

## **Boards' Different Advisory Tasks – What Makes Board Members Use Their Knowledge?**

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*We investigate what makes board members use their knowledge and skills for providing advice to executives on different matters. Distinguishing between functional and firm-specific advice, we examine how the use of knowledge and skills mediates the relationship between board processes and different advisory tasks. The empirical results highlight the leadership role of the chairperson and show that antecedents of the two types of advice differ. Applying group effectiveness arguments, we contribute to the understanding of actual board behavior. Furthermore, the study provides insights for both practitioners and policy-makers on how to make use of the board as an organizational resource.*

### **INTRODUCTION**

Most corporate guidelines, such as the G20/OECD Principles of Corporate Governance (2015), focus on monitoring executive behavior as the main board task. However, research on boards in the last two decades has moved from a mainly single governance perspective, focusing on monitoring tasks towards a broader set of tasks that boards are involved in (Hambrick, Werder, & Zajac, 2008; Huse, Hoskisson, Zattoni, & Viganò, 2011; Zahra & Pearce, 1989). It is important to better understand and explain the antecedents of board tasks other than monitoring, because these tasks may also contribute to a firms' value creation (Huse, 2007). Boards' involvement in these tasks contributes for instance to firm financial performance (Zattoni, Gnan, & Huse; 2015). The literature about boards often refers to these tasks as service tasks (Johnson, Daily, & Ellstrand, 1996). With regard to content, there exists a huge variety in the tasks boards perform even within the set of service tasks. They induce advice, networking and lobbying, as well as being involved in strategic issues. Despite the development of the field, knowledge on what enables boards to successfully perform different service tasks needs to be further developed.

First, the content of service tasks needs to be further detailed, and more fine-grained definitions of tasks should be developed and applied (Machold & Farquhar, 2013). There are ambiguous opinions on the theoretical frameworks of different service tasks, and theories are often used interchangeably (Machold & Farquhar, 2013). Second, a behavioral approach of boards may help us to understand how board processes are related to different tasks (Forbes & Milliken, 1999). There is the need to move beyond the unsatisfactory results provided by input-output studies linking board composition with company performance (Daily, Dalton, & Cannella, 2003; Finkelstein & Mooney, 2003). A better understanding about what actually happens inside and outside the boardroom affecting board performance is called for. Scholars need to further open up "the black box of board behavior" to contribute to our understanding what enables boards to perform certain sets of tasks and what the antecedents of these tasks are. And third, moving beyond using archival data, theoretically derived hypotheses on the relationship

between board processes and service tasks should be empirically tested on primary data. Even though we acknowledge the efforts of several scholars in collecting such data, until now only few studies in this tradition have been published (see e.g. Minichilli, Zattoni, & Zona, 2009; Wan & Ong, 2005; Zona & Zattoni, 2007).

The purpose of this article is to investigate the antecedents that impact the boards' ability to effectively perform functional and firm-specific advisory tasks. Therefore, we introduce a more fine-grained definition of advisory tasks. We argue that the content of advice provided matters, and that the antecedents of functional and firm-specific advice vary. We view the board as an organizational resource contributing to sustained competitive advantage by effectively providing advice. Board members on the one hand need relevant knowledge and skills, and on the other hand actively make use of it, regardless of the content of advice (paper in progress by the author). Some studies have examined the dynamics that make board members actively use their knowledge (Zattoni et al., 2012; Zona & Zattoni, 2007). However, only few such as Minichilli, Zattoni, Nielsen, & Huse, (2012) have done this in relation to boards' advisory task performance.

We refer to well discussed concepts from the literature such as board relational norms (Huse, 1993), chairperson leadership (Leblanc, 2005), and board cohesiveness (Forbes & Milliken, 1999). We argue that these concepts are related to different types of advice and that the use of knowledge and skills mediates these relationships. Viewing the board as a decision-making group at the apex of an organization, we further contribute to current knowledge by applying group effectiveness arguments (see e.g. Mathieu, Maynard, Rapp, & Gilson, 2008) in relation to boards.

The paper is structured as follows. We begin with an overview of the current literature related to board tasks and the concepts used in this study. The formulation of hypotheses is embedded in this first chapter. We then introduce the data and variables used and present the methodology applied. The findings are presented and discussed afterwards in relation to the extant literature. After a final conclusion, implications for academics and practitioners are presented.

## **THEORY AND HYPOTHESES**

### **Board Tasks**

There are needs for board studies contributing to our understanding what boards do and how they can contribute to organizational value creation (Huse, 2007; Pettigrew, 1992). Therefore, studies of board tasks have gained increasing attention within the last 25 years resulting in different attempts to identify and categorize sets of board tasks according to different theories applied (Hung, 1998; Zahra & Pearce, 1989). Besides the progress in conceptualizing board tasks potentially impacting organizational competitive advantage, there is still the need to explore sets of board tasks, their theoretical derivation, and their empirical content (Machold & Farquhar, 2013). To examine what may be included in certain board tasks supports future research ambitions to study the relative distribution and dynamics of tasks.

The boards' involvement in sets of advisory tasks has so far been only topic of few studies (see e.g. Krause, Semadeni, & Cannella, 2013; Minichilli et al., 2009; Wan & Ong, 2005). There is significant variance in the theoretical framing of boards' advisory tasks and many theories such as resource dependency theory (Pfeffer & Salancik, 1978) as well as the resource-based view (Barney, 1991) have been applied. Whereas resource-dependency arguments link organizations with their external environment through the board (Hillman et al., 2000; Pugliese, Minichilli, & Zattoni, 2013), we apply an internal perspective and acknowledge the boards value creation potential as an organizational resource providing advice to executives. Based on their knowledge and skills, board members may typically provide valuable, rare, inimitable, and non-transferable resources to a firm, and by combining such resources they may contribute to the competitive advantage of the firm (Zhang, 2010). Different types of advice may however contribute differently to the competitive advantage of the firm.

There is further variance in the operationalization of board advisory performance in a way that similar items may be used interchangeably (Machold & Farquhar, 2013). To understand what contributes to board performance, more fine-grained definitions and what is included in different board tasks are needed

(Huse, Nielsen, & Hagen, 2009). We want to contribute to the scarce body of studies empirically measuring board advisory performance.

We differentiate boards' involvement in functional and firm-specific advice based on the content of advice provided. Functional advice refers to the boards' involvement in advice related to general management, legal, and finance topics. Firm-specific advisory tasks cover technical and marketing related matters. We measure board task performance by the extent to which boards are involved in each task (Minichilli et al., 2009).

### **Board Relational Norms**

The concept of board relational norms has its roots in the theory of contractual relations (Macneil, 1980). Relational norms are related to unwritten rules and principles inside and outside the boardroom and are studied between the board and the management (Huse, 1993), owner family members (Mustakallio, Autio, & Zahra, 2002), and as in our case among the board members. This construct covers the long-term dimension of board atmosphere characterized by trust, common values, and mutual expectations between board members. Since this construct is difficult to operationalize, only few studies have examined relational norms among board members so far. However, the impact relational norms may have on board service tasks is shown by Borch & Huse (1993). In line with their arguments, we propose that boards' involvement in different advisory tasks may benefit from relational norms. A board atmosphere described by trust, shared values, and long-term commitments among board members may facilitate board members actively providing advice, regardless of the content. Especially in small businesses, where relational norms may supplement formal rules and structures, board members rely on these informal principles. Regardless of the content of advice provided, we therefore hypothesize:

*Hypothesis 1: There is a positive relationship between relational norms among the board members and functional as well as firm-specific advisory task involvement.*

### **Board Chairperson Leadership Excellence**

The excellence of board leadership may have an important role on boards' involvement in different tasks. It is the chairperson that might be the person with the greatest ability to shape board leadership (Leblanc, 2005). This is in line with Roberts, McNulty, & Stiles (2005), who define the chairperson as the one having the most influence on board culture as well as board members engagement. Applying basic group efficiency arguments (Gladstein, 1984), his/her behavior in leading the board may ensure that the productivity of any board member increases with the interactions on the board. The chairperson is expected to lead individual board members in order to create an effective group and make board members feel equal (Huse, 2007). It might be his/her highlight excellence in leadership that combines and coordinates these resources at the board leading to competitive advantage. Empirical evidence suggests that board leadership excellence is an important predictor for board effectiveness (Machold et al., 2011). In line with these consistent arguments highlighting the importance of the chairperson being responsible for board culture, and leadership excellence affecting board performance, we hypothesize:

*Hypothesis 2: There is a positive relationship between board chairperson leadership excellence and functional as well as firm-specific advisory task involvement.*

### **Cohesiveness**

Cohesiveness refers to the degree of interpersonal attraction among board members and is concerned about the boards' ability to continue working together (Forbes & Milliken, 1999). Since boards are charged with complex and interactive tasks, the degree of interpersonal attraction among members impacts board task effectiveness (Williams & O'Reilly, 1998). However, a curvilinear relationship is best for the board in order to be involved in both, monitoring and service tasks (Forbes & Milliken, 1999). Focusing on the relationship between cohesiveness and boards' involvement in advisory tasks, we argue

that high levels of interpersonal attraction may lead to active boards in performing advisory tasks. We assume that high level of cohesiveness (leading to group-thinking) might lead to boards performing monitoring tasks ineffectively, but does not affect advisory tasks in the same way.

Whereas relational norms rather cover the long-term dimension of board member behavior, cohesiveness is more related to a short-term perspective. Interpersonal attraction as well as enjoying being a member of the board may therefore be especially important for boards dominated by external board members without close ties to the organization. Sustained value creation might not be the first priority for these boards and their relationship with the organization may be often characterized by short-term commitment. In addition, board members of these boards usually do not rely on their board assignments since these assignments likely complement their main profession. Therefore, a good board atmosphere may be of greater importance to these boards, stimulating the provision of advice. Based on the knowledge and skills of their members, we assume that these boards may be rather involved in providing functional advice as they lack firm-specific competencies. We therefore hypothesize:

*Hypothesis 3a: There is a positive relationship between cohesiveness and functional advisory task involvement.*

At the same time, we expect that boards dominated by internal board members or external board members with close ties to the organization may rather be involved in firm-specific advice. These boards may provide advice based on professional relationships and long-time commitments with the firm regardless of the interpersonal attraction among its members. We therefore hypothesize that cohesiveness does not have a predictive power for boards' involvement in firm-specific advice.

*Hypothesis 3b: There is no relationship between cohesiveness and firm-specific advisory task involvement.*

### **Use of Knowledge and Skills**

Whereas early board research often assumed that existing competences on the board will be used, current board literature widely acknowledges that the presence of knowledge and skills does not ensure per se that board members actively make use of it and apply it towards their tasks (see e.g. Forbes & Milliken, 1999; Huse, 2007; Zona & Zattoni, 2007). Applying resource-based view arguments and looking at the board as an organizational resource, Zhang (2010) describes the use of knowledge and skills as the dynamic dimension of the competencies being present. It refers to how board members' contributions are coordinated (Forbes & Milliken, 1999), and is about the group's ability to cooperate and how board members generously make use of their competences on an individual level. Open dialogue and free communication of preferences and considerations are important attributes of this concept and supposed to be fundamental for board effectiveness.

That board members use their knowledge and skills as well as the impact of this use on board performance has been examined in several empirical contributions (e.g. Minichilli et al., 2012; Zattoni et al., 2012). The utilization of knowledge on board level is especially relevant for board advisory tasks (Forbes & Milliken, 1999). Another paper in progress by the author supports this and shows that the use of knowledge and skills is an important predictor for boards' involvement in different advisory tasks regardless of the content. We argue that the board members' use of knowledge and skills plays an important role in mediating board processes and different types of advice boards are involved in.

Specifically, we suggest that relational norms such as common values, shared goals, and mutual expectations encourage board members to utilize their knowledge and skills. Relational norms characterized by informal rules based on long-term commitment may contribute to board members applying their knowledge towards advisory tasks. We hypothesize:

*Hypothesis 4: The use of knowledge and skills positively mediates the relationship between relational norms among board members and functional as well as firm-specific advisory task involvement.*

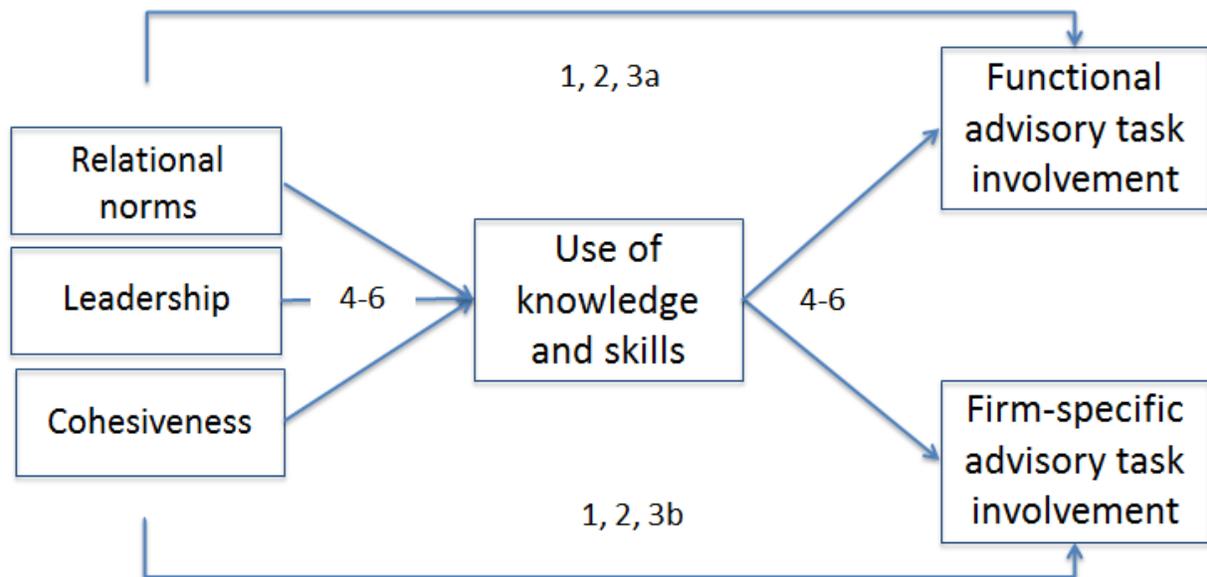
As mentioned before, the use of knowledge and skills refers to the coordination of board members contributions (Forbes & Milliken, 1999) and their ability to cooperate. Board chairperson leadership excellence positively impacts the quality of these processes as the chairperson may have the most influential power on these processes. We therefore hypothesize:

*Hypothesis 5: The use of knowledge and skills positively mediates the relationship between board chairperson leadership excellence and functional as well as firm-specific advisory task involvement.*

A cohesive board atmosphere with interpersonal attraction among its members is expected to have a strong impact on board members' use of knowledge and skills. In line with previous research we therefore hypothesize:

*Hypothesis 6: The use of knowledge and skills positively mediates the relationship between cohesiveness and functional advisory task involvement.*

**FIGURE 1  
RESEARCH MODEL AND HYPOTHESES**



**METHODS**

To test our hypotheses we decided to use the “Value Creating Board” research instrument (Huse, 2009). This research instrument has been used by several scholars in different European countries such as Italy (Minichilli et al., 2009; Zona & Zattoni, 2007), the Netherlands (van Ees, van der Laan, & Postma, 2008), Belgium (Bammens, Voordeckers, & Van Gils, 2007; van den Heuvel, van Gils, & Voordeckers,

2006), and Norway (Calabrò & Mussolino, 2013; Machold et al., 2011). We decided to use data collected in Norway to meet our research question.

### **Sample and Data Collection**

The Norwegian “Value Creating Board” database contains survey data from 2003, 2004, 2005, and 2006. Survey responses were collected from CEOs, board chairpersons, and other board members. We decided to use the unique questionnaire survey data collected in 2005 (Sellevoll, Huse, & Hansen, 2007). This data has been used in several previous studies of boards (e.g. Minichilli et al., 2012; Zattoni et al., 2015).

The Norwegian context is of particular interest for many reasons. Even though Norway is a small country in Northern Europe and some topics might not be directly transferable elsewhere, we did not find this a problem for this study. Norway has a pioneering role in board approaches and board composition improvements (Singh & Vinnicombe, 2003), and it has a tradition of active boards (Huse, 1990). Moreover, the governance system in Norway has many similarities (e.g. documented in the Norwegian Code of Practice for Corporate Governance) with other countries (Machold et al., 2011). For these reasons and since we are using a theory generated empirical test, this data may be applicable and interesting in other settings as per today.

More importantly, the Norwegian data set is the most comprehensive one amongst the “Value Creating Board” surveys conducted in Europe (Huse, 2009:370). This survey contains 265 questions and covers more in depth questions relating to our interest of research than the data sets from other countries. Most questions are linked to constructs which have been used or suggested by previous research contributions. Moreover, it addresses a larger number of respondents (CEOs, chairpersons, and board members) and has a fairly high response rate of about 33%, which is significantly higher compared to board studies in most other countries (Finkelstein, Hambrick, & Cannella, 1996). In addition, as described in detail in Huse (2009), the survey addresses in total 2,954 firms and is based on the second generation of the research instrument applying mostly seven point Likert type scales. Most of the available studies from Italy, the Netherlands, Belgium as well as the 2003/2004 Norwegian studies are based on five point Likert type scales from the first generation instrument.

As boards in general tend to conduct business under secrecy, access to board process data is traditionally difficult (Daily et al., 2003; Pettigrew, 1992). Applying this unique research instrument and using questionnaire survey data follow earlier calls (Forbes & Milliken, 1999; Hambrick et al., 2008) to go beyond the surface level and develop measures aiming to capture actual board behavior. Therefore, to meet our research question and examine the inner working of boards, we find this data set very helpful.

As described in Huse (2009), the instrument was designed and data were collected in a way that a potential common method bias (Podsakoff, MacKenzie, Podsakoff, & Lee, 2003) is reduced to a minimum. Procedures include for instance pilot studies, preliminary expert interviews, introductory letter, and thorough question wording to reduce item ambiguity and social desirability bias. In addition to the measures described above, Harman’s one factor test was performed to test for common method bias. Exploratory factor analysis revealed that based on the eigenvalues (threshold > 1.0) the majority of variance accounts for more than one general factor. The conclusion that common method bias should not affect the results in our study gets support by running a partial correlation procedure (Lindell & Whitney, 2001), which controls for method variance.

For the purpose of this study, we apply a single-respondent design, which is a common approach in primary data governance studies (see e.g. Pearce & Zahra, 1991; Zhang, 2010). In line with extant research (see e.g. Zahra, Neubaum, & Huse, 2000), we decided to use responses from CEOs. Because of his/her knowledge on board processes (Zattoni et al., 2015), we consider the CEO to be the most knowledgeable informant about phenomena pertinent to our study. Additionally, taking boards’ special feature as episodic decision-making groups into account, CEOs may be more likely able to evaluate boards’ involvement in service tasks (Zattoni et al., 2015). We acknowledge the limitations a single respondent design has in the interpretation of the results (Gabrielsson & Winlund, 2000), but follow earlier arguments that multiple respondents might bias the results even more (Kumar, Stern, & Anderson,

1993). Therefore, we decided not to use the collected answers of board chairpersons and board members. Using CEO responses only means that our research design is based on how the CEO perceives the concepts of interest in this study and therefore the results need to be interpreted in that way. This perception might be influenced by certain factors such as different backgrounds and identities (Huse, 1993; Huse & Rindova, 2001).

Our sample includes complete and valid answers from 497 CEOs. In total, 973 CEOs answered the questionnaires and a non-response analysis showed no significant differences between respondents and non-respondents (Huse, 2009). For the purpose of this study, we used only firms with at least 10 employees to ensure that micro-sized firms do not affect the results, as they often lack formal governance structures (Gedajlovic, Lubatkin, & Schulze, 2004). Additionally, to examine group decision-making constructs we excluded boards with less than 3 members from the analyses. One case where the age of the CEO was indicated as 1 was excluded from the analyses as well.

### **Dependent Variables**

We use the boards' involvement in advisory tasks as the dependent variables. This is a usual board performance measure in behavioral board studies (Minichilli et al., 2009). To measure board involvement in functional advisory tasks, we use a composite index of three items measuring board members degree of involvement on a 7-point Likert scale. For functional advice, the CEOs were asked to evaluate board involvement in advice on i) general management issues, ii) legal and technical accounting issues, iii) financial issues. Cronbach's alpha coefficient for this variable is .737. Involvement in firm-specific advisory tasks is computed as the mean of advice on i) technical issues (production- and information technology), and ii) marketing issues. The Cronbach alpha in this case is .702.

### **Independent Variables**

Relational norms, leadership of board chairperson, and cohesiveness are the independent variables in our study. Relational norms are measured as the mean of interactions between board members in six different areas: Between board members there are i) unwritten rules and principles on how the board should conduct its business, ii) common values, attitudes, and norms regarding ethics, justice, corporate responsibility etc., iii) mutual expectations to each other's future actions, iv) considerable weight on preservation of personal relations, v) considerable weight on preservation of professional relations, vi) considerable weight on trust when conflicts are to be resolved. Leadership of board chairperson refers to the excellence of the chairperson i) in motivating and use each board member's competence, ii) at formulating proposals for decisions and summarizing conclusions after board negotiation, iii) at leading board discussions. Leadership is measured as the mean of these three items. Cohesiveness is computed as the mean of three items on how the CEO assesses board members perception of belonging. It refers to how they i) appreciate being together in the meetings, ii) have very good atmosphere together in the board meetings, and iii) highly prioritize being a member of this board. All independent variables were measured using a 7-point Likert scale and the Cronbach alphas for these variables were .734, .826, and .752 respectively.

### **Mediating Variable**

The mediating variable board members use of knowledge and skills is computed as the mean of three items in how board members: i) accept and acknowledge the possibility that they might be wrong in their considerations, ii) willingly offer advice based on private knowledge, ideas and views, and iii) communicate their personal preferences and considerations open and freely. CEOs were asked on their agreement with these statements on a 7-point Likert scale and the Cronbach alpha in this case is .771.

### **Control Variables**

Different sets of variables are used to control on firm, board, CEO, and board chairperson level. Organizational control variables include firm age, firm size by revenues, and high-tech nature of the firm. Firm age and firm size are measured as natural logarithmic transformation (in order to create normal

distributions) of the age of the firm at the time the survey was conducted (2005) and the annual revenues 2004 in Norwegian Kroner respectively. High-tech nature of the firm is based on whether the CEO perceives the firm being high-tech or not. At the board level we control for the number of board members (board members with full voting rights the firm had per October 10<sup>th</sup> 2005) and CEO duality, which refers to whether the CEO chairs the board at the same time. We control on firm and board level to take different structural settings leading to different board dynamics into account. On an individual level we control for tenure and age of the CEO and the board chairperson. Tenure was measured as the number of years the CEO/chairperson is holding his/her current position. We control for these variables since they may influence CEO/chairperson power dynamics and determine the board task involvement (see e.g. Shen, 2003; Fiegner, Brown, Dreux, & Dennis, 2000).

### **Analyses**

We statistically test (1) the effects that board relational norms, board chairperson leadership, and cohesiveness may have on functional as well as firm-specific advice, and (2) the mediating role of board members use of knowledge and skills. The hypotheses are tested using multiple linear regressions. Applying Baron and Kenny's (1986) mediating model, we test three models for each, functional advice (Model 1-3) and firm-specific advice (Model 4-6). To support a mediating relationship three conditions should be met. First, the independent variables must be significantly associated with the dependent variable (Model 1 & Model 3). Therefore, we perform an analysis testing the direct effect board relational norms, board chairperson leadership, and cohesiveness have on functional and firm-specific advice respectively. Second, the independent variables need to have a significant relationship with our mediating variable board members use of knowledge and skills. Model 2 and Model 4 test for these relationships. Third, after entering the mediator in the regression analysis, the relationship between the independent and dependent variables should either disappear or significantly diminish. We test this in Model 3 for functional advice and Model 6 for firm-specific advice respectively.

### **RESULTS**

Descriptive statistics such as mean and standard deviation for the variables used in our analysis are presented in Table 1. We further performed Pearson's correlation analysis and Table 1 shows the correlation coefficients among the variables presented above. To check for possible collinearity among the variables, we performed variance inflation factor (VIF) tests. Results show VIFs values within recommended ranges ( $1 < x < 3$ ) (Myers, 1990), far below the critical threshold of 10. This leads to the conclusion that multicollinearity should not affect the results in our study.

**TABLE 1  
CORRELATION MATRIX**

Pearson Correlation	Mean	Std. Deviation	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
1. Firm Age	48.24	45.64	1														
2. Firm Size	655.70	1882.96	.172***	1													
3. High-tech Firm	0.35	0.48	-.054	.099*	1												
4. Number of Board Members	5.52	1.85	.169***	.438***	.098*	1											
5. CEO Duality	0.04	0.20	-.075	-.074	-.020	-.114**	1										
6. CEO Tenure	6.87	6.14	.140**	-.142**	-.052	-.060	.122**	1									
7. Chairperson Tenure	5.43	5.77	.126**	-.169***	-.089*	-.155***	.043	.256***	1								
8. CEO Age	49.39	8.03	.159***	.114**	.072	.198***	.093*	.384***	-.040	1							
9. Chairperson Age	53.66	8.28	.110**	.027	.009	.146**	-.059	.074	.303***	.122**	1						
10. Relational Norms	4.79	0.96	.038	-.047	-.017	-.116**	.086*	.077*	.131**	.013	.073	1					
11. Chairperson Leadership	5.06	1.20	.055	.099*	-.030	.105*	.050	.102*	-.037	.210***	-.005	.333***	1				
12. Cohesiveness	5.14	1.02	.061	.021	-.032	.032	.088*	.141**	.118**	.090*	.052	.419***	.430***	1			
13. Use of Knowledge & Skills	5.32	1.01	.065	.036	.024	-.051	.041	.054	.066	.016	.015	.411***	.399***	.455***	1		
14. Functional Advice	4.47	1.35	-.045	-.085*	-.012	-.246***	.010	.087*	.022	-.140**	-.053	.228***	.267***	.258***	.400***	1	
15. Firm-specific Advice	4.03	1.46	-.040	-.123**	-.041	-.236***	.110**	.102*	.132**	-.035	-.083*	.214***	.217***	.187***	.283***	.379***	1

\*\*\* Correlation is significant at the .001 level (1-tailed).

\*\* Correlation is significant at the .01 level (1-tailed).

\* Correlation is significant at the .05 level (1-tailed).

Listwise N=479

Model 1 tests the effects of the independent variables on functional advice. As hypothesized, board chairperson leadership ( $B = .236, P < .001$ ) and cohesiveness ( $B = .150, P < .01$ ) positively affect boards' involvement in functional advice. However, we could not find support for Hypothesis 1 linking board relational norms with functional advice. The adjusted  $R^2$  is .193 and the F change 10.541. We check for a significant relationship between the independent variables and the mediator in Model 2. Results show a positive significant effect of relational norms ( $B = .214, P < .001$ ), chairperson leadership ( $B = .226, P < .001$ ) and cohesiveness ( $B = .275, P < .001$ ) on board members' use of knowledge and skills. In this case, the adjusted  $R^2$  is .295 and the F change 17.629. In Model 3 the mediating role of board members' use of knowledge and skills is tested. As Hypothesis 1 with regard to functional advice is a mandatory condition for potential mediation, and not supported by our data, we partly have to reject Hypothesis 4 as well. The results provide support for Hypotheses 5 and 6 that the effects of board chairperson leadership excellence and cohesiveness on functional advice are mediated by the board members' use of knowledge and skills. Specifically, for chairperson leadership excellence ( $B = .170, P < .001$ ) the relationship diminishes whereas it disappears for cohesiveness ( $B = .071, P > .1$ ). For Model 3, the adjusted  $R^2$  is .251 and the F change 13.326. The results of Model 1-3 are presented in Table 2.

**TABLE 2**  
**REGRESSION ANALYSES: FUNCTIONAL ADVICE**

Standardized Beta coefficients	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
N=479	Functional Advice	Use of knowledge & skills	Functional Advice
Ln Firm Age	-.010	.044	-.023
Ln Firm Size	.027	.047	.013
High-tech Firm	.037	.054	.022
Number of Board Members	.248***	-.079*	-.225***
CEO Duality	-.040	-.009	-.038
CEO Tenure	.130**	-.006	.132**
Chairperson Tenure	-.066	.010	-.069
CEO Age	-.208***	-.056	-.192***
Chairperson Age	.005	-.005	.007
Relational Norms	.065	.214***	.003
Chairperson Leadership	.236***	.226***	.170***
Cohesiveness	.150**	.275***	.071
Use of Knowledge & Skills			.290***
Adj $R^2$	.193	.295	.251
F sign (change)	10.541	17.629	13.326

The levels of significance are \* $p < .1$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

We examine the relationship between the independent variables and firm-specific advice in Model 4. As hypothesized, we find support for board relational norms ( $B = .088, P < .1$ ) and board chairperson leadership excellence ( $B = .190, P < .001$ ) positively affecting boards' involvement in firm-specific advice. Further, Hypothesis 3b assuming that cohesiveness does not affect firm-specific advice is supported by the results. The adjusted  $R^2$  is .130 and the F change 6.956. Model 5 equals Model 2, checking the relationships between the independent variables and the mediator board members' use of knowledge and skills. After entering the mediator in Model 6, the relationship between board chairperson

leadership and firm-specific advice diminishes ( $B = .148, P < .01$ ) whereas the relationship between board relational norms ( $B = .049, P > .1$ ) and firm-specific advice disappears. Therefore, the results confirm support for Hypotheses 4 and 5. For Model 6, the adjusted  $R^2$  is .152 and the F change 7.578. Table 3 shows the results for Model 4-6.

**TABLE 3**  
**REGRESSION ANALYSES: FIRM-SPECIFIC ADVICE**

Standardized Beta coefficients	<b>Model 4</b>	<b>Model 5</b>	<b>Model 6</b>
		Use of	
N=479	Firm-specific Advice	knowledge & skills	Firm-specific Advice
Ln Firm Age	-.020	.044	-.028
Ln Firm Size	-.016	.047	-.025
High-tech Firm	.004	.054	-.006
Number of Board Members	-.191***	-.079*	-.176***
CEO Duality	.052	-.009	.054
CEO Tenure	.049	-.006	.050
Chairperson Tenure	.100*	.010	.098*
CEO Age	-.048	-.056	-.038
Chairperson Age	-.086*	-.005	-.085*
Relational Norms	.088*	.214***	.049
Chairperson Leadership	.190***	.226***	.148**
Cohesiveness	.061	.275***	.011
Use of Knowledge & Skills			.182***
Adj $R^2$	.130	.295	.152
F sign (change)	6.956	17.629	7.578

The levels of significance are \* $p < .1$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

## DISCUSSION

By examining the antecedents of different types of board advice, our results support the need to distinguish advisory tasks based on the content to understand boards' involvement in different sets of tasks. Functional and firm-specific advice may contribute differently to sustained competitive advantage of the firm and board processes determining the involvement in one type or the other may differ. Our findings show that the board members' use of knowledge and skills mediate the relationship between certain board processes and different advisory tasks, and provide further insights on group effectiveness theories in relation to boards.

First, we look into the effects of the independent variables on functional advice and the mediating role of board members use of knowledge and skills. Different to our hypothesis development, board relational norms do not impact boards' involvement in functional advice. Our main explanation is that board relational norms are grounded on contractual theories and focus on long-term, sustainable relationships (Huse, 1993). We argue that boards mainly provide advice in certain areas based on the knowledge and skills of their members, and therefore boards are associated with the two types of advice to different degrees. We assume that board members being involved in functional advice are often external to the firm (non-executives) and appointed based on their experience (e.g. law or finance). They may be rather short-term focused and their professional careers often do not rely on single board assignments. Looking into

board chairperson leadership excellence and its positive impact on boards' involvement in functional advice, our findings highlight the importance of the chairpersons' ability to affect board outcomes. This is in line with previous studies on board chairperson leadership (Leblanc, 2005; Machold, Huse, Minichilli, & Nordqvist, 2011). The relationship between chairperson leadership excellence and functional advice is mediated by the board members' use of knowledge and skills. The positive impact of board chairperson leadership on the use of knowledge and skills supports group effectiveness arguments highlighting the importance of board leadership on board performance. Whereas relational norms are rather long-term oriented, cohesiveness may cover a short-term dimension of board atmosphere. Our hypotheses that cohesiveness positively impacts functional advice, and that board members' use of knowledge and skills mediates this relationship are supported by the findings. This supports aforementioned arguments with regard to that (external) board members providing functional advice are more short-term oriented. For boards dominated by these members, a cohesive board atmosphere where they enjoy working together may be more important than professional relationships based on unwritten rules and principles as well as common values.

Second, we examine the effect of the independent variables on firm-specific advice and the mediating role of the board members' use of knowledge and skills. As hypothesized board relational norms positively impact the boards' involvement in firm-specific advice and this relationship is mediated by the board members' use of knowledge and skills. These findings support previous arguments that boards dominated by internal members or those having close ties to the organization are rather involved in firm-specific advice. As mentioned before, we assume that the behavior of these board members is based on long-term and sustainable decision-making. As in the case for functional advice, board chairperson leadership excellence is an important predictor of boards' firm-specific advice and board members' use of knowledge and skills mediates this relationship. Regardless of the content of advice provided, the board chairperson has the power to affect board advisory performance through board processes such as the use of knowledge and skills. As hypothesized, cohesiveness does not relate to the boards' involvement in firm-specific advisory tasks. Board members being able to provide advice to executives on firm-specific matters are often supposed to be either internal or at least have close relationships to the organization and/or the executive team. Decision-making in this case may aim at a sustainable development of the organization. Short-term constructs relating to board atmosphere therefore seem to have little explanatory power on board firm-specific advice.

Further, our results support previous research that board members do not per se use their knowledge and skills (Forbes & Milliken, 1999; Zhang, 2010) but that the application of knowledge towards certain tasks relies on various board processes. Our findings show that board relational norms, board chairperson leadership, and cohesiveness positively impact board members' use of knowledge and skills. Therefore, in order to make use of the board as a valuable organizational resource, it is important to create a setting where board members apply the knowledge and skills at hand towards different advisory tasks.

## CONCLUSION

This study has contributed to our understanding of different tasks boards are involved in by distinguishing board advisory tasks based on the content of advice provided. By looking into what happens inside and outside the boardroom examining board relational norms, board chairperson leadership, and cohesiveness as antecedents of the two types of advice, we have further opened the lid of the "black box of board behavior". Mediated by the board members' use of knowledge and skills, these relationships show what CEOs and board chairpersons can do to improve board performance in giving advice on certain matters. We have empirically tested our hypotheses on a Norwegian sample using questionnaire survey data.

By showing that antecedents of functional and firm-specific advice differ, our findings support arguments calling for more fine-grained definitions of board tasks. Chairperson leadership excellence is important for the provision of board advice, regardless of its content. As hypothesized, this relationship is mediated by the board members' use of knowledge and skills. Whereas board relational norms are

positively related to firm-specific advice, cohesiveness determines board involvement in functional advice. This indicates that based on the content of advice, different board dynamics determine board performance and that board members motivation to use knowledge and skills is related to different constructs. Our findings support arguments by Forbes & Milliken (1999) showing the importance of board members utilizing their knowledge and skills for advice provision. In line with previous research, our findings highlight the importance of the board chairperson (e.g. Bailey & Peck, 2013; Machold, Huse, Minichilli, & Nordqvist, 2011) for the board to utilize their potential knowledge and apply it towards their tasks.

By combining a more fine-grained definition of board tasks with a board processes approach, this study offers several fruitful avenues for future research. We suggest that the application of contingency approaches may deepen our understanding of when different advisory tasks are more relevant. For instance, this study is based on a Norwegian sample and further insights could be gained through comparative studies. Furthermore, future research may look into consequences of these tasks and examine how certain tasks can contribute in detail to organizational value creation. We acknowledge the limitation in our data with regard to the static dimension and therefore suggest that longitudinal studies such as Machold & Farquhar (2013) could capture the dynamics of board processes.

This study offers several insights for research and practice. On the one hand, it provides guidelines for CEOs and board chairpersons on how to make use of the board as a valuable resource for the firm providing advice to the executives. Depending on the organizational requirements, different types of advice are needed and therefore focus has to be given towards certain board processes enabling the board to effectively perform its tasks. On the other hand, it further indicates the importance that it may not be sufficient to bring knowledgeable members to the board. It is the joint responsibility of the CEO and the board chairperson to create board structures and an atmosphere where board members actively use the knowledge they bring to the board. In particular, the impact of the board chairperson as a leader may influence policy makers and codes of corporate governance in order to put this topic in greater focus.

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