QUALITY OF CORPORATE GOVERNANCE - CONTRIBUTION TO IMPROVING COMPANIES PERFORMANCE IN BOSNIA AND HERZEGOVINA

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Abstract: A quality corporate governance system is a basic prerequisite for a sustainable growth economy, more easily increasing the efficiency of the economic system and guaranteeing access to external sources of capital. The level of quality of corporate governance can be defined as the degree of fulfillment of set standards of corporate governance defined at the international and national institutional level. In the new, modern business conditions, with strong dynamic changes in the social and business environment, modern corporate companies, ie their management bodies, are taking on new characteristics, adapting to new requirements and challenges. In this sense, the new demanding business conditions require continuous improvement of corporate governance potential. Based on previous theoretical and empirical knowledge, Bosnia and Herzegovina has the characteristics of a closed corporate governance system in both entities, so, as a basis for developing models for measuring the level of corporate governance, selected models that measure corporate governance in countries with typical closed corporate governance systems. A significant number of studies show that corporations that achieve higher standards and better corporate governance practices also have better business performance results and thus greater value in the capital market. This means that corporations with a higher level of corporate governance also have better financial operating results, easier access to financial capital, and greater value in the capital market. The main purpose of the research is to determine the level of influence of the quality of corporate governance on business performance, ie to determine whether corporations that had good corporate governance had higher business liquidity and vice versa. The main goal of the research is to establish the link and relationship between quality and corporate performance management indicators of the corporation's business.

INTRODUCTION

The economic literature related to corporate governance states se that there is no generally accepted definition that can be applied when it comes to corporate governance. Therefore, there are several definitions in the literature regarding corporate governance that depend: on the joint stock company to which this form of management refers, then on the author who determines the definition, as well as on the legal regulations in the respective country. „A corporation is a form of organization of an enterprise which, as a capital company, establishes one or more legal or natural persons, under a joint firm, for the purpose of performing a certain activity, and whose share capital is defined in advance and divided into shares of a certain nominal value"[1].The company is „an organization of people, resources (material and financial) integrated through common goals"[2], but the characteristics of the „new"information age enterprise differ significantly from the old industrial age enterprise.

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[1] Babić, M., Simić, M., Šunje, A., Puljić, M. (2008) Corporate governance principles and mechanisms, p. 31., Sarajevo: Revicon
[2] Đuričin N. Dragan, Janošević V. Stevo, Kaličanin M. Đorđe, "Management and Strategy", Faculty of Economics in Belgrade, 2015, p.252.

Cadbery defined corporate governance as „a system by which companies are managed and supervised"[3]. The firm functions as a set of mechanisms in which ownership is separated from management. Management primarily refers to the power and control that leaders and directors exercise in the management process through compliance, taking on responsible roles and responsibilities through systemic processes and procedures as well as interpersonal relationships[4].

Corporate governance can be described as a formal system of managerial responsibility towards shareholders, which implies the protection of the interests of owners, primarily through mechanisms of disciplining management. On the other hand, the term includes the whole network of formal and informal relationships that occur in corporations as well as the consequences of these relationships for society as a whole (Keasi, Thompson, Wright, 1997, p. 2).

Important characteristics of the modern business environment are frequent and significant changes, uncertainty and complexity of business conditions, which imposes numerous dangers and opportunities, ie challenges to the governing bodies and management of the company. Before the governing bodies and management there is a constant and complex process of creative balancing and harmonization of the interests of owners, creditors, employees, suppliers, the ecological system, the public and the like. The modern company is distinctly market-oriented, and the market orientation is supported by great knowledge and ideas, human capital, ie competitive orientation and way of thinking.

One of the basic goals of corporate governance is to ensure equal representation of all stakeholders and prevent conflicts of interest. Actors can be divided into internal and external actors. Internal interest groups are: shareholders (their goal is dividend or increase the value of the company by increasing the share price), management (their goal is to increase income and power), workers (their goal is to keep jobs, working conditions and wages), management and supervisory board (the supreme bodies of companies aiming at profit maximization, their fees and bonuses and their objectives should be aligned with the objectives of shareholders). External stakeholders are financial institutions (they aim to sell banking services), suppliers (they want to sell their products and services and collect them), customers (they want to buy quality and affordable products), strategic partners (the goal is to create competitive market advantage), trade unions (aiming to ensure workers' rights), the public (expecting socially responsible company behavior), the state (aiming to collect taxes), the local community (interests are realized through local government revenues, jobs, environmental protection middle).

At the beginning of the 21st century, a number of regulations related to the principles of corporate governance were adopted. Most of the regulations relate to the supervisory board and their role in the joint stock company. The principles of the OECD are considered to be the creators of the policy of a joint stock company and directing the overall management while respecting the rights of shareholders, stakeholders and good practice of supervisory and management boards. OECD principles are accepted in practice as a framework for corporate governance.

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[3] Report of the Committee on the Finansial Aspects of Corporate Governance (Cadbury Report) 1992.
[4] Zeidan, O., Fauser, S., Problems and Perspectives in Management, 2015, 13 (2) pp. 183-189

The principles are based on: a) impartiality, b) obligations, c) transparency, and d) accountability. The principles of corporate governance were approved in 1999 by the OECD (Organization for Economic Co-operation and Development). The principles have improved the corporate governance program defined for the new creative policy, set new guidelines for legal and regulatory initiative, and established a broad program of cooperation between OECD countries and countries that are not members of this association. After the adoption of the principle, corporate governance becomes a major factor in improving economic efficiency and increasing investor confidence. Corporate governance deals with the issue of relations between: a) shareholders, b) management, c) employees, d) investors, e) supervisory and management boards within joint stock companies, regardless of whether they belong to the business, financial or public sector.

The principles of corporate governance in OECD countries are based on: 1. Providing a basis for an effective corporate governance framework; 2. Shareholder rights and key ownership functions; 3. Equal treatment of shareholders (small and large); 4. The role of stakeholders in corporate governance; 5. Data disclosure and transparency; 6. Board responsibility in companies, financial organizations and public companies. All six principles in some way promote transparency, relevance of company information, completeness and timeliness of information, but the fifth principle - Disclosure and transparency, is directly in the function of good corporate reporting. The importance of good corporate governance is in discouraging potential acquisitions, because corporate companies with poor corporate governance are the target of takeovers because simply improving corporate governance in such companies easily reveals internal reserves and great economic effects or benefits.

SPECIFICS OF CORPORATE GOVERNANCE IN BOSNIA AND HERZEGOVINA

The characteristics of corporate governance in BiH are very similar to the characteristics of other countries in transition, so that they also have an "agency problem". In addition to the above problem, the following characteristics are present:

- Concentration of ownership, which means that a small group of owners (shareholders) controls a large number of joint stock companies. It is this concentrated ownership structure that leads to the abuse of minority shareholders who are excluded from the corporate governance process. In the last few years, there has been an attempt in BiH to deconcentrate ownership through initial public offerings. It should be noted that the point of view is still not clear: whether the majority shareholders are willing to reduce their participation in the ownership of individual companies and financial organizations to leave room for the participation of minority shareholders in the corporate governance process.

- Insufficient separation of ownership and control. This means that the majority of shareholders who control joint stock companies are usually in the function of a director or a member of the company's supervisory board. This approach "suffocates" the model of corporate governance, because the majority shareholders who control the joint stock company control themselves since they are members of the management and supervisory boards. Abuses are also present in the transactions of related parties (the same owner has several interconnected companies), with inadequate disclosure of information on the operations of the joint stock company.

Since insiders have direct access to the information, they have no interest in publishing it publicly and thus timely warn third parties who do business with the respective joint stock companies.

- There are oversized holding companies that create special business groups. In this way, companies in most industries and activities are poorly controlled. In such circumstances, it is unthinkable to apply OECD procedures regarding corporate governance.

- There are reorganizations of companies through the application of illusion (merger), acquisition (merger), decentralization system, with the intention to enter into legal business flows. The goal of this reorganization is to transfer jobs to the next generations in a regulated manner, with new company names and a new ownership structure. In such reorganized joint stock (or partnership) companies, it is impossible to start applying the principles of corporate governance.

- Inexperienced and inadequate corporate bodies are present in practice. Inexperience is present, because the concept of supervisory and management board, general director, supervisory bodies in joint stock companies was introduced with new legal regulations. Precisely due to inexperience, the supervisory and management board try to avoid supervi sion and control by seeking direct contact with the shareholders who control the joint stock company. It is often still the same person who sits on the supervisory board and as a shareholder controls the work of the joint stock company ("talking to themselves"). Therefore, the role of members of the supervisory board, supervisory bodies, commissions and management of the joint

stock company is insufficiently clear in such joint stock companies. Independent and trained corporate bodies in BiH remain a rarity, so much more attention must be paid to them in the future.

The need to improve corporate governance in Bosnia and Herzegovina should be recognized not only by corporate companies, but above all by the creators of legal and other regulations and economic policy. The constant upgrading of the regulatory framework is particularly important in traditional countries for the following reasons:

1. Relatively low level of knowledge and experience of participants in corporate governance processes,

2. Specifics that are reflected in a lower degree of confidence in the institutional and real environment as a whole, and therefore in the field of exercising the rights of shareholders and,

3. Specifics that are a consequence of post-privatization processes after mass privatization, and which consist of ownership consolidation, which is most often carried out to the detriment of many small shareholders[5].

Although the legal and regulatory framework has been realistically improved in Bosnia and Herzegovina, the practice of corporate governance has its problems, limitations and specifics. "The transition to private ownership, especially in the way it was done in Bosnia and Herzegovina, does not mean that efficient management of companies is automatically established. Namely, private property also suffers from the problem of insufficiently good corporate governance.

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[5] Masic B., Dzeletovic M. (2015), "Introduction to Management", Academic Book, p. 301-325.

That is, the problem of owners and managers is a universal problem, which was one of the causes of the global economic crisis in the United States in late 2008 and which affected the whole world. Nevertheless, the regulation of owner protection is improving, the methods and mechanisms of owner protection are changing and it contributes to the improvement of corporate governance"[6].

The legal and regulatory framework of companies in BiH shows that the Law on Companies is applied in the Entity of the Republika Srpska, as well as in the Entity of the Federation of BiH. The Law on Enterprises also applies in the Brčko District. Good corporate governance practice in BiH should be developed in the direction of respecting the legal interests of all participants in corporate business. The quality of companies' operations can be improved by increasing the value of corporate funds, creating jobs, increasing financial stability and profitability. The application of the principles of corporate governance has the task of restoring trust in the relationships that arise from the application of corporate governance.

In 2013, the International Accounting Standards Board signed an agreement with the International Council on Integrated Reporting to deepen cooperation on the development of an integrated corporate reporting framework, expressing readiness to work together to improve the quality and consistency of global corporate reporting. Investors, other stakeho lders and the economy as a whole should benefit from this model. Such commitments of international accounting bodies are the result of discussions on a broader front about sustainable development, environmental reporting, reporting on corporate social responsibility[7].

RESEARCH METHODOLOGY AND ME THOD OF IMPLEMENTATION

Empirical research was conducted in accordance with modern methodologies of scientific research, using the method of testing through an anonymous survey as a tool for data collection, with closed answers[8], which was conducted to test hypotheses to determine the relationship between corporate governance and corporate performance and the impact of corporate governance. on the efficiency and improvement of business performance of corporations.

The research population consisted of joint stock companies whose shares were listed on the regulated market of the Sarajevo and Banja Luka Stock Exchanges. As of January 10, 2021, there were 153 publishers on the official and regular market of the Sarajevo Stock Exchange, of which 37 on the official and 116 on the regular market. The empirical research was conducted from January 10 to March 10, 2021, at a basic gathering of 153 societies. The survey questionnaires, together with the cover letter and instructions for completing the survey questionnaire, were sent to the company's boards of directors. In most cases, the questionnaires were filled in by the President of the Management Board (almost half of the returned questionnaires), while the remaining number of received questionnaires were filled in by the members of the Management Board in charge of various functional areas.

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[6] Obradović Z., (2013). "The impact of ownership on the quality of corporate governance in Serbia", Singidunum University, Belgrade, p. 1

[7] Malinić S. Savić B, "Transformation of corporate reporting from financial to business reporting", Economic Horizons, no. 13, p. 105

[8] Gordić, M., Termiz, Dž., Tančić, D., (2016), Methodological bases of defense and terrorism security research, Institute for Serbian Culture Prishtina-Leposavic, Belgrade, p. 238

To 58 completed survey questionnaires were returned, which is 39.1% of the basic set, which is the final sample of the survey (58 companies). It should be noted that 42 questionnaires were returned from publishers listed on the regular market (which gives a rate of return of 36.2%) and from publishers listed on the official market 16 (which gives a rate of return of as much as 43.2%). In addition, it is worth noting that the shares of as many as 14 issuers, included in the final survey sample, are included in CROBEKS (the composition of the index consists of 25 shares). These data indicate the appropriateness and representative ness of the research sample, in particular taking into account the length and scope of the extensive research instrument.

Development of a research instrument

The main research instrument was a survey questionnaire consisting of a total of 137 questions. A total of 98 questions related to the quality of corporate governance, and were made so that only 2 answers are possible: "YES" - in the case when the relevant element of quality is present / exists / visible in society, or "NO" if not. The questions from the survey questionnaire related to the assessment of the quality of corporate governance are necessary for the formation of the SEECGAN corporate governance index, which is specially designed and adapted to the specific business enviro nment of selected Southeast European countries (Serbia, Croatia, Bosnia and Herze govina, Montenegro, Slovenia and Northern Macedonia).). This index is the result of the joint work and efforts of the members of the SEECGAN network - the Academic Network for Corporate Governance of Southeast Europe, (the list of members of the academic network is available at http: *//www. ciru.hr/indek.php/seecgan/*). The basis for

calculating the index is the SEECGAN scorecard, which is formed based on the answers to 98 questions grouped into seven key segments of corporate governance.

The first segment - structure and management of the board has 21 questions, the second segment - shareholders' rights has 17 questi ons, the third segment - transparency and disclosure of information is assessed through 17 questions, the fourth segment - audit and internal control includes 11 questions, the fifth segment - fees and rewards has 14 questions, the sixth segment - risk management consists of 8 questions, and the last, seventh segment - corporate social responsibility includes 10 questions. All questions can only be answered with "YES" or "NO", with an affirmative answer indicating good corporate governance practice and bearing the value "1" (the answer "NO" carries the value "0" and represents the absence of good corporate governance practices) . Since not all elements of corporate governance quality are equally important and significant, it is possible to assign different weights (weights) to affirmative responses; "1" is a slightly less important aspect, "2" is a moderately important aspect and "3" is a very important aspect of corporate governance[9].

The next set of 25 questions refers to the research of entrepreneurial orientation and assessment of the business environment (more precisely the characteristics of the industry that could have an impact on the degree of entrepreneurial orientation such as the degree of technological possibilities in the environment, turbulence in the environment, etc.).

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[9] The maximum value that the index can take is 10, which means that the answers to all questions are "YES", and the minimum value is 0, which means that all questions are answered with "NO". For more information on the SEECGAN methodology, see Tipurić, D., Obuljen, D. et all. (2015): Corporate governance in Croatia, Quality assessment of corporate governance of Croatian joint stock companies using the SEECGAN methodology, Center for Management Research and Development, Zagreb.

Because the attitudes of top managers are used to determine entrepreneurial orienta tion (which describes the strategy of a company that is essentially entrepreneurial), the Likert scale with 5 degrees of intensity, which is usually used in research on entre preneurial orientation, was used. This set of questions also includes questions for dete rmining the degree of product innovation, process innovation and organizational inno vation, which serve as a kind of corrective to the measure of entrepreneurial orientation. Namely, innovations are the most important result of the company's entrepreneurial activity, so those companies that are more entrepreneurially oriented should be more innovative (in each of the three areas of innovation; product, production process and organization).

The last set of 14 questions refers to the key characteristics of the company, ie the top management of the company (respondents).

When constructing variables of entrepreneurial orientation, the reliability of measurement scales was analyzed by applying the Chronbach's alpha coefficient, which indicates the degree of internal consistency of composite indicators, ie variables.

Data processing methods

The collected data were processed on a personal computer using the Microsoft Excel spreadsheet software package and the SPSS statistical data processing software package for Windows 22.0. Statistical data processing is based on descriptive, univariate and multi variate analysis. From univariate techniques, correlation analysis, ANOVA, Mann-Whitney U test, Kruskal-Wallis test were used. Of the multivariate techniques, cluster analysis (hierarchical method and K-mean method) was used.

DATA ANALYSIS AND RESULTS OF EMPIRICAL RESEARCH

The research sample consists of 58 joint stock companies whose shares are listed on the regulated market of the Sarajevo Stock Exchange. The national classification of activities was not used in the analysis, because in that case 58 companies from the final sample of the survey would be classified into 35 different groups, as shown in Table 1.

Table 1. Distribution of enterprises from the sample in relation to the National Classifica tion of Activities (Authors, 2021)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Distillation, purifica tion and mixing of alcoholic beverages	1	1,7	1,7	1,7
	Brokerage activities in securities and co mmodity contracts	1	1,7	1,7	3,4
	Wired telecommun ications activities	2	3,5	3,5	6,9
	Construction of ships and floating structures	1	1,7	1,7	8,6
	Construction of roads and highways	1	1,7	1,7	10,3
	Construction of water structures	1	1,8	1,8	12,1
	Construction of po wer lines and tele co mmunications	1	1,7	1,7	13,8
	Hotels and similar accommodation	11	19,0	19,0	32,8
	Engineering and related technical consultancy	1	1,7	1,7	34,5
	Iron casting	1	1,7	1,7	36,2
	Non-specialized wholesale trade	1	1,7	1,7	37,9
	Other processing and preserving of fruit and vegeta bles	1	1,8	1,8	39,7
	Other transporta tion support activiti es	1	1,7	1,7	41,4
	Other amusement and recreation acti vities	1	1,7	1,7	43,1
	Other research and experimental deve lopment on natural sciences and engi neering	1	1,7	1,7	44,8
	Other monetary intermediation	6	10,4	10,4	55,2
	Other insurance	2	3,4	3,4	58,6
	River and coastal p assenger transport	1	1,7	1,7	60,3
	River and coastal transport of goods	1	1,7	1,7	62,0
	Manufacture of ele ctric motors, gene rators and transfo rmers	2	3,4	3,4	65,4
	Production of ferti lizers and nitrogen compounds	1	1,7	1,7	67,1

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	Manufacture of communication equipment	1	1,7	1,7	68,8
	Bread production; production of fresh pastries, confectionery and cakes	3	5,3	5,3	74,1
	Manufacture of grain mill products	2	3,5	3,5	77,6
	Manufacture of other builders' carpentry and joinery	1	1,7	1,7	79,3
	Manufacture of other parts and accessories for motor vehicles	1	1,7	1,7	81,0
	Manufacture of other furniture	1	1,8	1,8	82,8
	Production of knitted and crocheted socks	1	1,7	1,7	84,5
	Manufacture of refined petroleum products	1	1,7	1,7	86,2
	Ice cream production	1	1,7	1,7	87,9
	Newspaper printing	1	1,8	1,8	89,7
	Wholesale of pharmaceutical goods	1	1,7	1,7	91,4
	Management activities	2	3,4	3,4	94,8
	Growing of cereals (except rice), leguminous crops and oil seeds	1	1,8	1,8	96,6
	Air transport of passengers	2	3,4	3,4	100,0
	Total	58	100,0	100,0	

For the purposes of the research, 8 groups of companies were identified, each of which constitutes a separate activity, ie industry. Table 2 shows the distribution of enterprises from the sample in relation to the activity.

Table 2. Distribution of enterprises from the sample in relation to the activity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial sector	8	13,8	13,8	13,8
	Construction	5	8,6	8,6	22,4
	Industry	20	34,5	34,5	56,9
	Other activities	3	5,2	5,2	62,1
	Telecommunications	3	5,2	5,2	67,2
	Transport	6	10,3	10,3	77,6
	Trade	2	3,4	3,4	81,0
	Tourism	11	19,0	19,0	100,0
	Total	58	100	100	

As can be seen from Table 2, a total of eight (8) companies in the sample belong to the financial sector (banks and insurance companies), while 50 companies are from the non-financial sector. The group of companies "Tourism" consists of companies that in relation to the National Classification of Activities make up the class - Hotels and similar accommodation. The relatively large group "Industry" is represented by 20 companies engaged in production in a wide range of activities. The group "Construction" is quite homogeneous and consists of 5 companies. The group "Transport" belongs to 6 companies, while 3 companies are classified in the groups "Telecommunications" and "Other activities". The least represented group in the sample is "Trade", which consists of 2 companies.

Analysis of the age of the company (in years) from the sample shows that the youngest company is only 1 year old, while the oldest company in the sample is 154 years old (Table 3). The average age of the companies in the sample is 51.6 years relatively old).

Table 3. Company age

	N	Minimum	Maxsimum	Mean	Std.Deviation
Age of the company	58	1,00	154,00	51,5862	30,86987
Valid N (listwise)	58				

We also analyzed the number of board members from the sample (Table 4). The results show that the largest board had 6 members, while the smallest board of the sampled company had only one member. The sampled companies have an average of 2,483 board members, which is a relatively small board.

Table 4. Number of board members

	N	Minimu	Maximu	Mean	Std.
Number	58	1	6	2,483	1,4295
Valid N (listwise)	58				

Eighteen (18) companies in the sample have one member of the board (31%), 27.6% of companies in the sample have 2 members (16 companies), while 19% of companies in the sample (11 companies) 3 board members.

We identified four or more members of the management board (maximum 6) in 22.3% of the companies in the sample (13 companies).

The average management of enterprises in the sample is relatively small, data on the number of key managers at the level of strategic management show that the average number of key managers is 7.56 (Table 5). There is also a significant discrepancy in the number of key managers in the analyzed companies (for one company in the sample we recorded the highest number of key managers at the strategic level; 64, while in two cases we recorded the lowest number of key managers; 1).

Table 5. Number of key managers at the strategic level of company management

	N	Minimum	Maximum	Mean	Std. Deviation
Number of key managers at the strategic level	55	1	64	7,56	9,126
Valid N (listwise)	55				

Table 6. shows the levels of education, almost a third of the surveyed top managers have a master's degree or a doctorate (31,5%), and 63,2% of the surveyed managers have a university degree. For one surveyed manager we recorded a high school diploma (1,8%), while 2 with a university degree (3,5%).

Table 6. Level of education of surveyed managers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSS	1	1,7	1,8	1,8
	VŠS	2	3,4	3,5	5,3
	VSS	36	62,1	63,2	68,5
	mr sc.; dr.sc.	18	31,0	31,5	100,0
	Total	57	98,2	100,0	
Missing	System	1	1,8		
Total		58	100,0		

As can be seen from the following table number 7, the sample of research is mainly the economic profession, which is owned by as many as 63,2% of surveyed managers. They are followed by the technical profession (17,5%) and the legal profession (14,0%).

Table 7. Basic area of education of surveyed managers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Economically	36	62,1	63,2	63,2
	Legally	8	13,8	14,0	77,2
	Another area of social science	1	1,7	1,8	78,9
	Technically	10	17,2	17,5	96,5
	The field of natural sciences	2	3,4	3,5	100,0
	Total	57	98,3	100,0	
Missing	System	1	1,7		
Total		58	100,0		

The field of natural sciences is represented by only 3,5%, and only one surveyed manager was educated in other fields of social sciences.

The narrower functional area related to the position in the company of surveyed managers was analyzed (Table 8). Almost half (42,9%) of the surveyed top managers are in the position of Chairman of the Management Board, while 17,9% of managers are in the position of a member of the Management Board in charge of finance and accounting. 4 members of the Management Board (7,1%) are in charge of human resources manage ment, while 2 members of the Management Board (3,6%) are in charge of the production and research and development sector. Only one member of the Board of Directors is in charge of marketing, and as many as 13 surveyed managers from the research sample reported another narrow functional area (23,2%).

Table 8. Narrow functional area related to the position of surveyed managers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	President of the Management Board / Chief Executive Officer	24	41,4	42,9	42,9
	Marketing	1	1,7	1,8	44,6
	Production	2	3,4	3,6	48,2
	Finance and Accounting	10	17,2	17,9	66,1
	Research & Development	2	3,4	3,5	69,6
	Human Resource Management	4	6,9	7,1	76,8
	Other	13	22,4	23,2	100,0
	Total	56	98,3	100,0	
Missing	System	1	1,7		
Total		58	100,0		

The work experience of managers from the research sample was analyzed (Table 9). As can be seen from Table 9, the largest number of surveyed managers are currently in positions between 1 and 5 years (60.7%), and slightly less than a fifth of surveyed managers (19.6%) are between 5 and 10 years old. work experience in the current position. Those who have been in the position for more than 10 years make up 16.1% of the survey sample, and only 2 managers from the sample have been in the position for less than a year (3.6%).

Table 9. Work experience in the workplace (position)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	2	3,4	3,6	3,6
	Between 1 and 5 years	34	58,6	60,7	64,3
	Between 5 and 10 years	11	19,0	19,6	83,9
	More than 10 years	9	15,6	16,1	100,0
	Total	56	96,6	100,0	
Missing	System	2	3,4		
Total		58	100,0		

The results of the research also show that the surveyed top managers have extensive work experience in the industry in which the company operates (Table 10). Thus, over a third (35,1%) of the surveyed top managers

are employed in the industry in which the company has been operating for more than 20 years, and almost equal share of managers in the sample (24,6%) who are employed in the industry between 10 and 20 years. those employed in industry between 1 and 5 years (26,3%). Slightly more than 10% of managers have been employed in the industry between 5 and 10 years, while only 2 surveyed top managers (3,5%) are employed in an industry in which the company has been operating for less than a year.

Table 10. Work experience in industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	2	3,5	3,5	3,5
	Between 1 and 5 years	15	25,9	26,3	29,8
	Between 5 and 10 years	6	10,3	10,5	40,4
	Between 10 and 20 years	14	24,1	24,6	64,9
	More than 20 years	20	34,5	35,1	100,0
	Total	57	98,3	100,0	
Missing	System	1	1,7		
Total		58	100,0		

The general characteristics of the research sample, ie the surveyed top managers, point to the conclusion that these are managers with rich work experience; in the industry, in the company in which they are employed and in the position in which they are currently employed. In addition, it is worth noting that almost a third of the surveyed executives have a master's degree or doctorate (ie are above average educated).

RESULTS OF THE CORPORATE GOVERNANCE QUALITY SURVEY

The results of corporate governance quality, measured by the SEECGAN index, by segments and total amount are listed in Table 11. From the table it can be concluded that the average value of the corporate governance quality index for enterprises in the sample is 4,97.

Table 11. Assessment of the quality of corporate governance of the companies in the sample

	N	Minimum	Maximum	Mean	Std. Deviation
Board-structure and management	58	1,190	10,000	4,70854	1,947129
Transparency and disclosure of info rmation	58	1,176	10,000	5,73529	2,560060
Shareholder rights	58	2,258	9,677	5,70634	1,783514
Social Responsibility	58	0,000	10,000	4,35140	3,180590
Audit and internal control	58	0,833	9,167	5,56034	2,084870
Risk management	58	0,000	10,000	5,10776	3,610600
Fees and rewards	58	0,000	10,000	3,64763	3,065434
CG INDEX	58	1,280	9,174	4,97390	2,102247
Valid N (listwise)	58				

Transparency and disclosure of information in segments, shareholder rights, audits and internal control and risk management recorded a higher average value than the average value of the index. Values below the average (relative to the average value of the index) are recorded in the segments of board structure and management, social responsibility and fees and rewards. If we look at the sub-segments, the highest average value of the segment is transparency and disclosure of information (5,735), and the lowest for the segment of fees and rewards (3,647). If we compare these average values with a maxi mum score of 10, it is clear that the quality of corporate governance of the companies in the sample is not at a satisfactory level. This is especially obvious when we look at the achieved minimum values for each of the individual segments of the index, as well as for the index as a whole. Thus, for example, for the segments of social responsibility, risk management and compensation and remune ration, the minimum recorded value is equal to 0 (the company does not have any of the analyzed elements of corporate governance quality).

If we present the above graphically, in the way shown in Figure 1, the unsatisfactory aspects of the quality of corporate governance of the companies in the sample become even

more obvious. Namely, the segment of social responsibility as well as the segment of fees and rewards is crucially deviating from the average values for other sub-segments, although they are also far from first-class corporate governance.

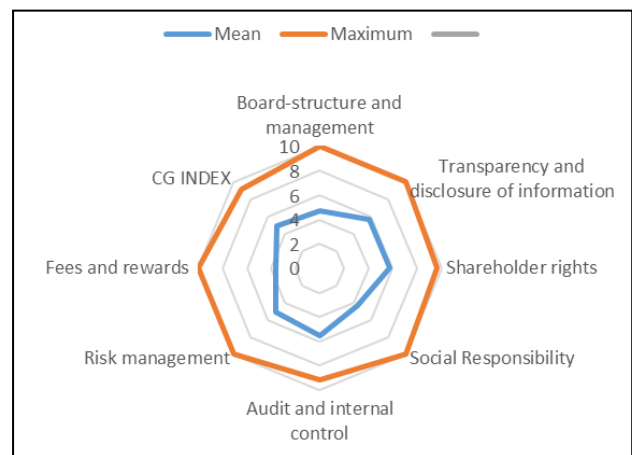|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	9	15,5	15,5	15,5
	B	22	37,9	37,9	53,4
	C	18	31,1	31,1	84,5
	D	9	15,5	15,5	100,0
	Total	58	100,0	100,0	

Figure 1. Assessment of the quality of corporate governance of in companies for the observed samplesample

During the development of the SEECGAN methodology, values were agreed, ie criteria for classifying companies into 4 key categories:

Class A - companies that have first-class corporate governance (index value greater than 7.5);

Class B - companies that have good corporate governance practice (index value greater than 5 and less than 7.5);

Class C - companies that have unsatisfactory corporate governance practices (index value greater than 2.5 and less than 5);

Class D - companies that have poor corporate governance practices (index value less than 2.5).

If the values presented in Table 11 are compared with the classification of companies in A, B, C and D classes, on average, the company in the sample has unsatisfactory corporate governance practices as a whole, and in the segments of board structure and management, social responsibilities and fees and charges. The average company in the sample has good corporate governance practice in the segments of transparency and disclosure of information, shareholder rights, audit and internal control and risk management, although marginal because the values just exceed 5.

The quality of corporate governance in the sample companies will be analyzed below. classification into 4 groups of companies (Table 12).

As can be seen from Table 12, the number of firms in the sample that have first-class corporate governance is the same as firms that have poor corporate governance practices (9 firms). Only a slightly higher share of companies with good corporate governance practice (A+B=53,4%) than those with unsatis factory corporate governance practice.

An analysis of the quality of corporate governance and entrepreneurial orientation, as well as their interdependence, would not in itself make much sense if we did not show that these phenomena are relevant and that research is interesting in terms of performance. For the companies from the sample, data were collected for the calculation of growth indicators (revenue growth achieved in 2019 compared to 2018) and profitability: return on assets (ROA) achieved in 2019 and profit margin, ie return on sales (ROS) realized 2019.

In addition, the analyzes used data on the reported profit or loss in the business year 2019. As one part of the companies is from the financial sector, it is not recommended to

use the ROA indicator to analyze the differences between companies in relation to this profita bility indicator, but for this purpose the ROS indicator will be used in later analyzes. The ROA indicator was also used to determine the correlation between the variable qualities of corporate governance and the variables of entrepreneurial orientation.

Furthermore, in order to standardize the indicators of growth and profitability, indicators were used for industries, ie activities in which companies operate, and for each indicator and for each company in the research sample a separate calculation was made - whether the company is above average or below average. in relation to industry (in later analyzes, the growth and profitability indicator will also be used as dichotomous variables in accordance with the set research hypotheses).

Indicators for industries were calculated on the basis of the database of APIF financial statements (Agency for Intermediary, Information and Financial Services). The analysis of the financial results of entrepreneurs in Bosnia and Herzegovina was done for 2019. Descriptive statistics for performance indicators are presented below (Table 13).

Table 13. Performance - indicators of profita bility and growth of enterprises in the sample

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviatio
ROA 2019	58	,000	,17	,0267	,03688
ROS 2019	58	,000	,61	,0771	,13367
Growth 2019/2018	58	-74,95	102,43	-,1699	25,48794
Valid N (listwise)	58				

As can be seen in Table 13, the lowest recorded value of the ROA indicator in the sample is 0, and the highest is only 0,17.

The average value of this indicator at the sample level is 0,0267. For the ROS indicator, the recorded minimum is also 0, and the highest recorded value is a high 0,61. The mean value for this performance indicator is 0,0771. The lowest recorded value of the growth indicator is -74.95%, while the highest recorded growth rate is as high as 102,43%. The high standard deviation (25,48794) indicates exceptions, and the analysis showed that this is an increase of 102.43% and a decrease of 74,95% (both values are for companies from the tourism industry - hotels).

The relationships between the variable qualities of corporate governance and performance indicators are further analyzed (Table 14.). The results of the research show that there is a weak positive relationship between transparency and disclosure of information and ROA indicators, which is statistically significant at the level of significance of 10%, and that there is a positive relationship between the quality of corporate governance in the segment of shareholders' rights and ROA. is statistically significant at a significance level of 5%

Table 14. Relationship between corporate governance quality and performance variables

Correlations		ROA 2019	ROS 2019	Growth 2019/18	Board-structure and management	Transparency and disclosure of information	Shareholder rights	Social Responsibilit	Audit and internal control	Risk management	Fees and rewards	CG INDEX
ROA 2019	Pearson Corelation	1	.566**	0,351**	0,083	0,229	0,325*	0,216	0,033	0,068	0,176	0,195
	Sig. (2 tailed)		.000	0,007	0,537	0,084	0,013	0,104	0,807	0,611	0,188	0,1443
	N	58	58	58,00	58	58	58	58	58	58	58	58
ROS 2019	Pearson Corelation	.566**	1	0,169	0,048	0,097	0,096	-0,041	0,207	0,268*	0,094	0,141
	Sig. (2 tailed)	0,000		0,205	0,718	0,471	0,471	0,758	0,119	0,042	0,485	0,293
	N	58	58	58	58	58	58	58	58	58	58	58
Growth 2019/2018	Pearson Corelation	.351**	.169	1	0,068	0,183	0,359**	0,140	0,041	0,010	0,242	0,173
	Sig. (2 tailed)	.007	.205		0,610	0,169	0,006	0,296	0,760	0,943	0,067	0,193
	N	58	58	58	58	58	58	58	58	58	58	58
Board-structure and management	Pearson Corelation	.083	.048	0,068	1	0,619**	0,555**	0,550**	0,597**	0,514**	0,707**	0,784**
	Sig. (2 tailed)	.573	.718	0,610		0,000	0,000	0,000	0,000	0,000	0,000	0,000
	N	58	58	58	58	58	58	58	58	58	58	58
Transparency and disclosure of information	Pearson Corelation	0,229	.097	0,183	0,619**	1	0,772**	0,620**	0,512**	0,494**	0,706**	0,824**
	Sig. (2 tailed)	0,084	.471	0,169	0,000		0,000	0,000	0,000	0,000	0,000	0,000
	N	58	58	58	58	58	58	58	58	58	58	58
Shareholder rights	Pearson Corelation	0,325*	.096	0,359**	0,555**	0,772**	1	0,617**	0,455**	0,412**	0,720**	0,778**
	Sig. (2 tailed)	0,013	.471	0,006	0,000	0,000		0,000	0,000	0,001	0,000	0,000
	N	58	58	58	58	58	58	58	58	58	58	58
Social Responsibility	Pearson Corelation	.216	-0,041	0,140	,550**	,620**	,617**	1	,475**	,583**	.654**	.818
	Sig. (2 tailed)	.104	.758	0,296	0,000	0,000	0,000		0,000	.000	.000	.000
	N	58	58	58	58	58	58	58	58	58	58	58
Audit and internal control	Pearson Corelation	.033	.207	.041	.579**	.512**	.455**	.475**	1	.652**	.625**	.758**
	Sig. (2 tailed)	.807	.119	.760	.000	.000	.000	.000		.000	.000	.000
	N	58	58	58	58	58	58	58	58	58	58	58
Risk management	Pearson Corelation	.068	.268*	.010	.514**	.494**	.412**	.583**	.652**	1	.549**	.782**
	Sig. (2 tailed)	.611	.042	.943	.000	.000	.001	.000	.000		.000	.000
	N	58	58	58	58	58	58	58	58	58	58	58
Fees and rewards	Pearson Corelation	.176	.094	.242	.707**	.706**	.720**	.654**	.625**	.549**	1	.876**
	Sig. (2 tailed)	.188	.485	.067	.000	.000	.000	.000	.000	.000		.000
	N	58	58	58	58	58	58	58	58	58	58	58
CG INDEX	Pearson Corelation	.195	.141	.173	.784**	.824**	.778**	.818**	.758**	.782**	.876**	1
	Sig. (2 tailed)	.143	.293	.193	.000	.000	.000	.000	.000	.000	.000	
	N	58	58	58	58	58	58	58	58	58	58	58

**Correlation is significant at the 0.01 level (2 tailed)
*Correlation is significant at the 0.05 level (2 tailed)

The ROS profitability indicator shows that there is a positive relationship between the quality of corporate governance in the risk management segment and this indicator of slightly lower intensity, which is statistically significant at the level of significance of 5%.

There is a positive relationship between the quality of corporate governance in the segment of shareholders' rights and growth indicators (statistically significant at 1%), and there is a positive relationship between corporate growth indicators and the quality of corporate governance in the fees and rewards segment of 10%.

Analysis of research results

The main hypothesis H_1 examines the relationship between the quality of corporate governance and performance: growth indica tors and profitability.

Hypothesis H_1 assumes that there is a positive relationship between the level of quality of corporate governance and the performance of the company. The research results show that there is a weak positive relationship between the segment of corporate governance quality, transparency and disclosure of information and ROA indicators, which is statistically significant at the significance level of 10% ($r_s = 0,229$; sig. $= 0,084$), and that between corpo rate governance quality in the segment of shareholders' rights and ROA indicators, there is a positive ratio of somewhat stronger intensity, which proves to be statistically significant at the level of significance of 5% ($r_s = 0,325$; sig. $= 0,013$). The ROS profitabi lity indicator shows that there is a positive relationship between the quality of corporate governance in the risk management segment and this indicator, slightly lower intensity, which is statistically significant at the significance level of 5% ($r_s = 0,268$; sig. $= 0,042$).

In addition, it was found that there is a positive relationship between the quality of corporate governance in the segment of shareholder rights and growth indicators (statistically significant at 1% - $r_s = 0,359$; sig. $= 0,006$), and between corporate growth indicators and the quality of corporate governance in the segment compensation and reward there is a positive relationship that proves statistically significant at a significance level of 10% ($r_s = 0,242$; sig. $= 0,067$). Further, the results showed that more companies have good corporate governance practices in the group of companies with above-average growth rates and companies that have good corporate governance practices as well as companies with poor corporate governance practices in the group of companies with below-average growth rates. These differences are also statistically significant at the significance level of 10% ($r_s = 0,083$). In relation to the presented results, it can be concluded that they support the main hypothesis, so H_1 is accepted.

CONCLUSIONS

The quality of corporate governance has been fairly well researched in the open system of corporate governance, while in the closed system, characteristic of Bosnia and Herzegovina, it has been modestly researched. The quality of corporate governance is most often measured and expressed using a complex indicator - an index. The corporate governance quality index, as an indicator of corporate governance quality, should objectively and reliably detect the level of good corporate governance practice in the observed period and in the observed business entity.

The paper provides an extensive overview of available academic and commercial corporate governance quality indices that are applicable in an open system, and presents the original SEECGAN methodology.

This index was created and specially adapted to the situation and specifics of the business environment of selected countries in Southeast Europe (Serbia, Croatia, Bosnia and Herzegovina, Montene gro, Slovenia and Northern Macedonia). The seven segments that make it up, which are relevant for the assessment of the quality of corporate governance are: (1.) Structure and management of boards, (2.) Transparency and disclosure of information, (3.) Shareholder rights, (4.) Corporate social responsibility, (5.) Audit and internal control, (6.) Enterprise risk management, (7.) Compensation and fees.

The results of the survey conducted on a sample of 58 joint stock companies whose shares are listed on the Sarajevo and Banja Luka Stock Exchanges, showed that the quality of corporate governance in the analyzed companies is unsatisfactory (average value of corporate governance quality index is 4.9739, which is not even half the maximum value). The results showed that the quality of corporate governance is directly related to the size of the board of directors and the supervisory board and that the representation of women on the boards contributes to the quality of corporate governance. Also, the quality of corporate governance is directly related to the number of established specialized commissions, and that the degree of concentration of ownership does not have a direct impact on the quality of corporate governance of the companies in the sample.

Finally, the results of the research confirmed the main hypothesis, which assumed that there is a positive relationship between the quality of corporate governance and the performance of the company.

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