

# Composition of the Boards of Polish Joint Stock Companies

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The object of our research was the composition of Management Boards, Supervisory Boards and commercial representatives of all Polish joint stock companies. We have constructed an Internet accessible database in which analysed data are collected. We used MySQL database PHP scripts and Apache server. Data are transferred into the database from announcements published in the paper version of an official journal. The database contains data on about 6939 Polish joint stock companies and about 63843 people. On the basis of data collected so far, certain conclusions can be drawn as well as questions answered in some detail. For example, we can identify who has been and who currently is a member of the management and supervisory board of every Polish joint stock company. We can also determine in which joint stock companies he or she is or was appointed. It is also possible to study the so-called 'interlocking directorships' (personal combinations). The problem of personal data protection has not yet been solved. Although such data come from an officially issued journal, we have no permission to make this information available to the public via the Internet.

*Key words:* board members, database, joint stock company

Studies concerning board members of Polish joint stock companies have been made as part of statutory research conducted by the Chair of Enterprise Management at The John Paul II Catholic University of Lublin. The announcements published by Polish joint stock companies in *Monitor Sądowy i Gospodarczy* (MSiG) were the basic source of information for the research. We hope that this database will be an important tool useful not only for answering research questions but also, for example, during General Meetings of Shareholders when they have to appoint particular persons to the company board. One of the main reasons for our work was to study interlocking directorships (personal combinations).

## **Personal Combinations**

Within the meaning of the Polish (*Code of commercial companies* 2002) and German (*Aktiengesetz mit Umwandlungsgesetz und Mitbestimmungsrecht* 1995) company law, every joint stock company has

three bodies of authority, i.e. the General Meeting of Shareholders, the Supervisory Board, and the Management Board. The notion 'personal combinations' means that the same persons act in bodies of different companies or those persons are in connexion, or are in close relations.

As M. R. Theisen wrote: 'Personal combinations between two legal independent enterprises can be first a result of accidental activities of two persons, second they can be also a fully conscious and intentional technique disposed towards creating combinations between enterprises at the level of involved persons or towards intensification or stabilisation combinations that already exist.' Personal combinations may take place at different levels (Theisen 2000, 128–129):

- at the level of shareholders (owners of companies),
- at the level of Supervisory Board,
- at the level of Management Board,
- mixed forms.

Personal combinations at the level of owners of companies are typical for medium size enterprises and family enterprises.

Combinations at the level of the Supervisory Board occur in the case of different size companies. In this case the Supervisory Board exerts greater indirect influence on company management, because in the company articles can be placed a list of ventures which may be accomplished by management only with previous approval of the Supervisory Board. Thanks to this a coordination of companies activities can be achieved, even up to the coordinated taking of operational decisions that concern current issues.

In the third group of personal combined enterprises their Management Boards are fully or partially posted by the same persons. This means in practice that the same person is a member of management board in the parent company and also in the subsidiary company. From the economic point of view this kind of persons' identity composes a direct base for coordinated management.

A classical form of personal combinations is composed of mixed combinations that comprise two or three levels of company hierarchy. For example a joint owner of company A being at the same time a member of its Management Board is a member of company B's Supervisory Board. Whereas a joint owner of company B, being at the same time a member of its Management Board, is a member of company A's Supervisory Board.

Personal combinations at the level of Supervisory Board have been for years a subject of empirical studies in German and also in multi-

national corporations. They are discussed from the economical and also the legal point of view. In results of studies, which were published in the year 1997 and concerned 100 the biggest German corporations, 840 personal combinations at the level of Supervisory Board were discovered (Theisen 2000, 135). (The question of personal combination was also regarded by Lutter 1995, 5; Scheffler 1992, 27).)

### **Form and Content of Announcements in *Court and Business Gazette (Monitor Sądowy i Gospodarczy)***

Under the provisions of the Code of Commercial Companies, Polish companies are duty-bound to publish their announcements in *msig* (Article 5 § 3. of the Code of Commercial Companies). Mandatory announcements also include changes in the composition of Management Boards, Supervisory Boards, and commercial representatives.

The rules governing the announcement of information by enterprises are specified in the Act of 20 August 1997 on the National Court Register (*Dziennik Ustaw* 01.17.209). Pursuant to the provisions of Chapter 2 concerning the Register of Enterprises (Art. 39) the following information is provided in the register:

1. indication of the body authorized to represent the entity, its composition with information on the manner of representation;
2. indication of the Supervisory Board and other bodies of the entity, if established, and composition thereof;
3. information on commercial representatives and the scope of their activity.

All entries in the National Court Register are subject to announcement in *msig* unless the act provides otherwise.

The layout of announcements published in *msig* is pre-defined. According to chapter 2 of the Register of Entrepreneurs, entries for limited liability companies and joint stock companies include:

- in box one: information on the body authorised to represent the entity; more often than not the Management Board;
- in box two: information on the Supervisory Board,
- in box three: information on commercial representatives and the type of commercial representation defined.

Individual boxes are additionally divided into fields with clearly specified information to be entered in each field. The division of entries into chapters, boxes, and fields is clear and allows for easy access to information sought.

## Database Structure

The studies described here consisted of transferring announcements published in *msig* onto the computer database. We have taken into consideration two kinds of announcements: (1) concerning changes in company bodies of authority, (2) concerning the establishment of companies. The database developed comprises a set of three tables. They are the result of a normalization process (Ullman and Widom 1997), i. e. they are arranged in a manner which guarantees maximum efficiency and the elimination of redundancy to facilitate information searches. Each field of the table contains unique data and no field contains data that can be determined on the basis of other fields.

The first 'main' table consists of nine fields (columns): *id*, *position*, *KRS*, *idosoby*, *organ*, *function*, *wykr-wpis*, *datawpisu*, and *date*:

- The field *id* is an index for the first table. The value of the index increases by one after recording a subsequent entry in the table.
- The field *position* contains information on the number under which a given announcement has been published in *msig*.
- The field *KRS* contains the number in the National Court Register, which functions as a company identification number.
- The field *idosoby* identifies a given person. The value of this number increases by one when a new person is entered.
- The field *organ* identifies a company's body of authority to which a given announcement refers. It can be the Management Board, Supervisory Board or commercial representatives.
- The field *function* denotes a chairperson where the announcement refers to the Management Board or the Supervisory Board.
- The field *wykr-wpis* specifies whether a particular person has been entered in or removed from the register as regards the function held.
- The field *datawpisu* specifies when a given announcement has been published in the register.
- The field *date* identifies when the entry in the database has been made.

The second table of the database, i. e. table 2, contains personal data of persons with a personal identification number (*PESEL*) and those who have not been assigned such a number. This solution, however, makes it impossible to use the *PESEL* number to search the database and identify persons listed in the table. Therefore, another

TABLE 1 Layout of the first table ('main')

Id	Position	KRS	Idosoby	Organ	Function	Wykr-wpis	Datawpisu	Date
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TABLE 2 Personal data

Idosoby	Surname	First name	Second name	PESEL
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TABLE 3 Company data

KRS	Name of company
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solution has been employed. Each person receives a unique numerical identifier (*idosoby*) which is generated by the computer system.

- The first and foremost field in the table is the field called *idosoby*. The same field occurs in the first table.
- The next three fields specify a given person's surname, first name and middle name.
- The last field contains the PESEL number by which a person's age and gender can be determined. Unfortunately, foreigners usually do not possess PESEL numbers.

The last table is used to identify companies. It contains the number in the National Court Register (KRS) – the same as in the first table – and the name of the company. The KRS number is unique for each company, which allows for accurate identification.

### Entering Data in the Database

Data can be entered in the database in two ways. One is the traditional way by which data are entered manually. This, however, is time consuming and practically ineffective in view of the number of announcements published in *msig* on a daily basis. The other is largely automated and follows the procedure below.

1. Relevant excerpts from the printed edition of *msig* (the only available) are scanned and stored as PDF files. An example of such an excerpt is shown in figure 1. This is an example of the first kind of announcement concerning changes in company bodies of authority. The second type of announcements concerning establishing of companies are usually far more extensive and contain much more data that must be entered into the database.
2. PDF files are converted into text formats with the application of Text Processing Software (Fine Reader).
3. Relevant fragments of text files are then pasted into appropriate fields of the MySQL database by using PHP scripts (Williams

FIGURE 1 An example of an excerpt from the printed edition of *Monitor Sądowy i Gospodarczy* (msig)

Poz. 32570. LESAFFRE POLSKA SPÓŁKA AKCYJNA:  
KRS 0000224921. SĄD REJONOWY W OPOLU, VIII  
WYDZIAŁ GOSPODARCZY KRAJOWEGO REJE-  
STRU SĄDOWEGO, wpis do rejestru: 03.01.2005.  
[OP.VIII NS-REJ.KRS/1952/7/408]

W dniu 20.03.2007 dokonano wpisu do rejestru KRS nr 12 następującej treści:

**Dz. 1. Rub. 1.** Dane podmiotu **wykreślić:** 2. REGON 531172260 **wpisać:** 2. REGON 531172260 NIP 7511343348 **wykreślić:** 3. LESAFFRE BIO-CORPORATION SPÓŁKA AKCYJNA **wpisać:** 3. LESAFFRE POLSKA SPÓŁKA AKCYJNA

**Rub. 4.** Informacje o statucie **wpisać:** **1 1.** AKT NOTARIALNY Z DNIA 13.02.2007 R. NOTARIUSZ IRENA SACHTA-GROSZ KANCELARIA NOTARIALNA W KLUCZBORKU REP. A NR 416/2007 - ZMIENIONO PAR. 1 I PAR. 2 STATUTU SPÓŁKI

**Dz. 2. Rub. 2.** Organ nadzoru **1** (dla pozycji: **1. RADA NADZORCZA**) **PRub.** Dane osób wchodzących w skład organu **wykreślić:** **1 1.** BAULE **2.** ANTOINE **wpisać:** **2 1.** OUAZANI HASSANI **2.** MEHDI

and Lane 2004; Ullman 2002). For example, fragments of announcement, shown in figure 1, which must be entered into the database are underlined. After entering these fragments into the database the three tables will appear as shown in tables 4, 5, and 6.

The key element of the process is the conversion of PDF files into text files because of errors that are difficult to eliminate. There are two kinds of errors:

1. Errors which appear in msig announcements and are made by journal editors.
2. Errors which are made while transferring the text from PDF format to TXT format. These errors result from inaccurate printing of the text. Inaccurate printing causes the Fine Reader to make mistakes during text recognition. Errors can be made particularly during recognition of names, surnames, company names and foreign language.

However Fine Reader has a spell-check application and any dubious wording is marked in colour for the user to correct it manually. Each day brings a few pages of announcements in msig concerning joint stock companies. By combining several pages of announcements published in one month, it is possible to create a text file which is subsequently analysed prior to registration in the database.

### Database Format

As of 10 March 2007, all changes in the composition of Management Boards, Supervisory Boards and commercial representatives in Polish joint stock companies made during the period from March 2001

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TABLE 4 The first table after entering data from the excerpt

Id	Position	KRS	I	Organ	F	Wykr-wpis	Datawpisu	Date
1	32570	0000224921	1	Supervisory board	—	Strike out	20.03.2007	31.07.2007
2	32570	0000224921	2	Supervisory board	—	register	20.03.2007	31.07.2007

NOTES I – idosoby, F – function.

TABLE 5 The second table after entering data from the excerpt

Idosoby	Surname	First name	Second name	PESEL
1	Baule	Antoine	—	—
2	Ouazzani Hassani	Mehdi	—	—

TABLE 6 Company data

KRS	Name of company
0000224921	Lesaffre Polska Spółka Akcyjna

to September 2006 were recorded in the database, i.e. 127791 announcements. The same number of entries is therefore made in the first (main) table. These announcements referred to 63843 persons (this is the number of entries in the second table) and 6939 companies (i.e. the number of entries in the third table). At present, the database is regularly updated to include data from the last few months. Assuming that the database contains data from at least five years, a full picture of the composition of Management Boards, Supervisory Boards and commercial representatives for all Polish joint stock companies can be obtained. It is worth bearing in mind that the term of office for the Supervisory Board and Management Board members cannot exceed five years.

BOARDS' COMPOSITION

On the basis of data collected in the database so far, we can already make some general conclusions:

1. Most changes in the composition of company bodies of authority concern changes made in the Supervisory Boards, i.e. 60.88% of the entries, followed by changes in the Management Boards, i.e. 28.28% of the entries, and in commercial representatives, i.e. 10.85% of the entries in the first table.
2. 87.32% of persons recorded in the database are PESEL number holders; it follows that 12.68% of members of the Polish joint stock companies authorities are foreigners. Although this is not

TABLE 7 Average age of persons registered to particular bodies of authority

Group of people	Average age in the subsequent years					
	2001	2002	2003	2004	2005	2006
1 All persons registered to Management Boards, Supervisory Boards, and commercial representatives	51,62	50,87	49,07	47,59	45,97	44,86
2 All persons registered to Supervisory Boards	51,82	50,91	49,42	47,96	46,26	44,84
3 All persons registered to Management Boards	51,32	51,02	48,61	47,25	45,72	45,59
4 Women registered to Management Boards, Supervisory Boards, and commercial representatives	50,55	49,19	47,50	46,07	44,40	43,33
5 Women registered to Supervisory Boards	49,98	48,53	47,59	45,98	44,04	43,38
6 Women registered to Management Boards	51,57	50,40	47,29	46,57	43,64	43,08
7 Men registered to Management Boards, Supervisory Boards, and commercial representatives	51,94	51,38	49,54	48,11	46,44	45,28
8 Men registered to Supervisory Boards	52,36	51,67	50,05	48,74	46,95	45,24
9 Men registered to Management Boards	51,28	51,13	48,84	47,37	46,06	46,00

exact information, because foreigners can also possess a PESEL number. We can assume that these numbers continue to change, but this matter has not yet been studied.

3. Among PESEL number holders 26.47% are women; unfortunately, such information cannot be provided for people who do not possess a PESEL number.

Data collected so far (PESEL numbers) enable one also to analyse how the average age of persons registered to particular bodies of authority has changed in the following years. Detailed information concerning this issue is presented in table 7 and in figure 2.

What we can recognise, even on the basis of superficial analysis of the presented data, is the decreasing average age of persons registered in recent years. As we can see, in 2001 the average age of persons appointed to particular bodies was almost 52 years, and by 2006 it decreased to a level of about 45 years. 'Rejuvenation' of as much as 7 years is a substantial change. The age of women appointed to particular bodies of authorities is about 2 years lower than the age of men. Looking at the figure we can recognize the approximately linear tendency of age decreasing in the last few years.

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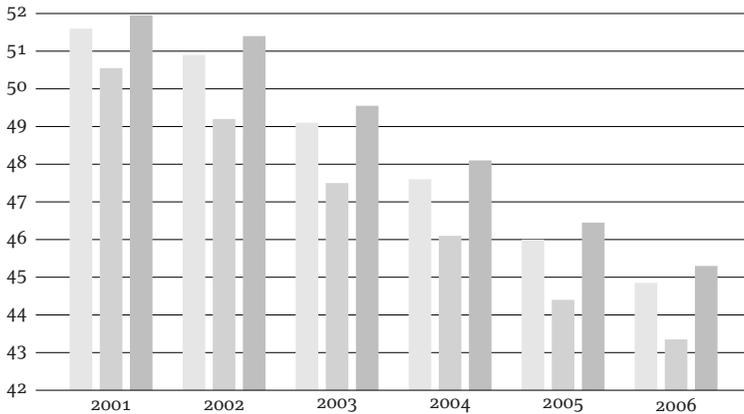


FIGURE 2 Average age of persons registered to join stock companies bodies of authority in the last few years

### MEMBERSHIP NUMBERS IN BODIES OF AUTHORITY

On the basis of collected data, we can also recognise the average number of members in particular bodies of authority. This was presented in figures 3 and 4.

As we can see, Supervisory Boards consist usually of three or five members. Generally, a situation where the Supervisory Board consists of four members is avoided, probably because that companies want to facilitate voting and avoid a tie-vote situation. On average, Supervisory Boards consist of 4.49 members. We can obtain from figure 3 that some Supervisory Boards consist of fewer than the three members as required by law. This may result from the fact that some board members may have lost their mandates and no one has yet been appointed to these positions. Possibly some have been appointed before March 2001, still hold their positions and were not taken into consideration in the database.

Figure 4 shows the number of people who are members of management boards. As we can see, most frequently management boards consist of only one member. There are only few boards that consist of more than six members. On average, management boards consist of 2.19 members.

### TERMS OF OFFICE

On the basis of collected data, we can also analyse the terms of office of board members. Detailed data concerning this question for management boards are presented in figure 5.

As we can see, the most frequent term of office for management

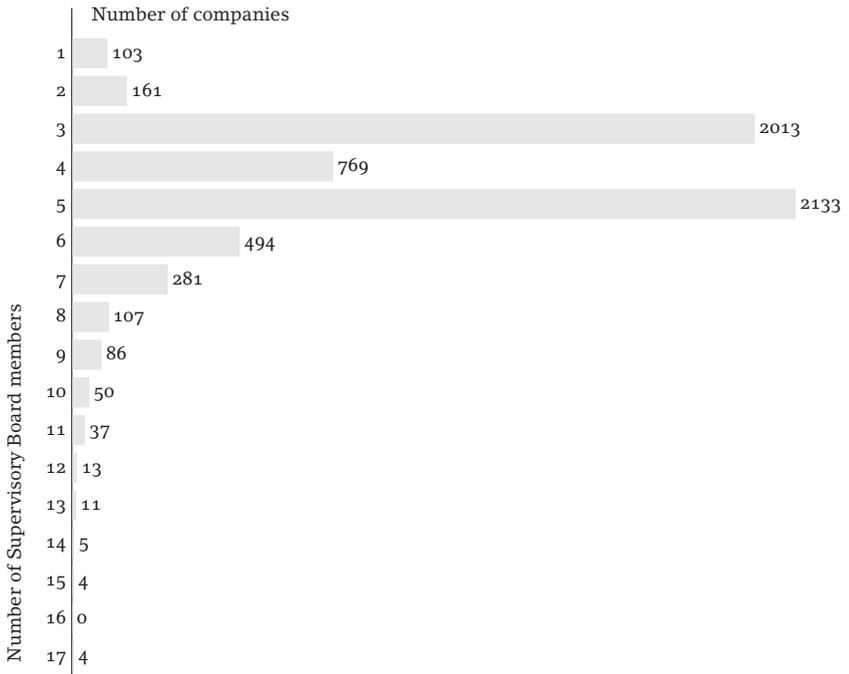


FIGURE 3 The number of Supervisory Board members

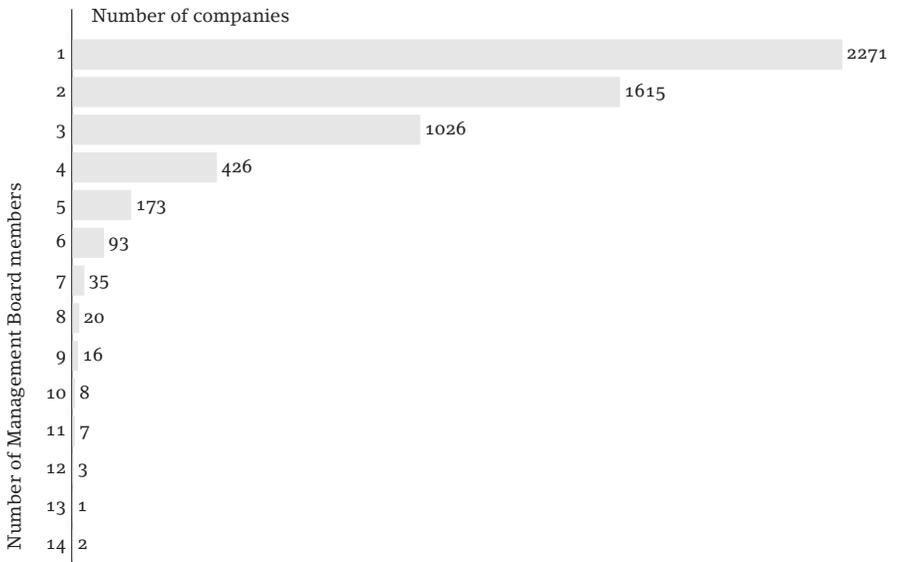


FIGURE 4 The number of Management Board members

## Composition of the Boards of Polish Joint Stock Companies

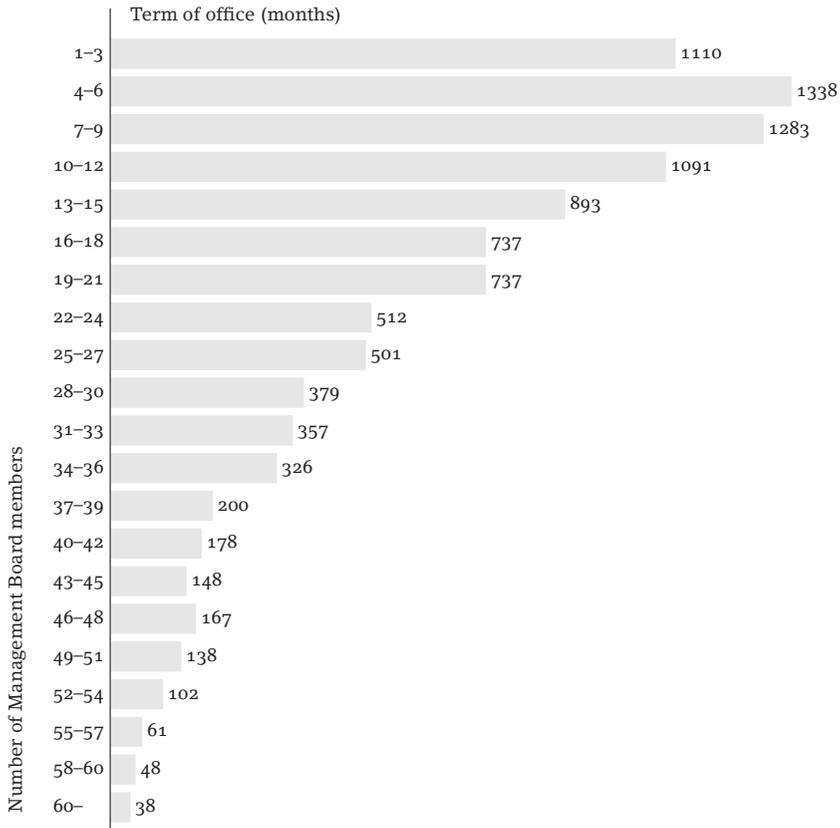


FIGURE 5 Term of office for management boards members

board members is no longer than four to six months, which is a very short time. Relatively rarely, the term of office for management board members is longer than five years (sixty months). This is a very inefficient situation when terms of office are as short as presented in figure 5.

### INTERLOCKING DIRECTORSHIPS

The collected data enable us also to study situations in which a member of the body of authority of one corporation also serves as a member of a body of authority of another corporation. The results of these studies have been presented in figure 6.

As we can see, there are many situations (3805) in which one person is a member of bodies of authority of two different companies

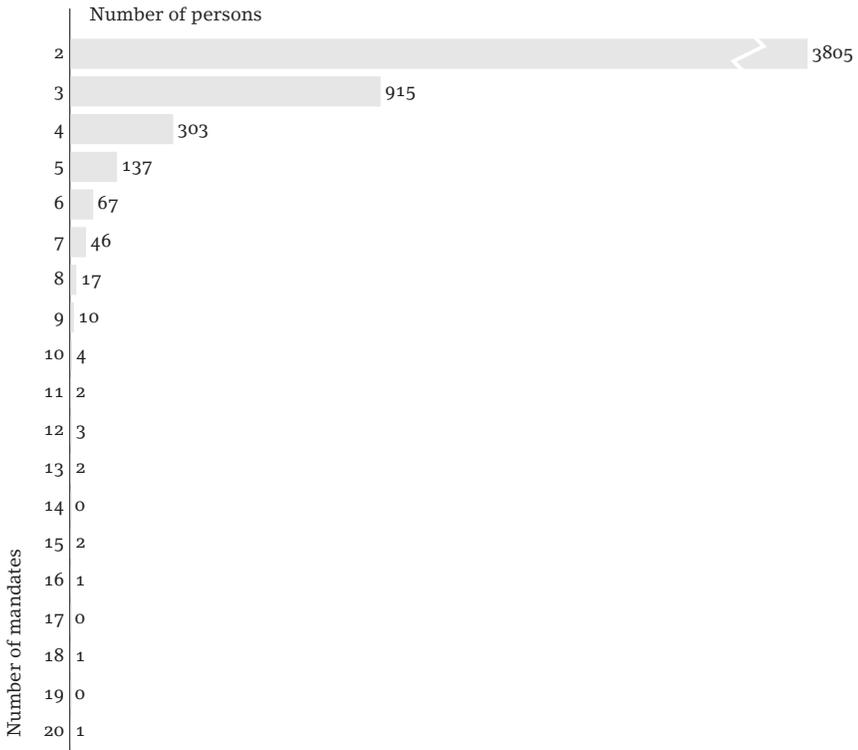


FIGURE 6 Interlocking directorships

(about 30,365 persons are members of one body of authority in one company but this is not shown in figure 6). There are also a few situations in which one person is member of 15 or even 20 bodies of authority (Management Boards and Supervisory Boards). It must be stressed that only joint stock companies have been studied here. The phenomenon of interlocking directorships is hypothetically much more widespread across limited liability companies, but this issue has not yet been studied.

### Conclusions

The database described herein is available on [www.kkpsk.info](http://www.kkpsk.info) and we intend to make it available to the public in the future. At present the site is still under construction. Tests are being performed and errors eliminated. Since errors are likely to occur, information provided has reference to a relevant publication in the paper version of *msig*. To dispel any doubts, data can be thus verified.

Our hope is that the most important function of our database is to identify who is and who was a management board and supervisory board member of every Polish joint stock company. We can also determine in which joint stock companies he or she is and was appointed. This information can be used, for example, at a general meeting of stockholders when a particular person has to be selected to be a board member.

The problem of personal data protection (names and PESEL numbers) has not yet been solved. Although these data come from an officially issued journal (MSiG), we have no permission to make the information available to the public via the Internet.

The studies conducted so far have focused on joint stock companies. We intend to extend our studies to cover limited liability companies as soon as all data concerning joint stock companies are duly registered and entered in the database. Unfortunately, we have recognised that limited liability companies publish approximately ten times more announcements than do joint stock companies. Therefore, entering all announcements into the database concerning limited liabilities companies would be much more difficult.

The technology described here can be used in situations where a great amount of information is presented in paper journals and where it is necessary to transfer this information to a database to make it useful to the public.

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