

## **The board: A change agent?**

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## **The Board: A Change Agent?**

### **Abstract**

**Purpose** – The purpose of this paper is to provide insight into why shareholders often claim dissatisfaction with the results delivered by their boards. A central reason is that boards fail to get their critical decisions effectively implemented. The paper also focuses on whether boards apply essentials developed in the change management discipline.

**Design /methodology/approach** – The research is based on a study of board documents to capture what boards actually do. The documents were compiled from two Norwegian companies during the 1993–2005 period. A content analysis was the analytic tool.

**Findings** – The research indicates that boards apply rational and deterministic approaches to implement critical decisions. It also reveals that boards tend to overlook essentials from the change management discipline. The paper identifies the potential for improved board effectiveness in implementing critical decisions.

**Research limitations/implication** – The main limitation of this research is that several observations may threaten the generalizability of the findings. However, the limitations may provide opportunities for further research.

**Practical implications** – Boards should motivate the chief executive officer and top management to apply a change management perspective in implementing critical decisions. To do so, board members must understand the critical decisions and ask appropriate questions.

**Originality/value** – The main value of this paper pertains to the contribution regarding why shareholders claim dissatisfaction with board-delivered results.

**Key Words** - Implementation, Critical decisions, Change agent, Organizational changes, and Effectiveness

**Paper type** - Research paper

## **Introduction**

A common observation in the literature is that shareholders claim dissatisfaction with the results delivered by boards (Cadbury, 1997; Huse and Schønning, 2005; Stiles and Taylor, 2002; Useem, 2003). One reason boards fail to deliver the expected results is that their critical decision tend to be wrong (Useem, 2003), another is that they fail to get their decisions effectively implemented. This article addresses the role of boards in implementing their critical decisions.

Several board models exist (Huse, 1998; Sundby, 2004). The actual board model influences the role of boards in making and implementing critical decisions. This research is based on Norwegian boards and thus focuses primarily on the Norwegian board model that is defined by the Norwegian Company Law. The law specifies two organizational levels, namely the board and the chief executive officer (CEO). The board is accountable for administration, control of the company, and that the company is suitable organized. The board is legally the highest authority in the company and thus is accountable for ensuring that critical decisions are made and effectively implemented (Andersen *et al* 1997; Monks and Minow, 2004; Stiles and Taylor, 2002; Sundby, 2004). The board appoints the CEO, who in turn is accountable for the daily operations of the company and reports to the board (Andersen *et al.*, 1997; Huse, 1998; Sundaramurthy and Lewis, 2003). Furthermore, the board must cooperate with the CEO in the administration of the company while controlling the CEO's

performance to ensure that the organization works effectively (Sundaramurthy and Lewis, 2003; Sundby, 2004). These responsibilities imply some overlapping duties between the board and the CEO, and a dualistic role for the board towards the CEO. Such a dual role requires trust and good relations between the parties to work effectively (Huse 1998, Sundaramurthy & Lewis, 2003). However, relationships between the parties that are too close could create a situation in which the board does not feel comfortable making decisions that are in the best interests of the company. Thus, too close relationship could harm the integrity of the board (Kolltveit and Reve, 2002).

In addition to the Company Law, company specific documents (e.g. board instruction, articles of associations, shareholders agreement, company ethics) also influence the role of Norwegian boards. The division of accountability, the overlapping duties, and the need for trust between the parties create a situation in which active board participation in the implementation of major critical decisions could change the balance of roles and thereby negatively affect the organizational effectiveness. This indicates that the Norwegian board model is sensitive to the freedom of boards to become actively involved in the implementation of critical decisions. A critical aspect is that major decisions usually involve change.

To ensure effective decisions making, boards have four possible options. First, boards can delegate both decision making and implementation to the CEO and the top management. Second, they can make the decisions and delegate the implementation to the CEO and management. Third, they can make the decisions and take an active role in the implementation of the decisions. Fourth, they can make the decisions and

actively stimulate and motivate the CEO and management to lead the change processes required by effective implementation.

The first option is a passive board approach, in which the board in reality abdicates its accountability (Stiles and Taylor 2002, p. 19).

The second option is based on the assumption that the formal power of the board are binding for the CEO and the rest of the organization, implying that a board decision will be accepted by the organization's members and effectively implemented (Bolman and Deal 1996:169; Stiles and Taylor 2002). However, this option may easily lead to the consequence that vital organizational processes are overlooked or ignored (e.g. because of resistance to change and the need for user involvement). Furthermore, the employees may perceive the board as passive and abdicating from its accountability. If so, the desired changes will fizzle out or take another direction even if the board decision is highly relevant (Mohrman & Mohrman, 1997).

Boards that select the third option, the executive board approach, may harm their relationships with the CEO and change the balance of the roles underlying the Norwegian board model. This may create frustration on the part of management and have a negative impact on organizational effectiveness (Huse, 1998; Sundaramurthy and Lewis, 2003; Sundby, 2004).

The fourth option implies that the board makes the critical decisions and actively stimulates the CEO and the rest of the management team to lead the implementation, including the required change processes. This option, which we consider the most

viable for the Norwegian board model, requires a change management perspective and a change agent role for the board in implementation (Sundaramurthy and Lewis, 2003). These four decision-making options provide background for the following research question:

*R1. How active are Norwegian boards as change agents in the implementation of critical decisions?*

The remaining part of this article is organized as follows: In the next three sections, we clarify our definition of the central concepts that is, change agent, the role of boards, implementation, and critical decisions. We do so to clarify the conceptual basis underlying the research. Then, we explain the research methodology and report our data collection and analyses. The last section draws conclusions and highlights implications.

## **Central concepts and theoretical assumptions**

### **Change agent**

Prior research has used the term “change agent” in many ways, but no globally accepted definition currently exists. Huse (1980) uses the terms “change agent” and “organizational developer” as synonyms and argues that “the person appears to be able to develop integrative solutions that bring together and reconcile viewpoints between opposing organizational groups”. Developing integrative solutions and reconciling viewpoints between opposing groups require understanding, acceptance, and leadership of change processes. Nutt (1986) states that “change agents were manager-sponsors who took control of planned change processes”. This definition

underscores the importance of leading the change processes. Tosi *et al.* (1994) claim that “change agents seek to enhance the capacity and motivation of the involved to learn, improve, and change through their own efforts in the future”. They emphasize development through human growth and improvement. This definition implies that the change agents attempt to achieve the intended changes by motivating the involved parties to learn and improve the situation through their own efforts. Greenberg and Baron (1997) argue that change agents are “people who get results when they are needed most. Such persons seem to combine proactive attitudes, the belief that things can get better with the ability to motivate others”. This definition emphasizes that the change agent must motivate the involved parties and show leadership of change processes to achieve the expected results and goals. Bridges (2003) argues that a change agent is “a person who knows how to enter an organization, often from outside, and change things”. This definition emphasizes that change agents must understand what is required in terms of timing, urgency, change processes, and the ability to lead these processes.

These aforementioned quotes support the contention that no globally accepted definition of change agent exists. Nevertheless, we find the following definition suitable for use in this research: “Change agents seek to enhance the capacity and motivation of the involved to learn, improve, and change through their own efforts in the future” (Tosi *et al.*, 1994).

## **The roles of boards**



A role reflects the party's expectations to the attitudes of a person in a position as well as the expectation this person has to her- or himself. This means that a board's role should mirror the expectations to the board.

The most effective board role depends on the actual situation, implying that an effective board should be able to have more than one role (Stiles and Taylor, 2002). Stiles and Taylor (2002) find that five theoretical perspectives have been applied in discussions of board roles: the agency, stewardship, resource dependence, class hegemony, and the managerial hegemony perspective. Grandori (2004, p. 1) claims that the agency perspective is the dominant view, implying that the principal delegates work for the benefit of the agent. Furthermore, a board is legally required to act in the interest of the shareholders but must delegate the execution of work to the CEO (Cadbury, 1992, Stiles and Taylor, 2002). However, criticism has been voiced against the agency perspective because it may lead to ambiguities related to the roles of boards, such as whose interests the boards should represent and which means are available for the execution of the boards' formal power (Grandori, 2004; Mintzberg, 1983). Implicitly, the law provides for every means, including the right to make or override every decision in the organization. However, a board cannot continually supervise its management. That is, boards can only manage to make or control some of the decisions and should give priority to the critical decisions (Scott, 2003). This means that "even a board that is intent on control" has to select a CEO, in most cases one that shares the board's general views, and delegate the management of the organization to him or her (Mintzberg 1983:69). Boards may, however, reserve the right to make or control decisions, and sometimes overrule management decisions (ibid). This can have several positive effects, including keeping the management alert

and preventing the perception that the board is passive and trying to abdicate accountability (Stiles and Taylor, 2002). These aspects could be important because, according to Mace (1971, pp. 187-188), board members do not ask “discerning questions”, and that for most board meetings the minutes could have been written in advance.

The above observations reveal that different views prevail. Thus, Stiles & Taylor (2002:10) claim that little consensus exists “on what boards of directors are actually supposed to do”. There are, however, some similarities in the authors’ views on board roles, i.e. control, appointing and removing CEO, and external communication. In addition, there is an ongoing worldwide process of improving corporate governance by developing codes of good governance, that is norms for the composition and roles of the board (Cadbury, 1997; Cuervo-Cazurra and Aguilera, 2004; Monks, and Minow 2004). This development process began in the United States during the late 1970s as a response to the development of corporate criminal behaviour. The process has subsequently expanded to most developed countries, in particular after the well-known “Cadbury Report” was issued in 1992 (Cuervo-Cazurra and Aguilera, 2004). Cuervo-Cazurra and Aguilera (2004) claim that though the codes for good corporate governance vary from country to country, they are all based on the same two principles: (1) norms for adequate disclosure and (2) norms for appropriate control in the governance structure. Although the codes are voluntary, companies tend to adopt them (Cadbury, 2002 Cuervo-Cazurra and Aguilera, 2005; Monks and Minow, 2004). The recommendations for good governance in Norway were issued at the end of 2004 (Ask *et al.*, 2004). There is, however, some criticism against the Norwegian recommendations because they focus primarily on companies listed on the Oslo Stock

Exchange. Still, the process may lead to consensus about what should be expected from Norwegian boards.

### **Implementation**

Several views and perspectives exist on implementation. For example, Baier *et al.* (1986) state that “IS systems are implemented when the programmes are adopted,” and Nutt (1986) concludes that systems are implemented when “changes are installed”. Wooldridge (1992) takes this further by claiming that new systems are implemented when “organisation acts on new priorities”. Gottschalk (1999) defines implementation as “the process of completing the projects for application of information technology to assist an organisation in realising its goals”. Gray and Larson (2003) focus on the implementation gap, which they define as “the lack of consensus between the goals set by the top management and those independently set by lower levels of management”. They argue that this lack of consensus leads to confusion and poor allocation of organizational resources. Olson (2001, p. 214) supports this point by stating, “User *acceptance* and knowledge acquirement are important elements of implementation”. For this research we find the definition of Wooldridge (1992) “new systems are implemented when organisation acts on new priorities” most suitable.

### **The change management perspective**

Change management (CM) is a discipline that specifically addresses organizational change situations similar to those that occur when implementing critical decisions. The idea behind the CM perspective is to treat change as a normal organizational element (Tsoukas and Chia, 2002) and to show that planned changes are required

when continuous change fails (Beer and Walton, 1987; Weick and Quinn, 1999). According to Mohrmans and Mohrmans's (1997) findings and a framework inspired by Bechard and Harris (1987) Lewin (1947), it seems reasonable to conclude that in order to achieve the intended situation, the organization has to change in a way that corresponds with the purpose of making the decision. Such changes are fundamental in the implementation of critical decisions and cannot be achieved by only introducing new management ideas, redrawing the structural map, or introducing new technologies. Rather, they require acceptance, understanding and learning of what is needed to perform as intended in the new situation. Such changes are challenging tasks, requiring processes that must be led. Communication, training and participation are vital element of such processes (Eccles, 1994).

The purpose of applying a change management perspective on implementation is to transform the idea of a new organizational reality into collective actions. This task can be as transforming the "discursive" consciousness and competence about the future into practical and collective actions, in which situations are understood in new ways and other priorities are made (Giddens, 1984), which also requiring new patterns of cooperation and communication supported by the new and/or changed systems. Thus, we propose that the CM perspective on implementation is the only suitable one for the Norwegian board model and is the basis for this research.

### **Critical decisions**

According to Scott (2003), critical decisions are those that result in structural changes. Such decisions will result over time in the development of a specific structure of the organization. This definition of critical decisions corresponds to some extent with

Mintzberg's (1979) definition of strategic decisions, in which strategic decisions are "significant in their impact on the organization" (e.g. the selection of customers, the market to serve, the nature and timing of formalization of the structures). In addition, Mintzberg uses the term "administrative decisions" to refer to decisions that are "coordinative and exceptional" (e.g. budgeting, selection of the CEO, the decision to implement a new Enterprise Resource Planning system). Thus, the term critical decisions comprise both strategic and important administrative decisions.

## **Research methodology**

Our initial research question can be investigated in various ways, for example, by observing board meetings, interviewing board members, or studying board documents. Here, we chose the last approach. The advantage of reviewing board documents is that they represent unobtrusive data to capture what boards actually do (Nachmias and Nachmias, 1981; Stiles and Taylor, 2002).

Here we compiled documents from two Norwegian companies capturing three strategic decisions in detail. Each decision encompasses multiple observations and activities. The choice of a limited number of companies and decisions is based on the need for detailed mapping to capture the real impact of the boards. Also, the actual research approach is very labour-intensive, and access to such data are more than limited. With the chosen approach one cannot talk about representativeness in a traditional sense. However, detailed mapping of a limited number can yield important insights with regard to characteristics of the board's roles and what they emphasize. Past research has demonstrated important insight allowing for interpretation and theorizing. One example is the classical contribution "Observation of a Business Decision" based on one case, a longitudinal study of the implementation of a computer – which also is one of the central inputs to Simon's famous theory (Cyert, Simon,

and Trow 1956). Another example is Dill's famous article "Environment as an influence on Managerial Anatomy" (Dill 1958). This article, based on the study of two firms, is a central input to contingency theory in organization science as well as to the classical book "Organizations in action" (J.D. Thompson 1967).

With few exceptions, the present database contains all the documents that the board members received during this period, such as agendas, minutes of meetings, decision proposals, analyses, critical documents, planning and monitoring documents, and letters.

The first author was a board member of the two Norwegian companies during the defined period. Thus, the objectivity of this research might be questioned. However, the acquired insight as a board member might allow for a more correct interpretation of the written messages. In addition, two professors and professional researchers actively participated in the interpretation of the gathered data.

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A content analysis was applied to examine the board documents. This approach requires development of specific categories for registration of observations that can be used to enlighten the research question. Developing the categories is a key activity in content analysis (Straus and Corbin, 1998).

### **Development of categories**

In this section, we report the essentials from the CM literature underlying the categories.

The first observations, reported by Mohrmans and Mohrmans (1997) and a framework inspired by Bechard and Harris (1987), state that “to achieve the intended situation, the organization has to change in a way that corresponds with the purpose of launching a critical decision”. This implies that the right change processes must be applied. In addition it was observed that key stakeholders must clarify the advantages expected to be achieved and which changes that are required at an early stage of the implementation (Carnall, 1995). In addition, people need time to undergo major change because it requires that the involved parties collectively think and act differently. Thus, management must spend time with people in a change situation and listen to their views. To do so, they need to clarify what the desired change is. Thus, the desired change should be defined as soon as possible after the critical decision is taken. These observations became the basis for developing the following categories for registration of observations: (1) formulation of the decision and (2) clarification of the desired change.

The next three observations are, according to the authors, preconditions for the desired change to take place. Anell and Wilson (2000) claim that the ability of top management to predict the need for and implementation of the desired changes is one precondition. Kotter (1996) argues that to establish a sense of urgency is another. The third is to communicate a compelling reason for the critical decision (Beer *et al.*, 1990; Eisenstat and Spector, 1990; Mohrmann and Mohrmann, 1997). These three preconditions should be integrated into the concept of change agent. Therefore, there was a need for observing whether the boards focused on these issues. Thus, we arrived at the following three categories for registration of observations. The first two were formulated directly, on the basis of the previous findings, and the third was

added to clarify what boards should achieve by the critical decision: (3) preconditions for effective implementation, (4) the reason for the decision, and (5) the vision and goals for the decision.

Another finding in the CM literature is based on Tichy and Sherman's (1995) argument that for boards to achieve the intended situation, the change processes must gradually alter the organization. This implies that it is challenging to develop and sustain processes that create a momentum for change (Hennestad, 1998; Mohrmann and Mohrmann, 1997). In addition, when implementing critical decisions, firms should acknowledge the concept of transition as a force field between the change forces and the restraining forces that keeping the organisation on "the old track", rather than in a linear and deterministic movement. This force field must change before the organizational change to take place (Schein, 1996:27). Thus, the force-field concept involves "unfreezing" the organizational patterns, "moving" or constructing new patterns, and then "refreezing" or institutionalizing the new situation (Weick and Quinn, 1999). Many authors have applied such deterministic stage models as a guiding framework (Burke, 2003; Chapman and Ward, 2002; Harrington *et al.*, 2000; Jessen, 2002; Karlsen and Gottschalk, 2005; Kerzner, 2003; Marchewka, 2003, Söderlund, 2005, Karlsen, Gottschalk 2005). A common experience is, however, that organizational dynamics make it necessary to move back and forth between the steps or stages. This is because the deterministic stage model thinking does not capture the dynamic nature of organizations, embedded in ever-changing environments (Beer & Walton 1987, Collins, 1998, Beer, 2003). The concept of "force field" also focuses on the liminal nature of the transition period. The term "liminality" connotes the non-



deterministic nature of such a transitional situation that calls for continuous change management to secure implementation as intended.

Carnall (1995) suggests that a force-field analysis may be helpful when planning the transition. This concept includes a definition of strengths and weaknesses in the present situation. Furthermore, based on an analysis of interest, the force-field analysis identifies the forces working for and against the desired changes. It also highlights the forces that are believed to be the most important. Finally, the parties involved should agree on the actions that seem to best help overcome the resistance to the desired change. Participation from the involved is an important process element to achieve such agreement.

These observations are important for understanding the role of a change agent. In addition, they highlight other main challenges related to change processes and emphasize some aspects that are vital for the change agents when developing strategies and plans for the successful implementation of changes. Therefore, we wanted to determine whether the boards focus on these issues. Thus, the aforementioned findings became the basis for developing the following four categories: (6) strategy for achieving the required change, (7) planning of the change processes, (8) potential change powers and (9) potential resistance to change.

We also observe from the CM literature that in the liminal period, the established cognitive schemata that provided order in everyday life no longer apply. In terms of an “as-if” reality, in which “wishes, desires and hypothesis reign”, they constitute an environment for reflexivity and creativity regarding aspects such as roles and

relationships (Feldman, 1990). One way to consider the organizational dynamics in period is to assume that the outcome of the change initiatives will be the result of a complex interplay between the change and the organizational forces in action. This process can be understood by structuration theory, according to which the pre-existing social structure guides and constrains the agency that transforms or reproduces the social structure (Giddens, 1984). To implement new ideas or systems in ways they are intended, the agency must consist of “a lot of soft wiring as well as hard wiring” meaning that new ideas as well as new systems are required to support them (Bate *et al.*, 2000; Higgins and Mcallaster, 2004). The need for continuous change management during the whole transition period is an important lesson for firms and should be the basis for planning the implementation effort (Tsoukas and Chia 2002). Further, implementation requires acceptance of an approach build on the need for “self-design” for which accompanying change and learning are required (Orgland, 1998; Popper and Lipshitz, 1998). Such a change approach is a challenging task that requires processes that boards must lead (Eccles, 1994). These activities for change should be basic knowledge, and thus we examined whether the boards focus on them. These findings formed the basis for developing the following category of observations: (10) leading change processes.

From a CM perspective, implementation of change processes must occur in a back-and forth manner so that feedback is received; this is also known as “implementation learning”. Effective back-and-forth processes requires evaluation. To enable evaluation of the involved processes, feedback is needed about many process elements, such as management involvement, [participation](#), [communication](#), the achieved changes, the change and restraining powers, and conflicts. Change agents

must recognise the need for such processes. Thus, we needed to determine whether the boards actually focused on these issues based on the following categories: (11) feedback about the overall implementation, (12) feedback about management involvement, (13) feedback about achieved changes, (14) feedback about change powers, (15) feedback about resistance to change, (16) feedback about conflicts, (17), monitoring of further activities, and (8) evaluation of results

After the required categories of observations were clarified, the next step was to identify the decisions to be studied. Based on the discussion of critical decisions, it was decided to investigate three decisions that the boards of the two Norwegian companies made. The firms got the label Company 1 and 2, respectively, because of anonymity reasons. The three decisions are as follows:

Decision 1: To select a critical information technology (IT) partner  
(Company 1).

Decision 2: To change the internal, national, and international infrastructure  
(Company 1).

Decision 3: To merge the company with another company  
(Company 2).

Decision 1 pertains to the selection of an IT company, which Company 1 acquired as a subsidiary company of Company 1. This decision was critical because the acquiring Company, a rather traditional logistic company, desperately needed more IT knowledge and capacity. The decision would have a major impact on the company structure. The acquired company was known for having such expertise and capacity.

Decision 2 was critical because the existing internal, national, and international

infrastructure of Company 1 did not match the increased competition. The new infrastructure implied major changes in the organizational structure of the company. The board of Company 2, a state-owned company, made Decision 3 to acquire another company. In this case, the acquired company was integrated into the organizational structure of Company 2. The reason behind this decision was to expand the company to deliver complete services to the benefit of its customers, implying major structural changes.

The next step in the research was to identify the documents in the database that contained information related to the three decisions. Then, detailed analyses of the selected documents were performed, and observations according to the following principles (Strauss and Corbin, 1998):

$x(i, j)$  where:  $x$  = the actual document,  
 $i$  is the category, and  $j$  = the number of observations

The next step was to eliminate spurious observations, that is observations that were highlighted in the documents for reasons other than the actual critical decisions (Nachmias and Nachmias, 1981). One reason why an issue was highlighted was “other changes” than required by the critical decisions. To test whether an identified observation was spurious, we used the term “other changes” as control variable. The following question was asked for every identified observation: “Is this observation related to other decisions than to one of the actual critical decisions”? If this was the case, the observation was considered spurious and excluded from the data. The remaining observations were accepted as non-spurious.

## Data collection and analyses

Altogether, 154 documents contained relevant information. To illustrate what categories of documents that contain information, we use Decision 1 as an example, which we show in Table 1.

<b>Category of document that contained information</b>	<b>No. of document</b>
Agenda	7
Minutes of meeting	19
Letters	7
Strategic analyses	17
Strategy plans	5
Investment budgets	7
Monthly reports	19
Annual statistics	1
Total:	82

**Table 1. Documents containing observations related to decision 1**

The left-hand column contains the categories of documents in which we observed relevant information. The right-hand column reveals the number of such documents per category. The total number of identified documents that contain relevant observations is 82. These documents were collected during the 1994–2000 period. In addition, we identified several agendas but did not include them because Decision 1 was only mentioned as an issue.

The results of our examination of these documents, eliminating the spurious observations and the categorization of the non-spurious observations are shown in Table 2 :

<b>The non-spurious observations per critical decision and category</b>				
<b>Category:</b>	<b>Decision 1:</b>	<b>Decision 2:</b>	<b>Decision 3:</b>	<b>Total no of</b>

	No. of obs. in per-cent of N1	No. of obs. in per cent of N2	No. of obs. in per cent of N3	observations in per-cent of Ntot
Formulation of the decision	3,7	1,9	0,1	1,8
The reason for the decision	7,3	22,5	7,3	15,3
Vision and goals for the decision	6,1	21,3	32,1	22,1
The desired change				
Strategy for achieving the required change	22	21,6	36,8	26,3
Preconditions for effective implementation				
Leading change processes				
Potential change powers		1,9		1
Potential resistance to change				
Planning change processes		0,8		0,4
Feedback about the overall implementation:	37,7	22,8	11,2	21,7
Monitoring of further activities	19,5	6,		6,4
Feedback about management involvement				
Feedback about achieved change				
Feedback about conflicts	3,7	0,8	5,9	2,8
Feedback about change powers				
Feedback about resistance to change				
Evaluations of results		0,4	6,6	2,2
Total	100	100	100	100
N =	(82)	(267)	(153)	(502)

**Table 2: Distribution of observations**

Table 2 should be read as follows. In the far left column the categories are listed. The second, third, and fourth columns contain the number of non-spurious observations per category in percentage of N1, N2, and N3 for the three decisions. The fifth column contains the average number of non-spurious observations per category in percentage of Ntot. The content of the latter column illustrates the focus of the “average board” on the elements underlying the concept of change agent. The content of the bottom row but one contains the sum of the distributions in percentage per column. The bottom row contains the number of non-spurious observations (i.e. N1, N2, N3, and Ntot) for the three critical decisions and the total, respectively.

Closer inspection of Table 2 indicates similarities between the content of the columns. By calculating the correlation coefficients between the distribution of observations, we found that  $r = 0.73$  between columns two and three,  $r = 0.78$  between columns three and four, and  $r = 0.47$  between columns two and four. By squaring the correlation coefficients the shared variances are 53.3, 60.8, and 22.1 per cent, respectively. This indicates substantial overlap, in particular between columns two and three and between columns three and four. These findings indicate similarities in how the boards of the two companies focus on the underlying essentials of the change agent concept, as well as some differences. The most important similarities are that no observations are registered in eight of the categories and only a small percentage of observations are registered in three categories. In addition, a large number of observations are registered in four categories for all three decisions.

Further inspection of Table 2 reveals a high percentage of observations related to the category “Monitoring the overall implementation”. These findings indicate that boards apply traditional, rational, and deterministic approaches. That is, they focus on the reason for the decision, goals, the strategy for implementation and feedback from the overall implementation, for the implementation of critical decisions (Nutt, 1986, Eisenhardt and Zbaracki, 1992; Nutt, 1986).

Table 2 also reveals differences in the relative number of observations related to the category “Formulation of decision”. The most noteworthy finding is that Company 2 discussed the formulation of Decision 3 only once. In addition, Table 1 reveals differences in the relative number of observations related to the category “The reason for the decision”. The most likely reason for these differences lies in the following

differences in the nature of the decisions: Decisions 1 and 3 implied acquisitions of companies. Such actions are positive from the acquiring companies' point of view, implying that it was a simple task for the boards of Companies 1 and 2 to communicate the reasons for the critical decision internally. In the acquired companies, however, the situation would be different. Communicating a compelling reason for selling a company is vital in order to minimize the potential internal resistance to such major change (Beer, 1990; Eisenstat and Spector, 1990; Eisenhardt and Zbaracki, 1992; Mohrman and Mohrman, 1997). Unfortunately, there was no information in the database about the internal situations in the acquired companies. This implies that the boards of Companies 1 and 2 may have overlooked these essential aspects for situations regarding acquisition of other companies. Decision 2 introduced major changes in the infrastructure and organizational structure of Company 1, and the board expected organizational resistance. This expectation explains the large number of observations in this category for Decision 2 (see Table I) and implies that the board focused on these elements of the change agent concept.

Differences also emerge in the relative number of observations registered in the category "Vision and targets". The reason for these differences in board focus pertains partly to the different nature of the decisions and of Company 2 on goal achievement.

Finally, Table 2 reveals major differences in the percentage of observations registered in the category "Monitoring further activities". A reason for these differences could pertain to the different nature of the decisions. Furthermore, we registered no observations related to Decision 3, which might be because the board monitored this merger only over an eight-month period.



## **Conclusions and implications**

In our study, we found a large number of observations in the following four categories: the reason for the decision, vision and goals for the decision, strategy for achieving the required change, and feedback about the overall implementation.

Further, the study reveals that the boards overlooked or only modestly focused on 11 of the 18 identified essentials underlying the change agent concept.

Our findings also reveal that the nature of the critical decisions influences their implementation. When the critical decision is limited to internal organizational structure and changes, the board can only concentrate on change processes that create a momentum for gradually altering the firm's organizational orientation. When the critical decision involves the acquisition of other companies, the board should also pay attention to the change processes required in the acquired companies. This increases the complexity of the decisions.

The findings also indicate a potential area for improved effectiveness of boards, in which they should be more actively involved in the implementation of their critical decisions. This could be achieved by applying a change agent approach and by stimulating the top management to develop and lead change processes more effectively, in line with the insights garnered from the CM discipline. For example, to do so, the boards could ask questions that frame and bridge processes that energize the top management to apply a change management perspective on execution of the implementation (Samara-Fredricks, 2000; Sundaramurthy and Lewis, 2003).

However, it is not evident that boards have the necessary understanding and

competence to ask the appropriate questions. On the basis of Mace's (1971) research, Mintzberg (1983, p. 77) claims that board members do not ask discerning questions because many lack an understanding of the problems and issues presented to them. This lack of understanding may imply a need for board development and training before a change agent approach can be implemented effectively.

The present research focuses on three critical decisions that two Norwegian boards made. Thus, because of the number of observations, the generalizability of our findings might be questioned (Nachmias and Nachmias, 1981). However, our analyses confirm that there are some similarities in how the two boards made and implemented their critical decisions. This suggests that there is some rather general way boards implement strategic decisions, e.g. rather little emphasis on problem formulation, i.e. the point of departure for the intended change, but much emphasis on how to achieve the change. These are interesting observations, leaving room for improved decision making. However, more research is needed. Detailed tracking of the board's roles in strategic decisions should be conducted with multiple firms from different industries to improve on the knowledge base.

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