities of companies such as the type of company, organisational form of corporate governance and the size of society.

In conclusion:

1. all aspects of the new model of corporate governance are represented in practice of companies in the Republic of Serbia that were surveyed, in accordance with the positive law, and
2. the attributes of the board of directors, i.e. the supervisory board, are represented, as explained above.

Despite the limitations mentioned, the conducted research shows the current state of corporate governance in the Republic of Serbia and as such can serve as a basis for some future research, which should examine the corporate governance practice in the Republic of Serbia and possible deviations in relation to the practice in developed countries where corporate governance has a long tradition.

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