Baltic Institute of Corporate Governance (BICG) in 2012 launched a scorecard type of publication entitled "Governance of State-owned Enterprises in the Baltic States".

This publication was created to build a more profound understanding of how governance works in the Baltic States, and to develop suggestions for how to implement world class standards in the Baltic region.

This publication is unique in a number of ways. To the best of our knowledge it is the most sophisticated attempt ever to rank the governance practices of State-owned Enterprises (SOEs), and the only one to compare SOEs internationally. In addition, the publication provides a highly comprehensive analysis. It looks at four interlinked aspects of SOE governance: public perceptions; individual SOE rankings; an examination of board structures; and an analysis of the legal and institutional framework. At the same time, the publication is designed to be compact and easy to read.

Some of the interesting points that emerge are:

• There is considerable public dissatisfaction with SOE governance and SOE performance in the Baltic region. The issue of SOE governance and SOE performance has the potential to become politically inflammatory if a scandal or financial duress should emerge. Governance practices pose both an economic and a political risk.

• One can clearly identify SOEs that are leaders and SOEs that are not. The leaders are rapidly approaching world-class standards of governance. These SOEs show that modern and professional governance practices are possible in the Baltics. They should serve as models for other SOEs in the region.

• Unfortunately, many SOEs are still far removed from good practice, much less best practice. The report identifies both areas of strength and areas of weakness where governance practices could improve. All SOEs will benefit from a governance improvement plan and a concerted governance improvement effort. The state itself will likely reap significant benefits in terms of the efficiency and effectiveness of its SOE oversight.

• Some SOEs have boards that are beginning to approach good practice. These are, however, comparatively rare. Board composition is generally weak, and board structures and practices are, with few exceptions, underdeveloped.

• Board member nominations processes are not designed to find the best people. Processes are generally informal, not transparent and subject to political influence. Boards do not generally have sufficient independent board members or independence of mind.

• In some cases financial reporting is comparable to world class practice. However, in most SOEs the control environment is compromised by the absence of a direct reporting relationship between the internal auditor and independent board members or an independent audit committee. Audit committees are either missing, or are constituted only to comply with formal requirements.

• Civil servant board members are stretched beyond what can be reasonably expected of them, leaving the state's capacity for oversight dangerously weak. Many boards are fiefdoms of ministries or political parties leaving SOEs vulnerable to political influence.

• The legal and institutional framework in all countries may need some reform. Specific areas are identified. However, the main focus needs to be on better implementation.

• Countries are taking action. Information on possible directions for improvement is provided.
A Chief Executive Officer (CEO) is the highest-ranking executive in charge of the total management of an organization. A CEO typically reports to a board of directors. In British English, synonyms for CEO are managing director (MD) and chief executive (CE). In Lithuania the position is usually referred to as Generalinis direktorius or general director (GD). Whatever the position is called, everyone agrees that the role of the CEO is important in the daily life of the enterprise.

A state-owned enterprise (SOE) is a legal entity created by a government to undertake commercial activities on behalf of the state. Its legal status varies from being a part of government to a stock company with the state as a shareholder. SOEs typically pursue commercial goals while at the same time pursuing some public policy objectives. SOEs in Lithuania are common in: energy; transport; forestry; strategic goods and services; politically sensitive businesses; broadcasting and others.

Given the importance of the CEO in the life of the corporation, the question arises how CEOs impact SOE performance. This question is important since Lithuania has 137 SOEs with assets of almost 9 billion Euros that touch all aspects of the economy.

Do the CEOs that are chosen have anything to do with the performance of Lithuanian SOEs? This report begins to shed some light on the question of whether Lithuanian CEOs have the right stuff.

Governments invariably respond that CEOs are indeed made of the right stuff. Unfortunately, public perceptions do not coincide with this view. According to a 2012 survey of 135 Lithuanians, only 17% felt that high level executives were competent to manage SOEs. Only 9% felt that SOEs operate effectively and efficiently, and only about 7% agreed with the proposition that boards, executives and staff are appointed for their competence. On the other hand, approximately 68% of respondents felt that SOE boards, executives and staff use the SOE for their own personal benefit, and only 9% of respondents felt that the government was capable of detecting irregularities.

These findings should be cause for concern. If public perceptions are correct, then the governance and management of Lithuanian SOEs can stand to improve. If public perceptions are wrong, then Lithuanian SOEs preside over a public relations failure. Neither explanation is satisfying.

This report seeks to shed some light on this issue and pose some additional questions that need to be answered:

- How well do CEO nomination practices stack up against international norms?
- Are CEOs selected for competence or political affiliation?
- Is the process by which CEOs are chosen effective in finding the best talent?
- Do CEOs have the right experience, skills and education?
- Is CEO tenure and turnover a problem?
- Are executive powers sometimes abused?

The report also makes observations regarding the quality of governance related disclosure. Much of the currently available information on CEOs is included in the appendices.