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**Boardroom decision-making:
Determinants of effectiveness**

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Personal Acknowledgement

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The compilation of this thesis started with visits to Meridian Energy's various electricity schemes in the South Island and will reach its final milestone when the academic community acknowledges this reflective thesis. However, the journey will not stop there. Already those working in the field of corporate governance are seeking the contents of this work.

Without the continual support and motivation given by my husband, Charles, this thesis may never have been completed. To my two supervisors, Frank Sligo and Ralph Stablein; my PA, Janet Potter; and friends, Rachel Morley and Ngaire Wu who have traveled this five-year journey with me I can only say thank you for your valued words of wisdom and encouragement freely offered along the way.

Dedication

This thesis is dedicated to my daughter's partner, Kim Austin, who, as a result of an air accident was killed on 10 Jan 2004. His life demonstrated that despite personal inabilities (in his case literacy) a single-purpose approach to business, connectiveness with marketplaces, interaction with others and a strong desire to achieve – whether on the farm, running restaurants, operating a successful commercial fishing excursion firm or winning cross-country motor rallies – called for sound judgement and preparation in readiness for the task ahead. Completing a doctorate or being a member of a board relies on such personal attributes for it is the combined outcome of these that turns visions into reality.

Abstract

Corporate boards in New Zealand like their international counterparts, continue to fail even though a plethora of legislation and best practice have been put in place in an attempt to halt ineffective forms of governance. To consider regulation and legislation as the ultimate cure negates the ability of a board to effectively make decisions. By identifying characteristics of boardroom decision-making as being either independent process or behaviour variables this thesis provides fresh insight into what determines effective governance.

Two alternative governance models emerge from this study. The intrinsically-focused model which encapsulates behaviour and process associated with control and accountability and turns attention to the adoption of corporate best practice. On the other hand, a board that takes a more extrinsically-focused view of its board role not only monitors management behaviour but also sets the entity's strategic direction.

Although these models support the notion that responsibility of corporate rectitude rests with the board each embraces differing decision-making behaviour and process. By not addressing strategic issues an intrinsically-focused board debates less rigorously and intensively with intellectual responses bringing either agreement without debate or conflict. Conversely boards that embrace the extrinsically-focused model demonstrate more rigorous and intensive debate on a wider spectrum of issues to the greater benefit of shareholders.

By showing that decision-making effectiveness at board level is embedded in the concept of unfettered decision-making, as opposed to control over management this thesis advocates that agency-based theories of governance align closely with ineffective or dysfunctional decision-making. In postulating that conduct associated with effective decision-making reflects the role a board decides to play, this thesis advocates knowledge maximization, as opposed to profit maximization, lies at the heart of a successful corporate governance function. As information symmetry has the ability to transcend opportunism, conflict and agreement it is therefore viewed as the most likely theoretical premise on which an all-encompassing theory of corporate governance should be advanced.

Table of Contents

Part One: Thesis Introduction.....	1
Chapter One: Intent of this Thesis.....	1
1.1 Changing Shape of a Board's Role	1
1.2 Thesis Organisation.....	3
1.3 The Contextual Nature of the Research Problem	6
1.4 Research Question Hierarchy	11
1.5 Motivation Driving this Thesis	12
1.6 Relevance and Contribution.....	14
1.7 Chapter Summary	14
Chapter Two: The Theoretical Framework behind this Thesis.....	16
2.1 Introduction.....	16
2.2 Strategic Leadership.....	17
2.3 Decision-making Themes	19
2.4 Decision-making Models	21
2.4.1 Rational Model	21
2.4.2 Bounded-Rational Model.....	23
2.4.3 Group Decision Models	24
2.4.4 Strategic Decision-making.....	26
2.5 Decision-making as a Form of Action	27
2.6 Group Cognitive Capabilities and Behaviour	29
2.7 Interactive Processes for Cognitive Capabilities.....	30
2.8 Group Roles	33
2.9 Chapter Summary	33
Part Two: Literature Review	36
Chapter Three: Theoretical Perspectives of a Board's Role.....	36
3.1 Chapter Intent.....	36
3.2 Theoretical Perspectives of a Board's Role	37
3.2.1 View One: Economic Frameworks	38
3.2.2 Organisational Perspectives.....	42
3.2.3 Common Themes Relative to Organisational-based Theory.....	48
3.2.4 Value of Theory.....	48
3.2.5 View Two: Trust.....	48
3.2.6 View Two: Intrinsic versus Extrinsic Typology.....	50
3.3 Chapter Summary	51
3.3 Chapter Summary	52
Chapter Four: Contextual Nature of Corporate Governance	53
4.1 Marketplace Reform	53
4.2 Corporate Governance in New Zealand	56
4.3 Chapter Summary	61
Chapter Five: Structural Influencers	63
5.1 Chapter Intent	63
5.2 Compositional Variables	63
5.3 Independence Variables.....	64
5.3.1 Independent Directors versus Executive Directors.....	64

5.3.2	Independence from Management	66
5.4	Composition Variable: Board Diversity	68
5.5	Knowledge as an Input Variable	74
5.5.1	Presence of Skills and Competencies	75
5.5.2	Forms of Information	79
5.6	Chapter Summary	81
Chapter Six: Decisional Framework.....		84
6.1	Overview	84
6.2	Conformance and Control	84
6.3	Strategic Decision-making at Board Level	86
6.4	Resource Acquisition Decision-making	91
6.5	Decision-making in Times of Crisis.....	94
6.6	Chapter Summary	96
Chapter Seven: Behavioural Influences		98
7.1	Chapter Intent.....	98
7.2	The Collective Strength of a Board.....	99
7.3	Consensus	99
7.4	Intra Conflict between Board Members	100
7.5	Cohesiveness.....	102
7.6	Group Interaction.....	106
7.7	Facilitating the Decision-making Process	110
7.8	Chapter Summary	112
Chapter Eight Emerging Model and Research Propositions		113
8.1	Emerging Model	113
8.2	Emerging Research Propositions	115
8.3	Chapter Summary	118
Part Three: Research Methodology, Method, Findings and Conclusions.....		119
Chapter Nine: Methodology and Method Employed		119
9.1	Introduction.....	119
9.2	The Qualitative Paradigm	121
9.3	A Case Study Approach	121
9.4	Method Adopted	126
9.4.1	Phase One: Identifying a Board to Study	126
9.4.2	Meridian Energy Limited: The Case Study Company	128
9.4.3	Phase Two: Gaining Insight into the Organisation.....	130
9.4.4	Phase Three: Data Collection	130
9.4.5	Preparing for the Study	131
9.4.6	Board Observations	133
9.4.7	Phase Four: Interviews	133
9.4.8	Phase Five: Content Analysis	136
9.4.9	Phase Six: Data Triangulation	140
9.4.10	Phase Seven: Reporting back to the Board.....	141
9.4.11	Phase Eight: Compiling a Model of Boardroom Decision-making.....	141
9.5	Chapter Summary	142
10.0 Chapter Ten: Findings		143
10.1	The Corporate Researched	143
10.2	Effectiveness of Meridian Energy Limited.....	145

10.3 Role of a Board.....	147
10.4 Decisional Outcomes.....	152
10.5 Structural Characteristics of Boards	154
10.6 Chapter Summary	165
Chapter Eleven: Effort Contribution	167
11.1 Introduction.....	167
11.2 Directors	167
11.3 Preparation for Boardroom Debate.....	170
11.4 Currency of Directorship.....	177
11.5 Characteristics of Chief Executives	179
11.6 The Ability and Function of Chairs.....	187
11.7 Chief Executive-Chair Relationship	197
11.8 Management Input.....	201
11.9 External Consultants Input into the Decision-making Process	205
11.10 Chapter Summary	208
Chapter Twelve: Interaction and Process in a Boardroom.....	209
12.1 The Decision-making Environment.....	209
12.2 The Decision-making Climate.....	222
12.3 Chapter Summary	225
Chapter Thirteen: Interpretation of the Findings.....	226
13.1 The Decision-making Environment.....	226
13.2 Role of a Board.....	226
13.3 Structural Considerations	228
13.4 Behavioural Considerations.....	231
13.4.1 Input from the Chief Executives.....	231
13.4.2 Input from the Chair	233
13.4.3 Chair-Chief Executive Relationship.....	233
13.4.4 Directors: the Decision-makers	234
13.4.5 Management’s Role.....	234
13.5 Information Symmetry through Process	235
13.6 Theoretical Application	237
13.6.1 Behaviours reflected in Theoretical Perspectives of Governance	239
13.6.2 Leadership Theories.....	244
13.6.3 Decision-making Model	245
13.7 Responses to the Research Questions	246
13.8 Chapter Summary	248
Chapter Fourteen: Limitations, Research Implications and	
Conclusions	251
14.1 Acknowledged Methodology Limitations.....	251
14.2 Further Research Implications.....	252
14.3 Conclusions Drawn.....	254
References	258

Index of Tables, Figures and Graphs

Tables

Table 1	Eight Common Symptoms Associated with Groupthink	29
Table 2	Selection Criteria	127
Table 3	Board Observation Schedule	131
Table 4	Effectiveness Means	146
Table 5	Topic Classification Relative to Strategic Input	150
Table 6	Speaking Episodes per Topic Classification	151
Table 7	Statistical Relevance of Topic Classification	152
Table 8	Discussion Outcomes for each Topic Classification	153
Table 9	Ranking of Skill Sets Perceived as Important on a Board	159
Table 10	Mix of Competencies	161
Table 11	Structural Descriptions Associated with Board Effectiveness	165
Table 12	Statistical Relevance of Speaking Episodes per Director	168
Table 13	Percentage Contribution per Topic Classification	169
Table 14	Frequency of Director-led Dialogue Relative to Topic Classification	173
Table 15	Number of Director Speaking Episodes per Behavioural Type per Topic Classification	174
Table 16	Market Referenced Commentary Relative to Topic Classification	176
Table 17	Frequency of Externally Referenced Information made by Directors	176
Table 18	Descriptions Associated with Directors	178
Table 19	Contribution by the Chief Executive per Topic Classification	182
Table 20	Frequency of Chief Executive-led Dialogue per Topic Classification	182
Table 21	Frequency of Chief Executive's Speaking Episodes per Topic Classification per Behavioural Type	183
Table 22	Provision of Information after Closure Call per Topic Classification	185

Table 23	Descriptions Relating to Chief Executives	186
Table 24	Frequency of Speaking Episodes by the Chair per Topic Classification	190
Table 25	Frequency of Chair-led Dialogue per Topic Classification	191
Table 26	Frequency of Contribution by the Chair per Topic Classification	192
Table 27	Frequency of Contribution by Chair per Topic Classification	193
Table 28	Continuum of Descriptions Associated with Chairs	196
Table 29	Seven Descriptions used to Express a Complementary Relationship	200
Table 30	Frequency of Management-Led Dialogue per Topic Classification	204
Table 31	Frequency of the Management Behaviour per Topic Classification	205
Table 32	Frequency of Consultant Contribution per Topic Classification	206
Table 33	Frequency of Consultant Behaviour per Topic Classification	207
Table 34	Types of Behavioural Interaction per Topic Classification	210
Table 35	Continuum of Interactive Behaviour	212
Table 36	Frequency of Externally Referenced Information	219
Table 37	Intellective-Judgemental Responses per Topic Classification	220
Table 38	Intellective-Judgemental Responses per Role Held	221
Table 39	Meeting Characteristics	224
Table 40	Perceptions Associated with Decision-making	247

Figures

Figure 1	Conceptual Model of Board Influencers	15
Figure 2	The Rational Decision-making Model	22
Figure 3	The Bounded Rational Decision-making Model	23
Figure 4	Contributory Theories to Decision-making Behaviour	34
Figure 5	Influencers of Boardroom Decision-making	37
Figure 6	The Trust Continuum	49
Figure 7	Typography of Board Decision-making Roles	51
Figure 8	Theoretical Relationships	52
Figure 9	The Anglo-American Board Model	57
Figure 10	Factors Influencing Decision-making in the Boardroom	62
Figure 11	A Boardroom's Information Web	82
Figure 12	Boardroom Structural and Informational Sources	83
Figure 13	Typography of Decisional Types	93
Figure 14	Antecedents, Dynamics, and Consequences of Organisational Adaptations to Environmental Jolts	95
Figure 15	Influencers of Decision-making in the Boardroom	97
Figure 16	Typology of Theoretical Perceptions of Conflict and Agreement	110
Figure 17	Conceptual Model of Functional Activities of a Board	114
Figure 18	Board Paper Flow	203
Figure 19	Alignment of Decision-making Characteristics with Board Roles	230
Figure 20	Model of Effective Decision-making	246

Graphs

Graph 1	Interaction Zone	213
Graph 2	Decision-making Behavioural Patterns associated with Strategy Setting	214
Graph 3	Decision-making Behavioural Patterns associated with Resource Acquisition	215
Graph 4	Decision-making Behavioural Patterns associated with Business Review	216
Graph 5	Decision-making Behavioural Patterns associated with Compliance	217
Graph 6	Decision-making Behavioural Patterns associated with Crisis (Jolt Management)	218

Appendices

		Referred to Under	
Appendix A	Governance Matters Researched	Research Problem	8
Appendix B	Corporate Failures in New Zealand	Corporate Governance in New Zealand	56
Appendix C	Auditor's Report	Research Method	137
Appendix D	Master Times Series Graph	Research Method	138