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The case of large listed companies in Norway

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JANICKE RASMUSSEN

## **Do Board Evaluation Measure Board Effectiveness?**

The Case of Large Listed Companies in Norway

**Abstract:** *The purpose of this study is to assess to what extent implemented board evaluation processes in Norwegian listed companies have contribute to the board's effectiveness. Board effectiveness has been measured by using three levels of accountability, namely, board performance, conformance to content, and conformance to context. Multiple case studies were performed in nine large listed companies using the board evaluation process as the unit of analysis. The characteristics of the implemented board evaluation process were compared and contrasted with the characteristics of the board evaluation process identified in the literature. From a value creation perspective, the implemented board evaluations appeared to represent value creation for the board members rather than measuring board effectiveness.*

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The increased demand and pressure on boards with regard to accountability issues has been evident in Codes for Practice of Corporate Governance, nationally and internationally (Minichilli, Gabrielsson, and Huse 2007). One recommended action is that boards should perform an evaluation of their work. Although board evaluations are viewed as a recent development, they have been part of the corporate governance discussion over the last two decades. Most prevailing European Codes developed for listed companies recommend that board evaluations are performed, including the Norwegian Code for Practice of Corporate Governance for listed companies in Norway (Norwegian Code), stating that “the board should evaluate its performance and expertise annually”(NUES 2012:34) . In a corporate governance context, an evaluation will enable the board to assess actual performance against a set standard, and if actual performance deviates from a set standard, corrective actions may be taken. Thus, board evaluations are viewed as important in terms of assessing the effectiveness of boards (Ingley and van der Walt 2002, 2005, Leblanc 2005, Leblanc and Schwartz 2007, Long 2006, Minichilli, Gabrielsson, and Huse 2007, Gabrielsson and Huse 2004, Kiel and Nicholson 2005). However, no research has been conducted to see if board evaluations actually measure board effectiveness.

In this article, accountability is used to conceptualize if board evaluations measure board effectiveness, applying general theories, board role theories and behavioral theories for creating accountability (Roberts, McNulty, and Stiles 2005). Accountability and value creation are treated as synonyms assuming that the purpose of any board is to contribute to value creation. Different levels of board effectiveness have been identified by applying the question of “value creation for whom?”

The Norwegian corporate governance system regarding boards of directors assumes a stakeholder approach to boards and governance (Ees, Gabrielsson, and Huse 2009), given corporate co-determination through corporate assemblies, employee elected directors, and regulations regarding gender balance in the board (Rasmussen and Huse 2011). The Norwegian Code uses a stakeholder approach in explaining the purpose of the Code, “ensuring the greatest possible value creation over time in the best interest of shareholders, employees and other stakeholders” (NUES 2012:6) , but is developed by investor and shareholder groups and assumed to have a strong investor perspective (Rasmussen and Huse 2011).

A unitary and balancing firm internal or firm external perspective on boards and value creation, as discussed in Huse and Gabrielsson (2012) and Huse (2007), was used to identify different levels of board effectiveness. The highest level -- board performance -- uses balancing and firm internal perspectives on boards and value creation, assuming board commitment should be to create value for the firm, a perspective which may be traced back to the resource dependency theory and the team production theory (Pfeffer and Salancik 1978, Blair and Stout 1999).

A lower level of board effectiveness, conformance to content, uses a unitary and firm external perspective on value creation--value creation for external stakeholders/owners -- (Huse and Gabrielsson 2012) identifying expectations regarding boards in the Norwegian Code. The lowest level, conformance to context, uses a unitary and firm internal perspective on value creation—value creation for boards. In this context; performing **any** board evaluation is considered to be a measure of board effectiveness. Given the lack of empirical research, the conceptual literature on board evaluation was used to identify characteristics of a board evaluation process that could measure board effectiveness. Through multiple case

studies in nine of the largest listed Norwegian companies in terms of market capitalization, and using the board evaluation process as the unit of analysis, it was possible to compare the implemented board evaluation process to the indicators of a board evaluation process measuring board effectiveness as identified in the literature.

The research shows that board evaluation in large Norwegian listed companies is performed to conform to context as a consequence of the recommendation in the Norwegian Code. Although evaluation to conform to context represents a certain level of board effectiveness, the data indicate that the implemented process is more likely to represent value creation for boards and board members, given that boards' performing evaluations are perceived as professional.

Although the research should be understood in a Norwegian context it should add to the literature on board effectiveness, using accountability as a construct. Additionally, the study should add to the literature on behavioral aspects of boards. Practically, the research may help boards in designing board evaluation processes that can measure board effectiveness, or it can be used in developing future Codes. The article starts by defining board evaluations and presenting the rationale for them. Then board evaluation as a mechanism to assess board effectiveness is presented, building on previous research on board effectiveness that identified the link between board effectiveness and accountability. Propositions are presented and explained through the existing literature on board evaluation processes, followed by a presentation of the methodology, before the findings are discussed and conclusions made. The article ends with a few suggestions for future research.

### **The European Code**

As early as 1994, The Blue Ribbon Commission published the report, "Performance Evaluation of CEOs, Boards and Directors, followed by the report, "Board evaluation: Improving Director effectiveness" in 2000 (Long 2006). Most European Codes recommend

that board evaluations are performed (Rasmussen 2008). Studies of listed companies in 13 European countries in 2009 show that, on average, 75 percent of boards conduct board evaluations. Studies in Norway confirm these findings, concluding that 73 percent of Norwegian listed companies perform board evaluations, but the level of transparency was extremely low (Rasmussen 2010).

### **Board evaluations: Definition and rationale**

Board evaluations are defined as evaluations where the boards as a whole, or the individual directors, are evaluated. They can be performed by the board itself or by someone on behalf of the board (Kiel and Nicholson 2005, Leblanc 2005, Minichilli, Gabrielsson, and Huse 2007). In a corporate governance context, board evaluation is about assessing boards' work. General theories and board role theories can explain what boards do, while behavioral theories may explain how boards work. From the perspective of board role theories and general theories, different tasks have been identified as important for boards to be engaged in. The different roles and tasks vary as a consequence of the focus these theories have on "value creation for whom". Agency theory (Jensen and Meckling 1976, Fama and Jensen 1983), focuses on various control tasks, applying a firm external perspective and ensuring value creation for external stakeholders/owners. Resource dependency theory (Pfeffer and Salancik 1978, Huse and Gabrielsson 2012), and team production theory (Blair and Stout 1999, Kaufman and Englander 2005, Gabrielsson, Huse, and Minichilli 2007, Huse and Gabrielsson 2012) use a firm internal and balancing perspective where boards are engaged in tasks related to providing service and knowledge to the company and creating value for the firm. Institutional theory, interlocking theory, and class hegemony theory explain the role and tasks of boards from a firm internal and unitary perspective, focusing on value creation for internal actors and business elites (Huse 2007). Given that boards perform various tasks, and that board evaluations are about aligning actual and expected task performance, a pluralistic view

on board tasks is applied. If the rationale for recommending board evaluation is based on their ability to measure board effectiveness (Levrau and Van den Berghe 2007) , the question is, what is board effectiveness and how can it be measured?

Much of previous research focuses on board composition and structure as input to board effectiveness, using financial indicators as proxy. The limitation of these studies is that they measure board effectiveness based on a board's form, not performance. Other researches use board processes to measure company performance, focusing on the role of the board in terms of tasks and purposes (Zahra and Pearce 1989, Forbes and Milliken 1999, Carpenter and Westphal 2001, Hillman and Dalziel 2003, Nicholson and Kiel 2004), arguing that, while board structure conditions board effectiveness, the behavioral dynamics of a boards, and the relationship between the board members determine board effectiveness (Roberts, McNulty, and Stiles 2005). The pluralistic approach in these studies is the same as here, arguing that this is important to fully comprehend board behavior.

Literature discussing board evaluation identifies the rationale for introducing board evaluation in terms of increased accountability, defined as “doing what you are supposed to do” (Huse 2007:35). It is argued that demand for increased accountability was initiated by shareholder activism (Minichilli, Gabrielsson, and Huse 2007, Long 2006, Van der Walt and Ingley 2001) , where shareholders demanded that boards demonstrate leadership and control (Kiel and Nicholson 2005). Others argue that, in general, external participants such as institutional investors, regulators and others, are the driving forces behind the introduction of board evaluation (Kiel and Nicholson 2005, Minichilli, Gabrielsson, and Huse 2007) .

The concept of accountability and value creation is often explained within the context of board role theories (Huse 2005), where Agency Theory (Fama and Jensen 1983, Jensen and Meckling 1976), Stewardship Theory (Davis, Schoorman, and Donaldson 1997, Stiles

and Taylor 2001), Stakeholder Theory (Freeman 1984), and Resource Dependency Theory (Pfeffer and Salancik 1978), have been used to explain the roles of boards and the tasks they perform. Within this context, board effectiveness is achieved if expected and actual task align. However, given the pluralistic approach adopted in this research, expected board performance has been identified through different perspectives on value creation and accountability (Huse 2005), identifying three levels of board effectiveness: board performance, conformance to content, and conformance to context, as illustrated in Figure 1.

Insert figure 1: Three levels of board effectiveness

Board performance uses balancing and firm internal perspectives on boards and value creation-- boards should do what is best for the firm-- balancing the expectations of all stakeholders. Conformance to content uses unitary and firm external perspective on value creation; boards should do what is best for owner, identified in the Norwegian Code regarding boards' work. Conformance to context uses a unitary, firm internal perspective on value creation, indicating that board evaluations are performed by the board because it is expected. However, this level of board effectiveness is identified based on the assumption that board evaluations do not have a negative effect on board effectiveness.

Applying this to the concept of board evaluation enables to link board accountability with board effectiveness by assuming that actual task performance can be compared to expected task performance to determine effectiveness (Huse 2007).

This is illustrated in Figure 2.

Insert figure 2 about here

Figure 2 shows that expected task performance is linked to actual task performance through board composition, structure, tasks and processes, all influencing actual task

performance. Board evaluation links actual and expected task performance and may be used to measure if the two align. Based on this, three propositions can be presented:

*Proposition 1: Board evaluations in Norwegian listed companies are conducted to assess board performance and are a measure of value creation for the firm*

*Proposition 2: Board evaluations in Norwegian listed companies are performed to conform to content, and are a measure of value creation for external stakeholders identified in the Norwegian Code*

*Proposition 3: Board evaluations in Norwegian listed companies are performed to conform to context, and are a measure of value creation for the board.*

Given the lack of empirical research, the conceptual literature on board evaluation was used to build a framework for collecting and analyzing data, and through this the elements of a board evaluation process were identified (Rasmussen 2010). They are presented in Figure 3.

Insert figure 3 about here.

### **Factors influencing the decision to conduct a board evaluation**

The main focus in the literature is on the benefit of board evaluations, arguing that board evaluations can clarify individual and collective roles and responsibilities (Graf 2007, Conger, Finegold, and Lawler 1998, Leblanc 2005, Kazanjian 2000, Julien and Rieger 2003), improve relationships between board and management (Conger, Finegold, and Lawler 1998), improve decision-making, enhance communication and operation, and improve leadership and teamwork (Long 2006). The literature focuses less on rationale for initiating board evaluation. Cadbury addresses the moral issue of conducting board evaluations “to maintain their

competitive edge and to meet the expectations of investors” (Cadbury 2002:44), while Huse and Gabrielsson (2012) identify the rationale related to value creation and transparency, arguing that board evaluations may “help aligning board task expectations and board task performance, and, in a transparency context, develop trusting relations between the board and important actors” (Huse and Gabrielsson 2012:245)

Although it is not possible to say that board evaluations implemented as a consequence of recommendation cannot assess board performance, it is possible to assume that, as a consequence of the recommendation in the Norwegian Code, board evaluations are performed to meet the expectations of certain actors. Further, if the frequency of board evaluations aligns with what is recommended by the Norwegian Code, this indicates that board evaluations are performed to conform to context or content.

#### *Conducting the board evaluation*

To the extent purpose is discussed, it is related to the importance of setting a purpose, enabling the board to decide on objectives against which the board can be measured (Conger, Finegold, and Lawler 1998, Conger 2002, Huse and Gabrielsson 2012) . Deciding on a purpose is important in order to identify relevant expectations, but also in terms of developing a process that will contribute to the purpose being achieved, conditioning who should be in charge of the process, the content, methods, and how to report on the results (Minichilli, Gabrielsson, and Huse 2007, Kiel and Nicholson 2005). Minichilli et al (2007) categorize purposes as external if they are meant to satisfy external requirements such as the Codes, and internal if they relate to changing the conduct and behavior of the board in performing its work. Based on this categorization, some indicators of a board evaluation process that enable board effectiveness to be measured can be identified. If no purpose has been established or expectations identified, the possibility to compare actual to expected performance is eliminated, indicating that board evaluation is performed to conform to

context; If the identified purpose and expectations satisfy external requirements, this indicates that board evaluation is performed to conform to content; If the identified purpose and expectations satisfy all important stakeholders, this indicates that board evaluations are performed to assess board performance.

### **Object of the board evaluation**

The rationale behind evaluation of the board collectively is that it is the board as a group that will have the greatest possibility to influence board effectiveness (Cadbury 2002). Research on team effectiveness supports this argument (Conger 2002). The literature discussing evaluation of individual directors agrees that board effectiveness cannot be addressed thoroughly without evaluating individual board members (Hoffman 2003, Conger 2002, Leblanc 2009, Kiel and Nicholson 2005, Leblanc 2005). The Norwegian Code recommends that board evaluations should include boards collectively, as well as individual directors (NUES 2012). Evaluation where boards collectively and individually are the object indicates that evaluation is performed to conform to the content or to assess board performance. If the object of the board evaluation is the board collectively, this indicates that board evaluations are performed to conform to context.

### **Content of the board evaluation**

Kiel and Nicholson (2005) and Minichilli et al (2007) stress the importance of content, addressing the core issues of the board evaluation, the identified purpose. Most literature addressing content discusses it without discussing the purpose, although the importance of having something to compare actual board performance against is stressed (Shultz 2009). Some literature suggests the use of existing frameworks when deciding on the content of the board evaluation, such as best practice as represented by the different Codes, guidelines developed by specific companies (Ingley and van der Walt 2002), balanced scorecards or

guidelines developed by specific professional bodies (Leblanc 2005, Kiel and Nicholson 2005).

Huse and Gabrielsson suggest that the content should be developed as a consequence of the purpose and within a value creation context, using different dimensions on board effectiveness, such as: “board tasks, board member and composition, board room culture, board- CEO relationship, board leadership,” etc. (Huse and Gabrielsson 2012:246). This suggestion may indicate to the following indications of board effectiveness: If the content of the board evaluation has been developed as a consequence of the purpose, board evaluation is performed to assess board performance, or to conform to content. If no link exists between purpose and content, evaluations are performed to conform to context.

### **The evaluator**

The general view in the literature is that the choice of evaluator should be based on criteria identified as important for objectivity (Garratt 1997, Kazanjian 2000, Steinberg 2000, Shultz 2009). Others argue that more subjective criteria should be used when deciding on the evaluator, such as the company’s need for transparency and accountability (Kiel and Nicholson 2005, Minichilli, Gabrielsson, and Huse 2007). If a clear purpose of the board evaluation exists, the use of an external evaluator might indicate that objectivity is important, suggesting that board evaluations are performed to assess board performance or conform to content. If no clear purpose exists, the use of an external evaluator indicates evaluation is performed to conform to content or context. The combination of internal evaluator and no clear purpose indicates that evaluations are performed to conform to context.

### **Modality of the board evaluation**

Modality means either how evaluations are performed or methods used. Evaluations can take the form of self-evaluations, peer-evaluations, or evaluation by management, all characterized as internal approaches. Evaluation can be performed by externals, such as the Nomination

Committee, the share market, or other stakeholders (Huse, Minichilli, and Schønning 2005, Kiel and Nicholson 2005, Stein and Hewett 2008, Conger 2002, Sroufe and Naficy 2005, Hoffman 2003, Graf 2007, Nadler, Behan, and Nadler 2006, Montgomery and Kaufman 2003). It is argued that the use of internal approaches is useful when boards want to assess board processes, given issues like confidentiality (Minichilli et al 2007). Thus, an internal approach would indicate assessment of board performance, and an external approach conformance to content or context.

Available methods of board's performance assessment are surveys, interviews, document analysis and participant observation. Minichilli (2007) argues that interviews and participant observations are useful if one wants to investigate board processes, indicating that these methods are linked to assessment of board performance. The literature identifies survey as the most common method, offering several advantages with the method, such as possibility for comparing results between individuals from year to year, for benchmarking and for comparison against codes for practice (Minichilli, Gabrielsson, and Huse 2007, Kiel and Nicholson 2005, Shultz 2009), thus assuming this method may be linked to all levels of assessment. In order to conclude on level of effectiveness, modality must be viewed together with other elements of board evaluations process.

### **Follow-up**

Although there are some comments in the literature regarding the importance of results being materialized into an action plan (Sroufe and Naficy 2005, Leblanc 2009, Stein and Hewett 2008), they are not specific about the content of this action plan, and who should be responsible for it. Leblanc (2005) argues that any follow-up should be an integrated part of a development program for the board, its committees and individual directors. Based on this, follow-up procedures should be identified if evaluations are performed to assess board performance or conform to content, assuming gaps between expected and actual performance

exist. No follow-up procedure indicates that board evaluations are performed to conform to context.

### **Methods**

The pluralistic approach adopted in the research is based on its ability to provide explanation about board evaluations as a mechanism to assess board effectiveness. The main method is multiple case studies of nine large listed companies in Norway. The decision to use multiple-case studies was based on the ability they give to gain a rich understanding of the context of the research and processes that are being enacted and the possibility they give to compare and generalize (Morris and Wood 1991). The fact that boards are deviant, in terms of size, experience, background and the tasks they perform, adds to the possibility to generalize. The board evaluation process is the unit of analysis, and primary data were collected through interviews, using a standardized open-ended questionnaire to interview on average three board members in each company.

A non-probability sampling method was chosen; using the twenty one largest listed Norwegian companies based on market capitalization as of December 31st 2007 as sampling frame. The decision was based on the assumption that larger companies have greater motivation than smaller companies to comply with the Norwegian Code, given dispersed ownership, higher liquidity in the share, and greater attention by financial analysts. As indicated in the annual report of these companies, sixteen had performed a board evaluation in 2007. Letters were sent to the Chairpersons, and nine companies responded positively. Table 1 presents the sample in terms of number and market value compared to total number and market value of listed companies in Norway.

Insert table 1 *here*

The choice to use standardized open-ended questionnaires was made based on the advantage it represents when performing analysis (Patton 2002:346), but also because it was considered important to increase the focus of the interviews, using the time as efficiently as possible. The choice of interviewees was influenced by certain characteristics of the Norwegian system of influencing composition of boards. In companies with more than 200 employees, the employees have the right to elect 1/3 of the board members. According to prevailing regulations for Norwegian listed companies (The Public Company Act), both women and men should be represented on boards in listed companies, each with at least 40% (§ 6-11a). Based on this information several categories of board members were selected to be included in the sample. The Chairperson was selected for her/his overall responsibility for board task performance. The employee-elected board member was selected based on the fact that he/she is not elected by the general meeting. Given the requirement of 40 % gender representation, one woman in each board was selected (these interviewees also met the conditions of independent board members identified in the Norwegian Code). Interviewing different categories enabled analysis at individual board member level, analysis per company, and analysis across companies as illustrated in table 2. However, in this research, the lowest level of analysis is company level.

*Insert table 2 about here*

Differences in perceptions among the interviewees regarding the evaluation process were identified, enabling gap analysis to be performed and to introduce possible reasons why these gaps exist. From this, an actual model of board evaluation at company level was identified. Given that evaluation processes were similar across companies, an aggregated model of the board evaluation process in Norwegian listed companies could be identified.

Characteristics of this model were compared with the characteristics of the board evaluation process identified in the literature, making it possible to assess if board evaluation in large Norwegian listed companies measures board effectiveness.

## **Results**

### ***Factors influencing the decision to perform board evaluations.***

Based on analysis, all companies implemented board evaluation as a consequence of the recommendation in the Norwegian Code, as expressed by one of the chairpersons:

*“It’s primarily to follow the recommendations, and it has given some useless information and also some things that, of course, I think are... ok” (Chairperson, or CP).*

### ***Purpose of the evaluation***

The analyses show that no clear purpose of the board evaluation is decided. Between two and four different purposes were identified within each board. Many chairpersons indicate “development” or “improvement” as the purpose, without giving any explanation as to which area(s) of the board’s work this refers to, or how expected performance was identified:

*“I would say it more generally that it’s quite simply a chance to evaluate and improve our efforts” (CP).*

This conclusion is further strengthened by the fact that all but one board member stated that no discussions regarding purpose had been undertaken:

*“We received the questionnaire by mail, and there was no further communication than that” (Employee-Elected Board Member, or EEBM).*

Directors perceive board evaluations as serving several purposes, where benchmarking was identified as an important additional purpose to development. Several interviewees

indicated that the expected level of performance is related to what other boards do as indicated by the following quote:

*“No, we are not there, not with goals and such. We like to see where we are, compared to others” (CP)*

### **Object of the evaluation**

The object of all of the implemented board evaluations was the collective board. None of the boards conducted an individual evaluation, nor did they evaluate sub-committees.

### **Content of the board evaluation**

All interviewees perceive the content to be more comprehensive than what one would expect given the perceived purpose, indicating that the content of the board evaluation has been developed separately from the purpose. If there is a link between purpose and content of the board evaluation, it is too unclear for the board members to identify as indicated by the following statement:

*“.....you have so terribly many questions, and that makes for a rather unfocused evaluation” (Independent Board Member or BM, all women directors).*

This conclusion is supported by the fact that board members are unaware of how the content was developed:

*“I’m sure we took it from another company, or we usually do it by people from different boards bringing what they have and then we mix it all together” (CP).*

### **The evaluator**

An external evaluator was chosen by 33 percent of the companies. The choice of evaluator is not linked to the possibility it gives for objectivity or to design a system which fits the purpose, as identified through the following statements:.

*“So in this company we have chosen to do this on a more primitive basis and by ourselves. (CP)*

*“I don’t think we have used an external consultant, and I believe the board functions so well, have such confidence in each other, so we don’t need any help to achieve this.” (IBM)*

*“It was the Chairperson who introduced a model that he had tested in other boards, and that he thought worked well” (EEBM).*

However, 47.5 percent of board members not currently using external evaluators would prefer this, indicating that an external evaluator is closely related to external accountability issues.

### **Modality used in the evaluation**

The main method used is a quantitative survey where the individual board members evaluate the board collectively by giving scores (Between 1-5) to given statements regarding the board’s work. Although a quantitative approach is used, board members within the same board disagree on what score constitutes expected performance:

*“It all depends on what you measure” (IBM1).*

*“(What is goal achievement?) 3 and 4 if you are satisfied. 5 is very good” (IBM2).*

### **Follow-up**

The studied boards have not implemented any procedure for follow-up of the results, as indicated by these quotes:

*“After it has been presented at the board meeting, I can’t recall that we have done anything special with it. .... There haven’t been any flashing red lights, so there has been no need to spend any resources on this” (EEBM).*

*“There have been some years where we have been so satisfied that there wasn’t much to follow up... (CP).*

## **Discussion**

Based on analysis, certain characteristics of the board evaluation process in Norwegian listed companies can be identified and used as indicators of level of board effectiveness. All companies conducted board evaluations once a year as recommended in the Norwegian Code, indicating that board evaluations are performed to conform to content or context.

Little effort has been made in designing a board evaluation process with a clear purpose and a system which might fit the purpose. Board evaluation is designed based on a wish to implement a simple, short, and inexpensive process. Given that the clearest purpose was benchmarking, this indicates that evaluations are performed to conform to context.

The object of the evaluation is the board collectively. As indicated in the literature review, board effectiveness cannot be addressed thoroughly without also evaluating individual directors (Conger 2002). The Norwegian Code also recommends that boards should evaluate performance and composition of boards collectively and of individual directors (NUES 2012). Given that boards only evaluate the board collectively, this indicates that board evaluations are performed to conform to context.

Choices regarding evaluator, content and method are made separately from the purpose and are influenced by other factors than objectivity. As indicated in the literature, it is important that there is a link between what the board evaluation is actually assessing and what it should assess in an objective, focused, fast and actionable way. The main focus in the analysis was to establish to what extent interviewees perceived content aligned with their perceived purpose in order to find indications that could support that a link existed. However, based on the fact

that no clear purpose is identified (other than benchmarking), no link between purpose and content exists, indicating that board evaluations are performed to conform to context.

It appears that, although the choice regarding methods is related to the ability to measure expected board performance, the level of expected performance has not been identified other than as benchmarking against other boards. Based on this, indications suggest that board evaluations are performed to conform to context.

Analyses show that no follow-up procedures have been implemented, indicating that board evaluations are performed to conform to context.

Table 3 below summarizes the findings:

*Insert table 3 Summary of findings about here*

Strong indications have been identified to suggest that board evaluations in Norwegian large listed companies are performed to conform to context. Not one indication has been shown that board evaluations measure board performance, and there are weak indications to suggest that board evaluations are performed to conform to content. This conclusion is supported by the following quote:

*We feel we have an obligation to do that, because it is stated in the recommendation and if we don't do it, we must come up with a good explanation as to why not, God knows what that explanation would look like" (CP).*

Resource dependency theory (Stiles and Taylor 2001), and Institutional theory (Meyer and Rowan 1977) can offer some explanation regarding the implemented board evaluation process in Norwegian large listed companies. Boards perform board evaluations because there is external pressure to do this. By seeking links with its environment, the board tries to regulate interdependence in terms of reducing uncertainty and transaction costs associated

with this dependency. The choice not to conduct the board evaluation might create such an uncertainty, as indicated by the above comment from the chairperson. However, the implemented board evaluation process may be characterized as a process where designing a process is the goal, which is performed to conform to context. Analyses show that board members have little knowledge about the rationale behind the developed board evaluation process, and little possibility to influence it. Regardless, they are very satisfied with the implemented process, indicating that board evaluations might represent value creation for boards. Future studies should explore this concept through investigation into the approaches individual board members have towards board evaluation. The relative level of board effectiveness identified in this research might be explored further by comparing boards that do not perform evaluations with board that do.

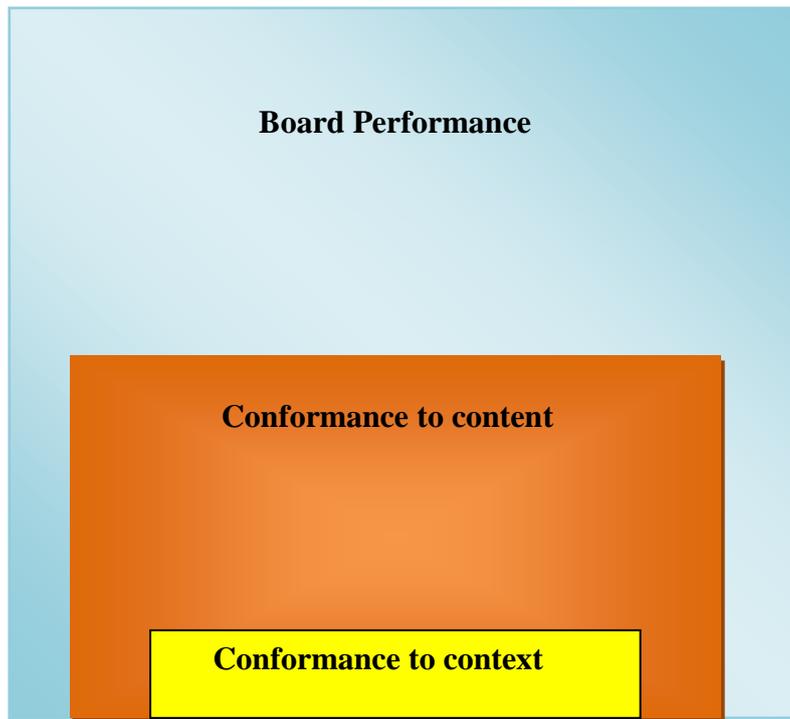
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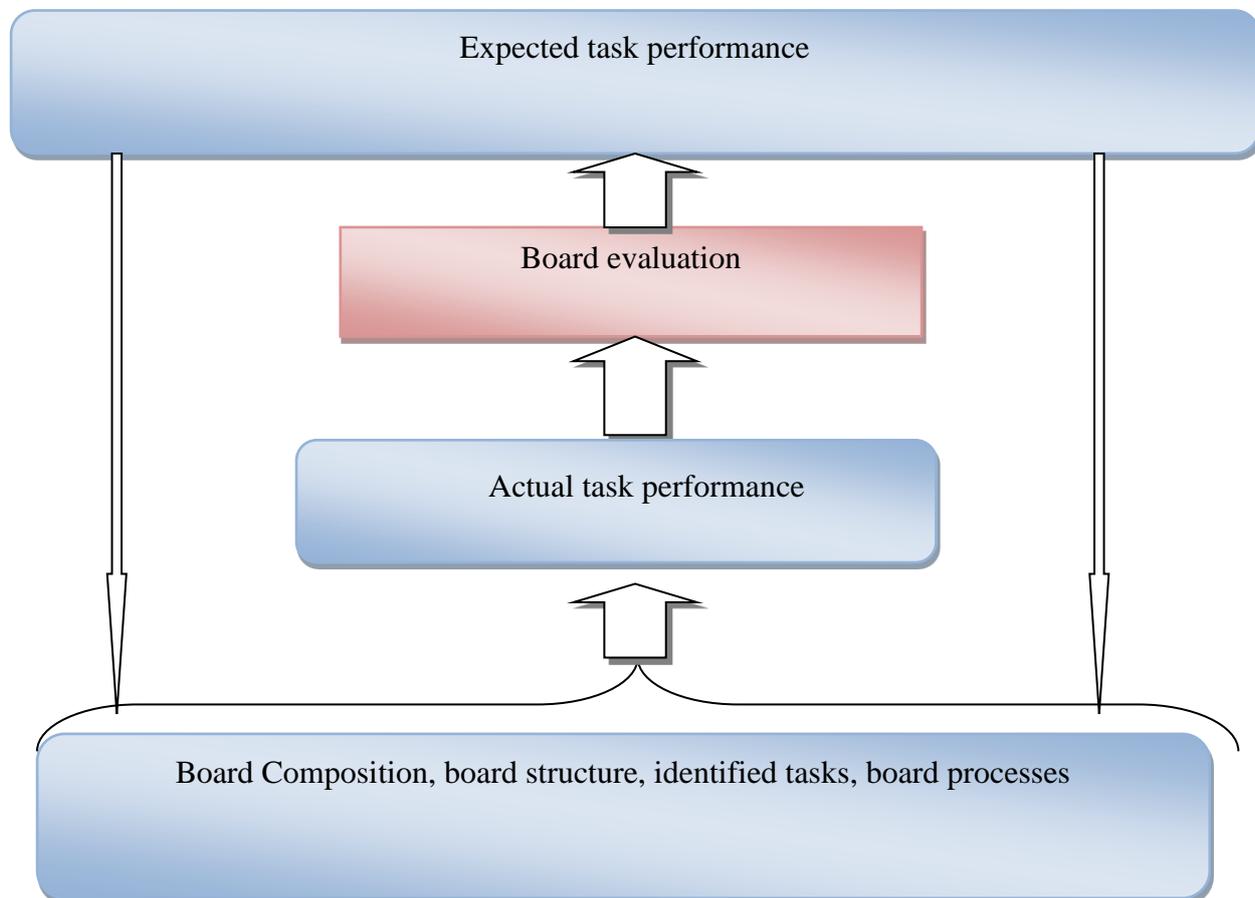
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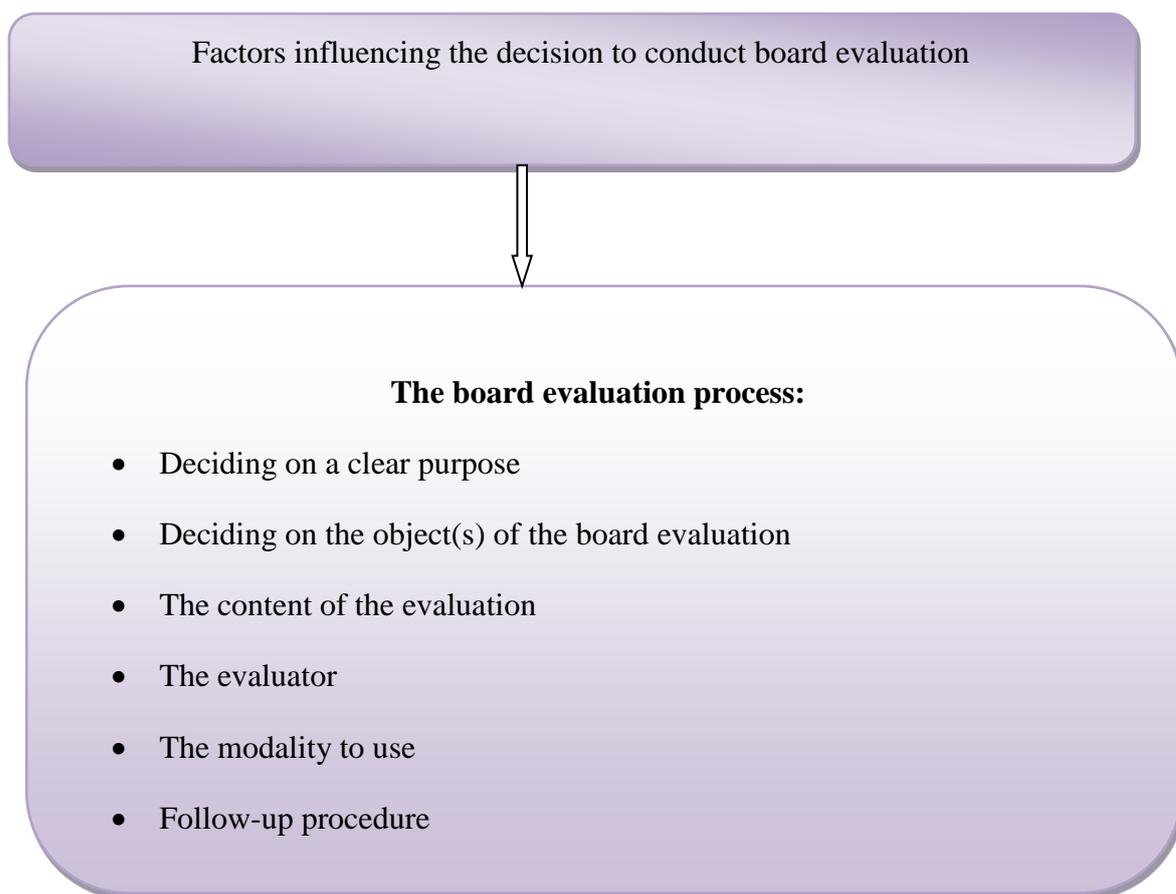
*Figure 1: Three levels of accountability*



*Figure 2: Board evaluation as a mechanism to assess board effectiveness*



**Figure 3: Elements of a board evaluation process**



**Table 1. Comparison sampled companies to listed companies Oslo Stock exchange**

	No of companies	% Total number of companies Oslo Stock Exchange	Market value (NOK)	Market value total (NOK)	% of total market value
<b>Sampling frame</b>	21	10 %	1 439 203 617	1 927 208 513	74,7 %
<b>Contributing</b>	9	4.3 %	1 269 116 328	1 927 208 513	65,1 %

**Table 2. Overview of analysis performed**

Analysis at company level	Company									
	Input	S1	S2	S3	S4	S5	S6	S7	S8	S9
	Chairperson	X	X	X	X		X	X	X	X
	Independent board member	X	X	X	XX	X	X	X	X	X
	Employee-elected board member	X	X	X	X	X	X		X	X
	Evaluation Form	X	X	X		X	X	X	X	X
Analysis across companies										

**Table 3 Summary of findings**

Level of board effectiveness Elements of board evaluation process	Board performance	Conforming to content	Conforming to context
Factors influencing the decision to conduct a board evaluation		X	X
Deciding on purpose			X
Object of the evaluation			X
Content of the evaluation			X
The evaluator		X	X
The modality used			X
Follow-up			X