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Changing board dynamics: the impact of board evaluations

Agota Szabo [a,*]

[a] The Hague University of Applied Sciences, Faculty of Management & Organization, The Netherlands

A B S T R A C T

In the past decade formal corporate governance codes, laws and practices have started to focus on responsible board behavior and transparency in the boardroom. Negative board dynamics have been observed as contributing to business performance issues, damaging corporate behaviors and negative signals to stakeholders. This paper provides an integrated view on board dynamics combining the key theories and concepts from the practical corporate governance literature, the behavioral economics and the neurosciences fields into a comprehensive board dynamics framework. The aim is to help board members/advisors/governance committees to develop better board evaluation practices, by studying new evaluation techniques and theoretical insights into board dynamics. The "fill-out-the-form" board evaluation practices are slowly changing and new trends aim to create long-term value from board governance.

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**Corresponding author:*

Agota Szabo

a.szabo@hhs.nl

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1. THE EMERGENCE OF BOARD DYNAMICS AS A KEY CORPORATE GOVERNANCE ELEMENT

Well-known companies like, SNS Bank, DSB, ABN-Amro, Ahold, Rochdale or Vestia have been perceived successful in different industries, but they have a common feature. They provided big corporate governance scandals in the media in the last decade and called for urgent corporate governance reforms in The Netherlands. The problem seems more universal with similar cases at Enron, Parmalat, Siemens, HP, Disney, Shell and Siemens. The issues of fraud, audit failure, accountancy scandal or the whistleblower CEO at Olympus (Woodford, 2012) were just the start of governance failures. In the past few years corporate governance scandals have appeared all over the media and brought the attention to the possible dysfunction of companies' boards itself. Were the non-executive board members doing their job properly? Did they follow the accepted standards of board operation? In most cases they did. Setting only strict rules of operation miserably failed, and a new perspective is needed on good board processes. It is not just about procedural rules, monitoring and regulations anymore; it is how we build high-functioning, critical and efficient working groups. (Clarke, 2008; Lorsch, 2012). Good board dynamics cannot be legislated, but it can be built over time. By having an open and trustful atmosphere directors can fulfill their roles in a more efficient way without being trapped in a rigid position. While we have been used to building efficient groups within the hierarchical set up of companies, we have less experience in building these groups at the peak of the hierarchy (Charon, 2005).

In the pre – Enron era, the world of corporate governance, board evaluations and addressing the issue of building a high-functioning, critical and efficient working board was hardly seen as an issue. After the big corporate governance failures of the business world came into light like the Enron scandal in 2001, the issue of group dynamics did not appear as priority in corporate governance. Codes and roles described the most important ways of operating the board (task, responsibility, procedures, etc.), but the major emphasis was certainly not on the quality of interaction and the behavior of board members. However, more corporate governance failures made the shareholders and the public aware that codes, risk management did little to address the dysfunctional sides of board and more emphasis was put on more transparency and higher accountability within the organization. These two issues became the flagships for the post-Enron governance era and defined a new direction for corporate governance (Clarke, 2008). In 2009 an economic crisis with an almost meltdown of the financial sector shook the world and most blame was put on the acting CEOs and the regulators of the organizations, but the failure of the board as a whole remained largely unnoticed (Lorsch, 2009). As times changed the effectiveness of group dynamics in good governance of the organization became clear and more details appeared in the governance codes as well (Eenennaam van & Soesman, 2008). Having external legal pressure and more individual/collective responsibility, boards changed their role from passive to active, which required changes also in board dynamics. Critical selection of new board members based on skills and diversity (more women, young people, and different cultural background), creating open atmosphere and yearly evaluation of the work became the new standard for good board dynamics (Lorsch, 2012).

Board evaluation is mentioned as a corner stone of obtaining and creating good board dynamics which more governance codes have started incorporating it in a very detailed way (Laurens, 2009). Evaluating the board' performance would include discussing the quality of board meetings, the credibility of reports, the degree of knowledge and interpersonal cohesion. By taking it a step further, individual directors should be evaluated based on their skills, resume, participation and effectiveness during meetings (Maanen van, 2010). The UK Governance Code (2008) was the first to describe that critical evaluation is needed on the individual level and an external facilitator could do an objective review in a more effective way. The Dutch Corporate Governance Code Monitor Committee from 2008 onwards gave more attention and guidelines to how evaluation should be done and the most recent "best practices" require annual reports on the used methods of board evaluation. At the moment The UK Governance Code is one of the most advanced, in terms of evaluation, and who should be responsible for the evaluation of whom. For instance the non-executive directors are responsible for the evaluation of the chairman. The Dutch code lets the companies decide who and how they should be evaluated. The UK code recommends a yearly board evaluation, with a minimum of external evaluation every three years. From the Dutch codes only the "Code Banken (2010)" recommends that every three years an external facilitator should be invited for board analysis. An interesting contrast is the Swiss Corporate Governance Code (2008) as they mention board evaluation very briefly and besides a required annual evaluation there are no further guidelines mentioned.

1.1. Boardroom dynamics: a framework

Boardroom dynamics often reverts to as the whole spectrum of interactions between the members of a board. When one is thinking about the dynamics or interactions that are taking place among the individual board members in their different roles, tasks, meetings and settings, the richness of these interactions are plentiful. Analyses of the Bay of Pigs invasion of 1963, the disaster with the Columbia Space Shuttle in 2003 among others have revealed whole layers and subtleties of groupthink in board situations.

We take the perspective of the individual actor or board member as a starting point and then build forward. The individual board member has certain traits that make one act in a certain way in a specific board. The interaction with another individual board member adds to the dynamic of board. The (social) position, coalitions and the adherence to the norms within the overall makeup of the group of the board create a certain dynamic. The relationships with and influences of other stakeholders is the final level that determines the board dynamics.

Interestingly enough the corporate governance literature that is strongly rooted in practice has developed some ways of dealing with these dynamics. We add what we consider key insights from behavioral economics to the four levels of interaction of which an individual board member is a part. Regarding the social sciences, we have taken the key insights from the field of neurosciences to construct the boardroom dynamics framework.

The boardroom dynamics framework (Table 1.) summarizes the major insights on board dynamics from the corporate governance, behavioral economics and neuroscience literature. On each of the four levels of interaction, we have put the key insights and the key concepts of the three streams of literature in the framework. For instance, on the personal level, the corporate governance literature provides key insights on individual decision making styles, how to deal with integrity and morality dilemmas and the issue of individual responsibility/accountability in a board. Key concepts in corporate governance literature include individual decision making (1) where the article of Frame (2012) on framing decision is our suggested reading, while on dealing with biases (2) in board decision making of Finkelstein et al. (2009), "Think again: Why Good Leaders make Bad Decisions and How to Keep it from Happening to You", is a board room classic on the topic. Dealing with dilemma and moral issues (3) Karssing (2011) is a key one for the Dutch boardroom setting, while accountability (4) appears in Roberts' work (2005) a lot. In the reference list you can find more corporate governance articles dealing with board dynamics at the personal level. Board roles and practices are discussed by Lorsch (2012) while looking at the development and challenges boards face in the 21st century. It is an important study as it describes the relationship and communication among the board members, and emphasizes the critical points of becoming a good board as a whole. Naturally, the government and external stakeholders also play a crucial role in corporate governance and the introduction of the governance codes created a legal framework for companies both on industrial and national level as well. For example the “Code Banken” or “Zorgbrede Governance Code” were introduced by the financial and the healthcare sector to set specific governance standards for their own industry. Table 3. will provide more insights on evaluation in different corporate governance codes.

The behavioral economics literature and research usually studies the social, emotional and cognitive factors on individual decision- making in terms of economics while looking at the possible consequences of those decisions. This theme on the personal level of board dynamics provides us with insights on how personal motives, personal risk-taking behavior, will power, judgment about certainty of outcomes plays a role. The Nobel prize winner, Kahnemann has done some excellent studies showing how personal motives, risk taking, judgment, will power all play a role in an overly positive risk taking or an overly controversial decision making process. These elements all belong to the so-called bounded rationality topic as a starting point for understanding behavioral economics. Taking a step further and looking at the group level the composition, the size and the selection of the board become crucial, as it defines what kind of board you want to be or could be in the future. The topic of board diversity provided an interesting research topic for many scholars as gender, age and cultural differences play an important role and their influence could not go unnoticed in the decision-making process. Manzoni (2012) provides a very interesting view on boardroom conflicts and the reasons for a dysfunctional board. On the company level transparency and compliance with the codes are the key terms (Hermalin, 2007) for behavioral economics. The constant development of governance codes, and new rules for disclosure and reporting are trying to meet the demand for more transparent organizations, from the internal and external stakeholders’ side as well.

Neuroscience is a scientific study of the neurological system that collaborates a lot with other fields like philosophy or psychology. Social neuroscience is one of the most well known branches to the wider public as it describes how biological systems affect social processes and behavior. As scholars realized the important effects of psychology on boardroom interaction/intervention there is more and more attention given to neuroscience in terms of boardroom dynamics. Basic human needs define personal attitude in individual decision-making (Meche, van der, 2012), while the level of trust, the willingness to be part of a group, the power relations and conflict situations affect interpersonal relations. On the next level, the aim for social cohesion and coalition- building in important questions is very strong among the board members. It defines how important board members could be in the decision-making process and how the power game is played among them. In addition to that, as van Maanen (2012) describes groupthink and pecking order (who is the real leader) could change board dynamics into a negative direction as it takes over individual decision-making. In terms of external relations, there is a strong pressure on the board to demonstrate uniformity and well-functioning presence to avoid any kind of negative signaling to shareholders, which could be harmful to the company's image.

The importance of reviewing boardroom dynamics and how the board functions could be nicely explained by an empirical study called the "Wet Monkey Theory" by Albert Einstein. In this experiment they choose a group of monkeys who are allowed to take a banana in the first round. However, in the second and the third round they made the monkeys wet when they were going to pick a banana. Afterwards as a result, none of the monkeys wanted to have the fruit. Then they added new monkeys to the group and the newcomers followed the behavior of the old monkeys without any explanation. The basic idea of this experiment is interpreted in board dynamics, as new members of the group face set rules and informal ways of doing the work, and they accept it without actually getting an explanation. These norms and behavior are not always the most suitable; therefore, a critical view on the board process is needed by doing constant evaluation.

1.2. Board dynamics from different perspectives

Table 1: Different perspectives on board dynamics

	Corporate Governance	**Key concepts**	**Behavioral Economics**	**Key concepts**	**Neuroscience**	**Key concepts**
Group level including external stakeholders	The way companies accept and interpret governance codes while filling in a socially responsible role in the society.	- Governance codes both on national and industrial level	External and internal stakeholders demand more transparency from the companies, while the government sets new rules for disclosure and reporting.	-Regulatory framework - Transparen (Hermalin)	From this perspective it important to understand what kind signals the company is willing send to the external world.	-Uniformity pr -Positive signa (Lorsch)
Board level	On this level board's role and the issue of collective responsibility/accou ntability is described while taking ethical business behavior into account in the decision-making process.	- Business ethics (Karssing) - Collective Accountability / Responsibility (Roberts) - Board's role (Lorsch)	It describes the way of selecting board members, diversity within the group, the features of different board sizes and the task division in the boardroom.	- Board selection - Board diversity (Manzoni) - Board size (Maanen, van)	On the group level the issue of groupthink and how the individual could be part of the group appears. The use of pecking order and the start of coalition building describes this level the most.	- Coalition building - Pecking order (Manzoni) - Social cohesion - Groupthink (Maanen, van)
Interpersonal level	The relationship and level of communication among the board members and with the management board (special attention to CEO and the Chairman).	- Relationship and communicatio n (Lorsch)	The status quo and the bargaining power of the individual directors or smaller groups within the board could influence the decision-making process.	- Bargaining - Status quo (Diamond)	On the interpersonal level the most common human interactions could be described like the issue of trust, power relations among board members and conflict management.	- Trust (Kahnemann) - Power relations - Conflict (Pick)
Personal level	Individual decision-making process in terms of integrity and morality and the question of individual responsibility /accountability from a board member's perspective.	- Individual responsibility (Frame) - Integrity - Morality (Karssing) - Accountability	The personal motives, risk-taking behavior, the willpower of the individual and how board members judge certain decision outcomes play an important role here.	- Personal motives - Willpower - Judgment - Risk-taking (Kahnema nn)	It relates to all kind of basic human needs that an individual can experience as part of bigger group and how it affects the behavior of the board members.	- Basis human needs (Meche, van der) - Neuroscience (Nobel)

One of the most important challenges boards face is to prevent governance failures in the organizations they govern. The four major categories of problems that are primary subjects to board`s attention: strategic, control, ethical and interpersonal relationships. While the first two refer to performance failures, the latter two describe negative board dynamics (Maanen van, 2012). A board evaluation could be an effective internal tool to help prevent them from occurring both on an individual and at board level and stated as a primary condition for quality improvement in the boardroom (NKCC, 2013).

What are the advantages of having board evaluation in terms of changing the way board members work? First of all, it provides a formal feedback moment where uncomfortable topics could be discussed in a very detailed way without exceeding the limits of acceptable social behavior. In addition to that, new board members could receive immediate information on board processes, expected culture and dynamics during their term. Moreover, an evaluation can bring attention to bad routines and poor personal performance that takes place within the boardroom (Maanen van & Veltrop, 2010). Naturally, board members mention some negative effects of evaluation. They claim that it can change the pleasant working atmosphere in the group or it could be too confronting for certain colleagues. Board members who are serving on the board for a long time might not be open to criticism or evaluation that could lead to governance failures (Maanen van & Veltrop, 2010). Therefore, regular evaluations need to be conducted even if the cohesion of the board will be in danger.

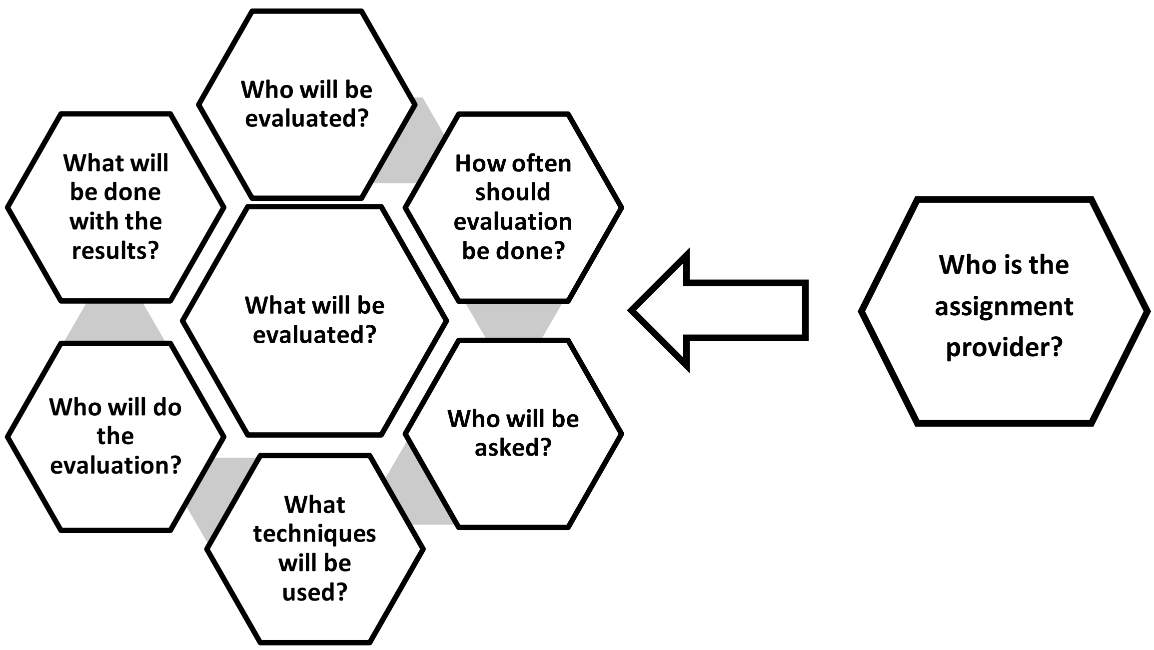

Figure 1.: Board evaluation circle

Board evaluation could be requested from both the internal and the external stakeholders' side. On one side, governance codes require annual board evaluation in most countries and companies must comply with this external regulation. Government is the most powerful external stakeholder in that matter and it influences the frequency and process of board evaluation. On the other side, unsatisfied investors are the most common internal assignment providers and their main concern lies on effectiveness and decision-making abilities of the board. In case of serious personal and professional issues within the boardroom, the Chairman is allowed to ask for board evaluation as well. The nature of the assignment provider already gives the direction of the evaluation, the techniques that will be used and defines if internal or external evaluator is needed (Deloitte, 2012).

The Board evaluation circle (Figure 1.) describes the seven main questions board evaluation should address (Kiel, 2005), as they could bring attention to negative board dynamics or confirm the existing good framework. As a start it is important to define what will be evaluated (Maanen van & Veltrop, 2010). Is the motivation to show corporate leadership or to resolve problems? The board should discuss and agree on the objectives of board evaluation, while specific objectives to review is best delegated to small groups or individuals. The most common goals include clarifying any potential problems, identifying the root of these problems or testing the practicality of existing solutions. Besides choosing the objective of the evaluation, it is necessary to define the skill set of the people who will be evaluated. It could mean talking about the board as a whole, individual directors or key governance personnel. The principle is to find all participants with a major impact on the reviewed objective while taking cost-and time implications into account. For developing a shared understanding of governance roles and responsibilities a group evaluation is the most suitable, but it has limited insight into performance problems. To identify strengths/weaknesses and to analyze particular issues in depth, individual evaluation should be considered (Minichilli et. al, 2007). However, it carries the danger of being too subjective on matters of personal contribution and performance. Peer evaluations could provide a more objective review on individual performance and can identify skill gaps in a more detailed way.

Usually the facilitator decides if the scope of the evaluation is internal or external (Kiel, 2005). Internal evaluation involves the board members, the CEO, senior management and other employees of the organization. By having external evaluations stakeholder' s perspective and issues can be brought to the board's attention. This could include evaluating customer/supplier relationship, shareholders and financial markets or governmental relations. After choosing the scope of analysis the facilitator will decide on who will conduct the evaluations. There is a possibility to appoint an internal evaluator like the chairman, a non-executive director or a board committee. This scenario has the advantage to demonstrate authority to external stakeholders and to help establishing standards/ culture of performance within the boardroom. In addition, it is a very cost-effective option and confidential information could be kept within the organization. However, it brings up the question of transparency, internal biases and proper disclosure and if the internal evaluator has the necessary skills and time to conduct the analysis (Institute of Directors). On the other hand, appointing an external consultant would be useful in case of board incapability and lack of transparency within the organization. An external could play a mediator / messenger role and recommend different approaches, framework or perspectives. It is highly advised to use an external evaluator in case of difficult issues, in times of major reorganization or if the individual director evaluation is done for the first time. The higher level of technical skills and independence could compensate for the high costs of involving an external consultant.

There are different techniques available for conducting board evaluations. Most of the time the results of the analysis will determine the most suitable method of evaluation. Qualitative data is best used to find roots of the problems or getting detailed information on a certain subject. It provides in-depth knowledge about certain issues, but it could be easily biased and it requires judgment on the part of person undertaking the review. The most common ways of collecting qualitative data is individual in-depth interview, focus group interview, observation, case studies and company documentation. Martin Hilb (2006) introduced a standardized board interview situation with a set of cards as a support tool. The set of red cards helps to indicate which corporate governance factors are the most important for the board member and the green cards help to rank the satisfaction with those governance practices. Afterwards, the main reason for dissatisfaction at each highlighted issue is explored and an action plan is developed to change those practices (Hilb, 2006). For analyzing board dynamics, observation and focus group interviews are used most of the time. These provide insight, with the help of group interaction, and are the most effective ways of seeing board members in action. However, they are not really suitable for discussing sensitive issues and it is subject to an observer's bias. Case studies are time consuming, but can dive into specific areas unique to the organization.

On the contrary, quantitative data is very specific and measureable and could help in comparing board member performance with one another. Usually, the facilitator decides on the timing of the survey and it is used in conjunction with other techniques. It is subject to individuals' subjective assessment of certain issues and carries the danger of responder bias. Online questionnaires can gain large amount of information in a short time and the data could be easily compared and comprehended. Surveys are usually standardized, but there is a possibility for including open questions to capture individual opinion and needs. This type of survey is called the semi-standardized survey (Hilb, 2006). However, board members might dislike questionnaires and it is not suitable for analyzing sensitive issues (Deloitte, 2012). The "8 W" concept developed by Martin Hilb (2006) is a successful board evaluation tool regarding board dynamics. On one side, it analyzes issues related to board policies e.g. board guidelines, board culture, board structure, board meeting management and board diversity. On the other side it pays attention to other important board factors like board champions, board stakeholders and board feedback. The self and external evaluation is done both on the individual board member's level and on the joint board level as well. Besides having individual feedback the board is responsible for its own self-review, the so-called 360 feedback process. The main aim of the "8W" evaluation technique is to find out which factors are the most important for the board's success and how satisfactory those requirements are at the moment.

Different psychological tests could be used during the evaluation process to measure personality styles and psychological preferences. The Myers-Biggs Type Indicator (MBTI) analyzes the preferences how people perceive the world and make decisions in general (The Myers & Briggs, 2013). For individual evaluation the Cognitive Profile Inventory is also used as it could help to identify people's own cognitive styles and to predict behavior with regard to thinking, learning and problem-solving (The Myers & Briggs, 2013). On the interpersonal and group level usually the intensity of interaction among board members and conflict management within the board is evaluated. The FIRO test (Fundamental interpersonal relations orientation) helps to analyze the level of affection, inclusion from the board member's side, while finding out which individuals have remarkable control in the group (FIRO-B, 2012). Conflict management depends a lot on the member's conflict style and their responses in a complex situation. The Thomas-Kilmann conflict mode instrument measures the individual's response to conflict situations by working along the axes of assertiveness and cooperativeness (Thomas & Kilmann, 2013). Usually in case of external evaluation these tests are used as consultants could choose the most suitable ones for certain boards.

After the evaluation is completed, the question is to whom the results should be released. It could be board members (evaluation focused on board dynamics), chairperson/board member (individual director performance) or senior management team (board-management relationships). If the board is seeking performance improvement internal stakeholders should be informed, while for building up a reputation for transparency could be best done by involving external stakeholders as well. An interesting discussion remains about the role of the CEO and to what extend he/she should be an active participant during the whole process.

There is an ongoing discussion on how often board evaluation should be done. Boards with clearly articulated and understood policy are conducting it on an “as needed” basis, but it is not a common example. Some organizations prefer extensive evaluations every 2-3 years done by an external facilitator (Code Banken, 2010). The disadvantage of this type of evaluation that many changes could occur during this time frame; therefore, solutions to certain problems could be delayed. The annual review is most used by board members as it connects evaluation to strategy formulation processes time-wise. However, this could become too complacent and predictable for boards and that could outweigh the advantages of the evaluation. For the future boards many scholars recommend an ongoing process as it evaluates the effectiveness of each board meeting. The advantage of using this method is “front of mind” issues, quick feedback, little time / effort needed and encouraged discussion and interaction from the board members’ side.

It is interesting to see what is happening after the self-evaluation procedure is done, what are the actual changes boards make. There is an annual survey done by PWC trying to summarize actions taken by boards after the yearly evaluation (PWC, 2013). According to their survey 57% of the boards took some actions and seeking additional expertise was the most common one (35%). They realized the importance of the committee’s composition and boards make regular changes in the committee’s structure as well (30%). Diversifying the board has an increasing number (17%) as more female and international members are welcomed on the boards. Changing the whole board’s structure is less common than changing the committees (14%), but not re-nominating a director could be one of the actions taken. The relationship between the management and the board could be improved as well (12%) by changing the dynamics and communication between them. On the individual board member level extra counseling and trainings are provided after the evaluation (12%) to improve their performance. Naturally more actions could be taken, but these actions are the most common ones according to the survey. 43% of the boards felt that there is no need to make any changes after the self-evaluation process.

By looking at the above-described evaluation circle (Figure 1.) and its main elements, a distinction could be made between advanced/least advanced governance codes in terms of evaluation. The national corporate governance codes give a good indication how developed the board evaluations are in a certain country. Table 2. (Evaluation in corporate governance codes) highlights the most important aspects of evaluation mentioned in the following codes: Dutch Corporate Governance Code (2009), Code Banken (2010), Gedragscode voor Commissarissen en Toezichthouders (2009) from The Netherlands, The UK Corporate Governance Code (2012), Guidance on Board Effectiveness (2011), UK Stewardship Code (2010), the Swiss Corporate Governance Code (2008), the Swedish Corporate Governance Code (2010) and the OECD principles on Corporate Governance (2004). The comparison helps to identify the differences in terms of business culture and how soft control instruments are used during the evaluation procss (Luckerath-Rovers, 2011). It seems that the frequency of the evaluation and the members being evaluated is standard in most codes, but the other elements differ by country. While the British and the Dutch Code find it important to discuss the method of the evaluation and allow internal/external evaluation, the Swedish Code focuses more on who should be evaluated and what happens with the results.

External evaluation as an important element of transparency and corporate governance is only required by The UK Code and the Code Banken in The Netherlands. It is interesting to see that the Swiss Code only mentions evaluation very briefly and it does not specify any requirements for the evaluation. The Guidance on Board effectiveness developed by the British Financial Reporting Council follows exactly the guidelines of the UK Code, while the UK Stewardship Code complements the UK Code and gives more governance guidelines to institutional investors. The OECD principles are currently under review, as they try to strengthen the core values based on experiences from the past 10 years.

In 2014 a new initiative has been taken in The United Kingdom to set general standards for board evaluation. This proposed Code of Practice along with a framework would provide a better overview on how board evaluations should be done and how companies and advisers could work together more effectively. Key features of this proposed code are: clarity on conflicts of interest, safeguards against insider trading, not more than two consecutive assignments for consultants, creation of independent adviser body and more focus on effective communication between client and adviser (Medland, 2014). The draft code has been developed for external evaluation by Advanced Boardroom Excellence consultancy, but the internal evaluation part is still open to public discussion. This draft is focusing on the competencies and capabilities of the consultant, the expectations of the client by the consultant, the terms of engagement and on creating an effective evaluation process (ABE, 2014)

Table 2.: Evaluation in corporate governance codes

	The UK Corporate Governance Code	*Dutch CG Code*	*Code Banken*	*Gedragscode voor Commissarissen*	*Swiss Corporate Governance Code*	*Swedish Corporate Governance Code*	*OECD Principles on Corporate*	*Financial Reporting Council Guidance*
Evaluation at least once a year								
Internal/external evaluation is allowed								
Board and individual board members must be evaluated as well								
Evaluation of board member's skills and competencies								
The process/method of evaluation must be reported								
The organization can decide on the method of evaluation								
At least every 3 years external evaluation								
Non-executive directors should evaluate the chairman								
Evaluation should be sent to the nomination committee								
CEO should be continuously evaluated								
Executive management is not allowed to be present during the evaluation meeting								

Board dynamics and evaluation are more and more important at the governance table and companies integrate the corporate code guidelines into their day-to-day management (Hilb, 2006; Maanen van, 2012; Luckerath-Rovers, 2011). It is a developing field and multiple instruments have been introduced to create effective decision-making in the boardroom. Many governance codes follow the example set by the UK Corporate Governance Code as it gives the most detailed description on role/responsibility of the directors and how evaluation should be done. For example in The Netherlands most of the required governance conditions are fulfilled, but there is still remarkable management involvement during the evaluation process and it is mostly done without the help of an external facilitator (Monitoring Commissie, 2012). However, this change is not only challenging for the policy makers, but also for the board members. How are the most important issues brought to the table? Which design should be used for evaluation and which board member is the weakest link in the boardroom? These are some issues every board is facing today, but finding the right instruments to solve these problems differs by company. The direction is given for good board dynamics, but the way to achieve this goal is still unclear. Changing the way of group interaction and having a critical view on their own functioning requires willingness for change and a new mindset from the directors' side, so hopefully at the end not the Enron board members will be the smartest guys in the room.

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