

DAUGAVPILS UNIVERSITY

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**Complex evaluation of the performance of the
board of the company in the field of organization of
commercial relations**

SUMMARY

of the Doctoral Thesis for Obtaining the Doctoral Degree (Ph.D.)
in Economics and Entrepreneurship
(Speciality: Business Management)

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The present Doctoral Thesis has been worked out in the Department of Economics of the Faculty of Social Sciences of Daugavpils University.

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Introduction

Name of the thesis: Complex evaluation of the performance of the board of the company in the field of organization of commercial relations.

To characterize **the actuality of the name of the thesis**, it should be noted that the problem of improving the management of companies has always been relevant. This problem may be aggravated by the increase in the number of board members at the same time as the reduction of the qualification requirements for candidates for board members as a result of the possible transformation of the management model of companies. In these circumstances, it can be predicted that the decision-making process binding on the company will be extended and that the consideration of operational issues important to commercial activity within a reasonable period of time will be underestimated. In addition, choosing the wrong model of management of companies can lead to unsatisfactory financial performance. The aforementioned may lead to the adoption of binding decisions by the owners (shareholders) of the company, the main purpose of which is to optimize the operational costs of the company. The most painful solution for reducing operational costs is the reduction of personnel expenses, causing negative consequences for the national economy as a whole.

The influence of these factors can be neutralized or at least reduced by expanding the use of the work evaluation process of the board of the company. The current practice of using the evaluation process in the field of commercial relations does not significantly improve the situation. The known caution of the company's owners (shareholders), the council, as well as the board, as well as several formal restrictions significantly reduce the possibilities of using the board's performance evaluation process. At the same time, the process of evaluating the performance of the board of a company is based on the financial results, characterizing the operation of the company and the achievement of non-financial goals. The analysis of financial results, in turn, is based on coefficients developed in financial theory and the use of their results when evaluating the quality of performance of the executive body of a company. The analysis of the achievement of non-financial goals is more subordinate to the methodology of the entity, that implements the evaluation process of the board's performance.

The levels of using the process of evaluation of the performance of the board can be very different - starting from the evaluation of the performance of the board members of private companies and ending with the evaluation of the performance of the board of the companies of public persons.

Within the framework of the doctoral thesis, the author investigates the **scientific problem** related to the insufficient understanding of the process of evaluating the performance of the management board of a company, by conducting a study of its prevalence in Latvia.

The scientific novelty of the thesis is related to the author's study of the institutional system and characteristic elements of the performance evaluation process of the management board of a company in the field of commercial relations in Latvia.

The novelty of the doctoral work in the practical aspect is related to the determination of the level of actual prevalence of the process of evaluating the performance of the management board of the company carried out by the author in Latvia.

The name of the doctoral thesis can be considered as a very actual issue in the

modern economy, because it is closely related to corporate governance and its guidelines, including in state capital companies. The use of the evaluation process of the board's performance in the field of commercial relations contributes to the effective management of companies, contributes in the respect for the interests of the owners (shareholders) of capital companies, and also contributes to the process of improving the performance of the board. In Latvia, there is no such complex theoretical-practical study dedicated to the study of the peculiarities of the functioning of the evaluation process of the management board of a company in the theory of business management. Therefore, a study of this level will allow to avoid the inaccuracies of the theoretical formulation of the evaluation process and its elements, the uneven practice regarding the recognition of the results of the use of the mentioned process in the theory of business management. The findings of the thesis on the evaluation process of the board's performance can contribute to the stability of the corporate governance system, its wider application, as well as increase the trust of the owners (shareholders) of companies to the company's board and to the company's council.

The research level of the problem. Determining the scope of the concept of evaluating the performance of the board of a company is not an easy task due to the relatively recent use of the term „board performance evaluation process” in scientific research and the diversity of its definitions. Traditionally, the beginnings of evaluating the performance of the board of a company are associated with the classic works of economics (Zeid, 1951, Rich, 1958, Peck, Scherer, 1962), because they were the first to clearly indicate the connection between the results of the performance of the company and the evaluation process of the performance of the board of the company.

The basics of applying the process of evaluating the performance of the board of a company depend on the mandatory elements of commercial relations, which the author systematized as follows: (a) clearly defined process goals (Kelly, 2018; Kiel, Beck, 2006; Barlow, 2020 u.c.); (b) results of the board's performance (Cavaco, Crifo, Rebérioux, Roudaut, 2017; Woo, Paek, 2019 u.c.); (c) competence of the board (Hooghiemstra, Hermes, Oxelheim, Randøy, 2019; Muttakin, Khan, Tanewski, 2019 u.c.); (d) trust to the persons involved in the evaluation of the results of the performance (Fakoya, Nakeng, 2019; Khaoula, Moez, 2019 u.c.); (e) summary of the results of the board's performance (Datta, Basui, Agarwal, 2020; Josiassen, Baker, 2019 u.c.); (f) regulatory framework (external or internal) that determines the methodology of the performance evaluation process of the board of a company (Литвиненко, Лукашина, 2016; Sandu, 2016; Merendino, Dibb, Meadows, Quinn, Wilson, Simkin, Canhotoc, 2018 u.c.).

The research of the process of evaluation of the performance of the board of a company is relatively widely represented in the works of Latvian scientists (Rone, 2017; Šulmanis, 2020; Телепнева, 2019 u.c.), while the theoretical-methodological approach of the evaluation process is applied to its research to a limited extent, which to some extent hindered the author of the doctoral thesis from using the comprehensive scientific experience of Latvia in this field. Analyzing the concepts of economists of several countries regarding the process of evaluating the performance of the board of a company (Tenenbaum, 2016; O'Kelley, Neal, 2020; Palmberg, 2014 u.c.), the author found that there are no substantive contradictions between them. In the scientific doctrine (Klemash, Doyle, Smith, 2020; Hesketh, Sellwood-Taylor, Mullen, 2020; Field, Leclerc, 2008 u.c.) it is accepted to link the evaluation process of the board's performance with its logical result - a conclusion

about the results of the performance of the board of the company. The variety of terms can be explained by linguistic peculiarities, because, for example, in English, the term „corporate management” is used much more often instead of the term „evaluation of the board’s performance” (Nadler, 2004; O’Kelley, Neal, 2020; McNamara, 2017 u.c.), which, unlike the Latvian language, does not require an explanation and the meaning of this concept may seem self-evident.

The scientific studies developed in Latvia primarily focus on the structural system of the evaluation process of the board of a company (Kalniņš, Litvins, 2011), and also recognizes the results of the company’s work and regularities of the board’s functioning (Jauja, 2020). However, the quantity of the mentioned scientific works and the time of their publication indicate the initial stage of the entry of the mentioned approach into Latvian science. This also indicates the broad possibilities of implementing the theoretical methodology of the evaluation process of the board of a company in the Latvian economy and business management.

The purpose of the thesis: To carry out determination of the real prevalence level of the performance evaluation process of the board of a company in the field of commercial relations in Latvia.

To achieve this purpose, within the framework of the doctoral thesis, the author intends to perform the following **tasks**:

- to conduct a comparative historical analysis of the emergence and development of the board’s performance evaluation process in Latvia and abroad;
- to identify the nature of the evaluation process of the board’s performance and study its content;
- to carry out a scientific-theoretical analysis of the functional and institutional system of the board’s performance evaluation process in Latvia and abroad;
- to analyze existing and obtain new empirical data on the actual state of use of the board’s performance evaluation process in Latvia;
- to identify the most significant problems in the spread of the use of the board’s performance evaluation process and develop rational solutions to these problems.

The object of the thesis – Commercial relations.

The subject of the thesis – Analysis of the functional and institutional performance of the evaluation process of the board of a company in the field of commercial relations.

The questions of the thesis have been raised in order to achieve the goal of the thesis and they are:

1. What is the actual organization of the evaluation process of the board’s performance in the world and whether the practice, implemented in Latvia in this area, is considered sufficient?
2. What are the basic principles of the organization of the board’s performance evaluation process and what are the financial performance coefficients characterizing the process?
3. What are the dynamics of using the board’s performance evaluation process in Latvia and abroad?
4. What are the possible directions and opportunities for improvement of the board’s performance evaluation process in Latvia?

The thesis hypothesis – an insufficient understanding of the process of evaluation of the performance of the board of companies and the lack of cultural and historical traditions in the field of corporate governance in Latvia seriously slow

down the development of the institute of evaluation of the performance of the board of companies, hindering its comprehensive and complete application.

Proposed **theses**:

1. The process of evaluation of the performance of the board of a company is based on the desire to get an idea of the results of the performance of the board, which is justified by the prerequisites for the establishment of the institute for the evaluation of the performance of the board of the company and historical development trends.
2. The basis of the application of the evaluation process of the performance results of the board of the company is the clear identification of the elements of commercial relations.
3. The development of the methodological basis for the process of evaluation of the performance of the board of a company in the Republic of Latvia is only at the initial stage, which means that it has a great potential for development.
4. The process of evaluating the performance of the board of a company in Latvia is not sufficiently developed and the public is poorly informed about the goals and conditions of the implementation of the process.

The theoretical basis of the thesis consists of the used reference sources.

Analyzing the scientific literature, it should be concluded, that during the last few decades, the process of evaluating the performance of the board of a company has been the focus of attention of practitioners, company managers and scientists, because the quality of its implementation strongly affects the results of the performance of the company's board. Successful results of the performance of the board of the company in turn lead to higher production capacity, lower costs, customer satisfaction, customer loyalty and increase the profitability of the company.

The practical significance of the thesis. In addition to proposals aimed at continuing the improvement of the Latvian corporate governance process, the thesis contains insights, that can be used in the practical activities of the board and council members of the company, as well as the owners (shareholders) of the company. The obtained insights also make a valuable contribution to the theory of business management.

The practical importance of the thesis is related to the fact, that its results can be used to improve the process of evaluating the performance of the board of the company, as well as for further in-depth research.

The empirical basis of the thesis is compiled: information about the status and dynamics of the application of the performance evaluation process of the board of capital company in the country; statistical data on the registration of companies; Survey data of 50 board members of companies, 1000 residents, 10 expert interviews, research results of international organizations.

Period of collection of empirical data, used in the doctoral thesis: March 2020 - May 2020.

The following **scientific research methods** were used for the research: comparative, historical, analysis, synthesis, systemic, statistical, induction, deduction.

At the empirical level, the acquisition and accumulation of information about the process of evaluating the performance of the board of the company, the peculiarities of its functioning took place. At this research level, the etymology and definition of the evaluation process was studied, and the financial coefficients characterizing the process were identified. Therefore, the comparative method was

mainly used in the thesis, comparing the differences in the understanding and organization of the performance evaluation process of the board of the company in the works of scientists from different countries. Similarly, the use of the comparative method is manifested in the study of the peculiarities of foreign and Latvian corporate governance systems, in the determination of financial ratios in the field of using the process of evaluating the board's performance.

With the help of the historical method, the development process of the performance evaluation system of the board of the company was studied in detail in foreign and Latvian business management theory.

At the empirical and theoretical level of the doctoral thesis, analysis and synthesis were mainly used, with the help of which the elements of the evaluation process of the board of the company, their characteristics, characteristics and characteristic financial coefficients were studied. The analysis was used during the research of scientific publications on the evaluation process, when it was necessary to separate and study the rationale of the process and its components. The harmonious inclusion of the obtained results in the thesis took place with the help of synthesis, determining the logical structure of the work and formulating axioms.

With the help of the systemic method, the author of the doctoral thesis investigated the place of the performance evaluation process of the board of a company in the theory of business management in Latvia and abroad. By applying the mentioned method, it was possible to find out within the framework of the evaluation process, to determine the shortcomings of the process and ways of its improvement.

The statistical method allowed the author of the doctoral thesis to obtain and process a set of data on the real prevalence of the performance evaluation process of the board of companies in Latvia in the field of commercial relations. Applying the mentioned method, the author used statistical data on registered capital companies, interviewed experts and surveyed target groups. The obtained results helped form the conclusions of the doctoral thesis.

Using the methods of induction and deduction, the author of the thesis processed information and came to conclusions. With the help of the induction method, from individual facts about the evaluation process of the board of company's performance and the results of its use, information with a generalization that can be applied to the entire evaluation process is obtained. Within the framework of the deduction method, the author of the thesis gained new knowledge about the advantages of using the evaluation process and formulated conclusions about the development prospects of the process, guided by the available information about the board's performance evaluation system and its elements.

The thesis consists of **four chapters**, which contain a detailed presentation and analysis of the process of evaluating the performance of the board of the company. The first chapter examines the basic concepts of the evaluation process used in the doctoral thesis, paying attention to the basic features and essence; in the second chapter, a study of the structure and technique of the application of the evaluation process in the field of commercial relations was carried out; in the third chapter, a scientific-theoretical analysis of the evaluation process in Latvian and foreign business management theory is carried out; the fourth chapter examines the actual state of the application of the evaluation process in the field of commercial relations in Latvia.

The results of the doctoral work **were approved** in 4 publications, some of which were presented at international scientific conferences.

List of publications of the author of the thesis:

1. Jefimovs N., Rimša J. The issue of registration of the term of office of the board of a public limited liability company in the Enterprise Register of the Republic of Latvia. The materials of the International Scientific Conference „Social Sciences for Regional Development 2019”, II part, Saule, 2020, 28.-35.p.;
2. Jefimovs N. Diversity of etymology of the concept of the board of a company in the doctrine of foreign law. The materials of the International Scientific Conference „Social Sciences for Regional Development 2020”, II part, Saule, 2021, 75.-79.p.;
3. Jefimovs N. The genesis of the concept of the board of a company in the international legal doctrine. The materials of the International Scientific Conference „Social Sciences for Regional Development 2021”, II part, Saule, 2022, 38.-47.p.;
4. Jefimovs N., Teivāns-Treinovskis, J. Velika, R. Kriviņš, A. 2022. Conditions for application of criminal liability to the board of a company in the legal system of the Republic of Latvia, *Entrepreneurship and Sustainability Issues* 9(4): 45-55.

Participation of the author of the thesis in international scientific conferences:

1. International scientific conference of faculty of Social sciences of Daugavpils University „Social Sciences for Regional Development 2019”, presentation with a paper „The issue of registration of the term of office of the board of a public limited liability company in the Enterprise Register of the Republic of Latvia”;
2. Daugavpils University’s 62nd International Scientific Conference, presentation with a paper „Registration problems of the duration of authorities of members of the board of the public person’s limited liability company in the Register of enterprises of Latvia”.
3. Daugavpils University’s 63rd International Scientific Conference, presentation with a paper „Diversity of etymology of the concept of the board of a company in the doctrine or foreign law”.
4. Daugavpils University’s 64th International Scientific Conference, presentation with a paper „System of evaluation of performing results of the management in the public persons’ companies”.

1. The meaning of the concept of the board of a company and its historical development

1.1. The concept and nature of the board of a company

The term “board” was used in the Netherlands in the seventeenth century to refer to the body that exercises the management and control of a capital company (Steensgaard, 1982). The board as the corporate body of the organization, which was subordinate to the company's shareholders, was formulated in the British legal system in the beginning of the nineteenth century (Gower, Davies, 2012). The development of the board institute took place in Great Britain and the United States at the beginning of the twentieth century (Institute of Governance, 2020), clarifying the competences of the board in the regulatory acts (Taylor, 2020). Despite a fairly long history of existence, the term “board” does not have a universal definition. This is related to the similarities in the competences of the board and other corporate institutions, as well as to the differences in the process of creating a corporate culture and legal system in different countries (Von Nordenflycht, 2011).

The author's exploration of the meaning of the word “board” in modern English is illustrated in the table below.

Table 1.1.

The meaning of the word "board" in modern English (summary)

Oxford Dictionaries Online (Word English)	Merriam-Webster Encyclopedia Britannica	The American Heritage Dictionary of the English Language	Collins English Dictionary	Kernerman Webster's College Dictionary
1) a long, thin, flat piece of wood or other material used for flooring or other construction purposes	1) a piece of lumber of small thickness and length that greatly exceeds its width	1) a piece of wood	1) a piece of wood or other material used in building work	The executive body of a company consisting of natural persons who organize and manage the company under the direction and supervision of the company's shareholders
2) a thin piece of wood or other hard material used for various purposes	2) surface, frame or device for posting notices	2) the executive body of the company	2) flooring that is made of wood	
3) a group of people formed as the decision-making body of an organization	3) a group of individuals with managerial, supervisory, investigative or advisory powers	3) a place where important notices are posted	3) a person or a group of persons entitled to organize and manage a capital company	

Table 1.1. (continuation)

4) regular meals in exchange for payment or services	4) a sheet of insulating material that contains electrical circuit elements so that it can be inserted into electronic hardware	4) an integral part of the ship		
5) the distance of the vessel's distance	5) the side of the ship			
	6) exchange of securities or commodities			
	7) border, fringe			

Source: table created by the author, 2022.

The above-mentioned insight into the essence of the term “board” confirms that the word “board” has had several meanings, the list of which is not limited to the reference to the executive body of the company, which directs, controls and supervises the activities of the company, and is accountable for its activities to the shareholders of the capital company.

The concept of the board of a company in the international legal sense. The concept of the board of a company has been defined several times at the international level. For the analysis, the author used the following international legal acts and court rulings:

1) Green Paper, The EU corporate governance framework, 05.04.2011. European Commission (COM(2011)164);

2) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, 17.05.2017. European Parliament;

3) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, 26.06.2013. European Parliament;

4) Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, 11.07.2007. European Parliament;

5) Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings, 14.06.2006. European Parliament;

6) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, 15.12.2004. European Parliament;

7) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, 21.04.2004. European Parliament;

8) The Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance;

9) European Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), 14.12.2004. European Parliament;

10) European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), 15.02.2005. European Commission;

11) European Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies (2009/385/EC), 30.04.2009. European Commission;

12) Amendments adopted by the European Parliament on 8 July 2015 on the proposal for a directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement (COM(2014)0213 — C7-0147/2014 — 2014/0121(COD)), 08.07.2015. European Parliament;

13) Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Report on the application by Member States of the EU of the Commission 2009/384/EC Recommendation on remuneration policies in the financial services sector (2009 Recommendation on remuneration policies in the financial services sector) (COM(2010)286), 02.06.2010. European Parliament;

14) Judgment of the court (Second Chamber) 11 November 2010, case C-232/09 “Dita Danosa v LKB Līzings SIA”, 2010.

Analyzing these regulatory acts, it can be concluded that international regulatory acts often do not contain a specific definition of the board of a capital company at all, often replacing the term “board” with the term “director”, the term “board of directors” with the term “executive director”. For example, in the Green Paper, (the EU corporate governance framework, 05.04.2011. European Commission (COM(2011)164)), the authors aren’t defined the concept of the board of a company, but at the same time they foresees the possibility of forming boards of directors, whose activity could be based on serving the company’s operational interests.

Based on the characteristics, structure and logic of the phenomenon to be defined, the author of the thesis proposes to define the concept of the board of a company as an executive institution that carries out the operational management of the company, implements the goals and tasks defined by the shareholders and the council of the company (if one has been established), as well as takes care of the company and interests of its shareholders.

Thus, according to the author, the concept of the board of a company consists of the following elements:

- 1) operational management of the company;
- 2) the goals and tasks defined by the company's shareholders and by the council (if one is established);
- 3) care for the company and the interests of its shareholders;

4) the responsibility of the management board of the company to the shareholders of the company for the achievement of the defined goals, the fulfillment of tasks and the observance of interests.

Factors for evaluating the performance results of the board of a company.

Factors for evaluating the results of the performance of the board of a company are phenomena that create an image of the performance of the board. Factors for evaluating the work results of the board of a company can be analyzed both in general and at separate levels - factors that generally determine the work organization of the board; factors that determine the work organization of the board of an individual company.

Aware that the results of the performance of the board of the company will not be successful if they do not affect the factors for evaluating the results of the performance of the board of the company, shareholders are always interested in clarifying this issue. In the scientific literature, a list of factors has been formulated, which researchers often present as factors for evaluating the performance results of a company's board, or as factors that cause the need to evaluate the performance results of a company's board (Factors to Consider When Evaluating Company Management, 2020):

1. Fundamental factors (financial results of the company; activities of the board of the company; personnel policy; share price of a company; term of office of the management board of the company; operation strategy, goals and objectives of the company; remuneration of the board of the company);
2. Organizational - economic factors (quick response to competitors' actions; low amount of expenses; low degree of bureaucratization; understandable price policy (Larcker, Griffin, Tayan, Miles, 2017));
3. Social factors (corporate culture and traditions; existence of contacts in branch companies; education level of the board; extensive experience in the management of companies);
4. Legal factors (the range of regulatory acts provides conditions for evaluating the performance results of the board of a company; the range of regulatory acts provides criteria for evaluating the performance results of the board of a company; the existence of international legal acts regarding the evaluation of the performance results of the board of the company; stability of the legal system – the rarity of adopting amendments regarding the legal regulation of the conditions for evaluating the performance results of the board of a company; absence of legal translation problems);
5. Cultural and historical factors (the legal consolidation of the concept of the board of a company in the legal system and the history of its existence; perception of the board of the company mass culture; peculiarities of the historical development of the board institute; high degree of respect in the eyes of society);
6. Informative factors (the organization and procedure of evaluating the performance results of the board of the company; the informational imbalance between the organization of the evaluation process of the performance results of the board of state and private companies; possible obstacles to the organization of evaluation of the performance results of the board of the company in state and private companies; the existence of scientific studies that confirm the necessity of an organization for evaluating the performance results of the board of a company).

It should be understood that the mentioned list with possible variations is not exhaustive. The factors listed above influence the use of the organization for evaluating the performance results of the board of the company, its level of distribution, popularity

and certain development in each specific country. At the same time, these factors do not reveal the motivation of the shareholders of a specific company when evaluating the performance results of the board of a company. The assumption that the evaluation of the performance results of the board of a company is related to the desire of shareholders to get an idea of how efficiently the company is managed (Conger, Finegold, Lawler, 1998) should be considered logical only after a very comprehensive analysis of all circumstances.

Consequences of evaluating the performance results of the board of a company. Each company consists of several groups (Social Groups and Organizations, 2020), which may perceive differently a process of evaluating the performance results of the board of a company. According to J. Gassam, whether a company is ready to use the system for evaluating the performance results of the board of a company depends on the degree of openness of the company, as well as on rational considerations (Gassam, 2018). Similarly, in the question of the consequences of evaluating the results of the performance of the board of the company, there may be a diversity of opinions in the company.

1.2. The genesis and development of the concept of the board of a company

The concept of the board of a company has been known in world history for several centuries. Its development is based on the emergence of the first companies and commercial relations. Taking into account the medieval society's understanding of commerce, the author will use the term "Trade relations", understanding under them commercial relations. Accordingly, the word "Commerce" will be replaced by the word "Trade". In accordance with the terminology used in the time periods under study, the word "Capital company" will be replaced by the word "Company".

In general, the dynamic of creation and development of commercial relations and the resulting institute of the management board of a company in Latvia according to specific stages is more likely to be represented in the table.

Table 1.2.

Prerequisites and stages of historical development of the Institute of Commercial Relations and the Management Board of a Company in the Republic of Latvia

No.	Time period	Situation description
1.	13th-16th century	<p>A state entity was established on the territory of Latvia - Livonia. There was a development of interstate trade, which, however, lagged behind the trade development processes taking place in the developed European countries of that time. The principle of free trade operated, which granted the right to engage in trade to any person, except for representatives of the peasantry. There was a development of feudalism, which led to the discrimination and exploitation of the peasants.</p> <p>Understanding of the evaluation of the performance of the board of a company and the possibility of evaluating the performance of the board of a company was in the initial stage of development, because there was no formulated concept of merchants as legal entities and the management structure of merchants.</p>

Table 1.2. (continuation)

2.	16th-18th century	<p>Various state formations were created on the territory of Latvia - Duchy of Pārdaugava, Duchy of Kurzeme and Zemgale, Inflantia Vaivadia, Swedish Livonia. Development of international trade relations took place. The condition of subordination and discrimination of the peasants from the nobles only worsened. The right to engage in trade was granted by corporate organizations of nobles. The nobles were granted the right to form “companies” or capital companies in the modern sense. In order to create the company, it was necessary to receive the so-called “Royal Privilege”, which gave the right to engage in trade in the specified territory. The Institute of the Head of the Company was introduced, consisting of the king’s confidants, as well as representatives of the noble corporation.</p> <p>The understanding of the evaluation of the performance of the board of the company and the possibility of evaluating the performance of the board of the company was based primarily only on the criteria of trust that existed between the officials of the corporate organization of the nobility and the manager of the company created by the nobles, who is chosen by the corporate organization. On the other hand, the criterion of trust was also taken into account in the subjective attitude of the king towards the representative, who, in parallel with the official appointed by the corporate organization of the nobility, was delegated to manage the company established by the nobles as a trusted person of the king.</p>
3.	1721-1918	<p>The territory of Latvia was included in the Russian Empire. Trade relations continued to develop. The privileges of the nobles regarding participation in trade and the use of peasants were preserved. The cancellation of citizenship did not have a significant impact on the organization of the trading process.</p> <p>Understanding of the evaluation of the performance of the board of the company and the possibility of evaluating the performance of the board of the company was subordinated mainly to the subjective attitude of the company owners (shareholders) towards the managers of the companies. The selection of managers and evaluation of performance results was based only on the aspect of trust. The results of the companies' financial performance and their use in the process of evaluating the performance of managers were not practiced. The involvement of the largest owners (shareholders) in the operational business processes of the companies was also observed, which to some extent lowered the evaluation process of the board’s performance. A decrease in the effect of the principle of origin in commercial relations was observed.</p>

Table 1.2. (continuation)

4.	1918-1940	<p>An independent state was established - the Republic of Latvia. For the legal regulation of commercial relations, the legal act of the former Russian Empire "Collection of Laws of the Russian Empire" was used, which was amended according to the model of organizing public relations of that time. In 1938, the Civil Code of the Republic of Latvia was adopted, which only partially regulated commercial relations. A working group for drafting the Commercial Law was established, but did not complete its work. The dynamics of the development of commercial relations in Latvia lagged behind the development of commercial relations in other European countries.</p> <p>Understanding the evaluation of the performance of the board of the company and the possibility of evaluating the performance of the board of the company was related to the development of the general state-wide basic rules. The legal regulation was mainly subordinated to the processes of appointment and recall of the board of the company, as well as the management structure of the company. The assessment of the performance of the board of the company was largely based on the relationship of trust between the owners (shareholders) and the board. The results of the company's financial activity and their use in the evaluation process of the board's performance were not legally regulated.</p>
5.	1940-1990	<p>The state independence of the Republic of Latvia was abolished. The development of commercial relations and the institutions characteristic of them had practically stopped. Normative acts reinforced the concept of socialism, which denied the existence of private property and private initiative. There was a transition from a market economy to a planned economy. Only state-owned capital companies functioned. Instead of the concept of the board, the term "Director" was used, which was a political official. The sectoral ministries supervising the performance of companies determined the work plans of companies. The performance of the director of the company was limited mainly to how quickly the company could achieve the goals set in the plan.</p> <p>The understanding of the evaluation of the performance of the board of a company and the possibility of evaluating the performance of the board of a company was based on the principles of communist ideology and planned economy. Board members of companies or factory directors were members of the Communist Party, who were appointed to their positions due to their position in the hierarchy of Communist Party members (nomenclature). Companies operated according to production plans developed by state executive institutions. In the evaluation of the performance of the board of the company, mainly the performance indicators of the plan were taken into account. The aspect of trust played a secondary role in the process of appointing or removing a factory director.</p>

Table 1.2. (continuation)

6.	1990-2002	<p>The national independence of the Republic of Latvia was restored. There was a transition from a planned economy to a market economy. There was a rapid development of commercial relations and institutes characteristic of them. While developing the legal regulation of commercial relations, the Latvian legislature adopted separate laws on the organization of commercial relations. Private individuals acquired the right to establish companies and to be the executive body of companies, including board members. Activities were carried out on the simplification of the system of regulatory acts regulating commercial relations. As a result of such work, the Commercial Law of Latvia was adopted.</p> <p>Understanding of the evaluation of the performance of the board of a company and the possibility of evaluating the performance of the board of a company was mainly related to the adoption of the basic rules of advanced western countries. Legal regulation was developed on a national scale, which regulated the processes of appointment and recall of the board of the company, as well as determined the competence of the management bodies of the company. In the process of evaluating the performance of the board of the company, both the trust relationship of the parties and the results of the financial activity of the company were taken into account. The use of non-financial indicators in the process of evaluating the performance of the board of the company was not regulated.</p>
7.	2002-2021	<p>The Commercial Law and the Law on the Entry into Force of the Commercial Law enter into force in Latvia. In carrying out the further development of commercial relations, the legislator has developed and adopted several regulatory acts on companies, their management, the procedure for evaluating the performance results of the executive body and its institutional system. Latvia joined the Organization for Economic Cooperation and Development (OECD), becoming the organization's 35th member state.</p> <p>Understanding of the evaluation of the performance of the board of a company and the possibility of evaluating the performance of the board of a company was related to the development of new progressive rules based on the acquired experience in the field of corporate governance. A consolidated legal framework was developed, which currently regulates the performance evaluation processes of the boards of state and municipal companies. The Cross-Sectoral Coordination Centre, as well as the recognized international organizations, ensured the development of the methodological basic rules for the process of evaluating the performance of the board of the company. The evaluation of the performance of the board of private companies is based on the procedure and material basic rules developed by the owners (shareholders). Financial and non-financial indicators, as well as the aspect of trust of the parties, are taken into account in the process of evaluating the performance of the board of the company.</p>

Table 1.2. (continuation)

<p>The influence that historical time periods had on the assessment of the performance of the board of the company</p>	<ul style="list-style-type: none"> ➤ <u>13th-16th century</u>: starting the creation of understanding about the assessment of the performance of the board of the company; ➤ <u>16th-18th century</u>: creation of the first criteria, according to which the performance of the board of the company was assessed; ➤ <u>1721-1918</u>: defining the competences of the owners (shareholders) of companies, which were used in the assessment of the performance of the board of the company; ➤ <u>1918-1940</u>: development of the general nationwide basic rules that regulated the process of assessment the performance of the board of the company; ➤ <u>1940-1990</u>: subordinating the performance assessment process of the board of the company to the implementation of the plans developed by the state executive institutions and the ideological guidelines of the communist party; ➤ <u>1990-2002</u>: adoption of the basic rules of advanced western countries, which determine the performance assessment processes of the board of the company; ➤ <u>2002-2021</u>: accumulation of necessary experience on corporate management processes, which allowed to develop effective processes for assessment the performance of the company's board.
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Source: table created by the author, 2022.

2. Basic conditions of the work organization of the board of the company in the area of commercial relations

2.1. Mechanisms of the work organization of the board of a company and their regulation

Corporate governance is a set of principles and guidelines that are necessary for the organization of a company's activities and for improving its functioning (Reinholde, Misāne, Vintiša, 2020). Corporate governance is to a greater extent related to solving the problems of the work organization of the board of a company, therefore, when analyzing the content of corporate governance, one must inevitably encounter a series of requirements that determine the basic conditions of the work organization of the board of a company.

The work organization mechanism of the board of the company. By the work organization mechanism of the board of a company, the author understands a set of elements of the management process of the board, which is necessary so that the legal subjects - members of the board can participate in the decision-making process of the board of the company, agreeing with the other members of the board on the most efficient and beneficial decisions for the company. The mechanism of the work organization of the board of the company is necessary so that the board of the company can more quickly make effective and beneficial decisions resulting from the competence of the board.

The above-mentioned considerations lead to the need to create a work organization mechanism for the board of a company, based on justice, openness, proportionality, equality, non-discrimination, objectivity and other basic principles of effective corporate governance. The work organization procedures of the board of a classical company are provided in the following regulatory acts:

- 1) Green Paper, The EU corporate governance framework, 05.04.2011. European Commission (COM(2011)164);
- 2) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, 17.05.2017. European Parliament;
- 3) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, 26.06.2013. European Parliament;
- 4) Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, 11.07.2007. European Parliament;
- 5) Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings, 14.06.2006. European Parliament;
- 6) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a

regulated market and amending Directive 2001/34/EC, 15.12.2004. European Parliament;

- 7) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, 21.04.2004. European Parliament;
- 8) The Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance;
- 9) European Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), 14.12.2004. European Parliament;
- 10) European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), 15.02.2005. European Commission;
- 11) European Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies (2009/385/EC), 30.04.2009. European Commission;
- 12) Amendments adopted by the European Parliament on 8 July 2015 on the proposal for a directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement (COM(2014)0213 — C7-0147/2014 — 2014/0121(COD)), 08.07.2015. European Parliament;
- 13) Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Report on the application by Member States of the EU of the Commission 2009/384/EC Recommendation on remuneration policies in the financial services sector (2009 Recommendation on remuneration policies in the financial services sector) (COM(2010)286), 02.06.2010. European Parliament;

provides at least the observance of the following principles: (1) the principle of equal and fair treatment; (2) principle of simplification; (3) the principle of openness; (4) principle of acceleration; (5) principle of confidentiality; (6) the principle of freedom; (7) principle of autonomy (independence)..

Regulation of the performance organization mechanism of the management board of the company. Taking into account the diversity of forms of corporate governance of companies, which indicates difficulties in the classification of the regulation of the work organization mechanism of the board of companies, the author conducted a study of the legal regulation of the work organization mechanism of the board.

All activities within the framework of the work organization mechanism of the board of the company must be legal, that is, they must comply with the goals and procedures set out in the regulatory framework. The regulatory framework also defines the basic principles of the work organization mechanism of the board of the company and the possible types of process. Taking into account the diversity of the work organization mechanisms of the company's board, depending on the range of problems to be solved (economic issues, personnel issues, financial issues, etc.), it cannot be considered that it is legally unambiguously regulated or unified for all possible situations.

In the European Union, the work organization mechanism of the board of a company is regulated at three legislative levels: international level, Union level and national level.

At the international level, in the European Union The Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance are in force. The main purpose of the principles is to improve corporate governance in companies.

At the level of the Union, the European Union has created a unified system of regulatory acts, the requirements of which the member states must comply with at the national level. At the Union level, in the European Union, the work organization mechanism of the board of a company is regulated by the following regulatory acts:

1) Green Paper, The EU corporate governance framework, 05.04.2011. European Commission (COM(2011)164);

2) Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, 17.05.2017. European Parliament;

3) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, 26.06.2013. European Parliament;

4) Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, 11.07.2007. European Parliament;

5) Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings, 14.06.2006. European Parliament;

6) Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, 15.12.2004. European Parliament;

7) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, 21.04.2004. European Parliament;

8) European Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), 14.12.2004. European Parliament;

9) European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), 15.02.2005. European Commission;

10) European Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies (2009/385/EC), 30.04.2009. European Commission;

11) Amendments adopted by the European Parliament on 8 July 2015 on the proposal for a directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate

governance statement (COM(2014)0213 — C7-0147/2014 — 2014/0121(COD)), 08.07.2015. European Parliament;

12) Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Report on the application by Member States of the EU of the Commission 2009/384/EC Recommendation on remuneration policies in the financial services sector (2009 Recommendation on remuneration policies in the financial services sector) (COM(2010)286), 02.06.2010. European Parliament.

The Judgment of the court (Second Chamber) 11 November 2010, case C-232/09 “Dita Danosa v LKB Līzings SIA”, 2010, can also be added to the regulatory enactments in force at the Union level, in which the rights of the management board of the company to social guarantees are evaluated. Despite the fact that D. Danosa, a citizen of the Republic of Latvia, appeared as the plaintiff, the court’s evaluation of the social guarantees of the board of the company refers to the legal systems of the other European Union countries.

When organizing the work organization mechanism of the board of a company in the Republic of Latvia, the following sources of law must be taken into account:

1. Regulatory acts of the Republic of Latvia, which have the force of law;
2. Regulatory acts of the Republic of Latvia, which have the status of regulations of the Cabinet of Ministers;
3. Directives and regulations of the European Union; general principles of law;
4. Legal acts binding on the Republic of Latvia (international agreements, decisions and statements of the European Commission; Recommendations of the Committee of Ministers of the Council of Europe; UN regulations, etc.);
5. Judgments of the Court of the European Community, guidelines and reports of the Interdepartmental Coordination Center.

Theoretical and methodological foundations of the work organization mechanism of the board of the company. The author examines the concept of the work organization mechanism of the board of the company from the following positions: theoretical basis (postulates, axioms); logic of theory; empirical basis (facts, observations, experiments); conclusions and their evidence.

The methodological foundations of the use of the work organization mechanism of the company’s board include a set of measures, which are formulated in the form of methodological assistance and consultations, the organization of training (seminars) for members of the board of companies, the development of recommendations, explanations and guidelines for the organization of the work organization mechanism of the company’s board, analysis of the application of existing regulatory acts and recommendations in development for the improvement of regulatory acts, in the development of new regulatory acts, in the study and analysis of the functioning of the mechanism of the work organization of the board of a foreign company, as well as in other measures.

2.2. Typology of the work evaluation process of the board of the company and classification of the board of the company in the field of organization of commercial relations

2.2.1. Typology of the work evaluation process of the board of a company

Typology is the classification of objects or phenomena according to certain common (typical) features (Sandu, 2016). With the help of typology, it is possible to find out the scientific explanation, which allows to identify the types of evaluation of the performance of the board of the company. It is necessary to formulate the typology of the evaluation of the performance of the board of the company in order to determine the possible approaches to promoting the use of the evaluation of the performance of the board of the company in the field of the organization of commercial relations. With the aim of studying the theoretical insights related to the typology of evaluation of the performance of the board of the company, the author has collected the opinions of the most prominent scientists and researchers. The analysis of the scientific literature allows us to conclude that there are different approaches to determining the typology of evaluating the performance of the board of a company.

By logically classifying the types of evaluation of the performance of the board of the company, it is important to determine the typology criteria of the evaluation of the performance of the board of the company.

By classifying the evaluation of the performance of the board of the company *by the type of the company*, the following division is possible:

- 1) evaluation of the performance of the management board of the company in private companies;
- 2) evaluation of the performance of the management board of the company in public companies.

By classifying the evaluation of the performance of the board of the company according to *the determination of its use in the regulatory acts*, the division of the evaluation of the performance of the board of the company is as follows:

- 1) evaluation of the performance of the board of a private company, which is carried out on the basis of the methodology developed by the competent person or institution of the company and,
- 2) evaluation of the performance of the board of the public company, the conditions of use of which are provided in the regulatory acts.

In the aspect of evaluating the performance of the management board of the company, *depending on the time of its implementation*, the evaluation can be divided:

- evaluation of the performance of the board of the company until the initiation of the evaluation process;
- evaluation of the performance of the management board of the company after initiation of the evaluation process.

In the opinion of the author, *analyzing the level of use* of evaluation of the performance of the management board of a company can be identified:

- evaluation of the performance of the board of the private company (use to evaluate the performance of the board of the private company);
- evaluation of the performance of the board of the public company (use to evaluate the performance of the board of public and public-private companies);
- political evaluation of the performance of the board of a company (used for the evaluation of the performance of the board of a public and public-private company, if the initiator of the process is a political official). As an example of the political evaluation of the performance of the board of a company could be mentioned the actions of the chairman of the Riga City Council, Nils Ušakovs, who removed Leon Bemhen from the position of head of the board of JSC “Rīgas satiksme” in December 2018, because of

information about the initiation of criminal proceedings against him (Suspending the head of “Rīgas satiksme” Bemhen, 2018).

If the evaluation of the performance of the management board of a company is classified *according to the point of view of the unity of the mutual relations of the parties involved in the evaluation process*, then the cases when the start of the evaluation of the performance of the management board of a company should be distinguished:

- 1) at the initiative of the board of the company;
- 2) at the initiative of the council of the company;
- 3) at the initiative of the company's shareholders;
- 4) at the initiative of a third neutral party (including a state authority);
- 5) at the initiative of all parties involved.

The author proposes to introduce another classification criterion for evaluating the performance of the management board of a company, such as the *systemic level of evaluation*. Based on this criterion, the process of evaluating the performance of the board of the company can:

- 1) exist outside the framework of the state regulatory framework as an optional process not recognized by the state;
- 2) institutional evaluation, which is applied only on the basis of legal norms in force in the country and the result of which is legally binding;
- 3) mixed evaluation, the result of which is binding only in the cases provided for in the regulatory acts (for example, if the company is public and its shares are in public circulation), but in other cases the restrictions on its use (and the results of use) are not provided at all.

Typology of evaluation of the performance of the management board of the company according to the purpose of the person performing the evaluation:

- 1) preventive evaluation and,
- 2) formative assessment.

Typology of evaluating the performance of the board of the company according to the purpose of the board of the company or the shareholders of the company:

- explanatory evaluation and,
- compensation evaluation.

Typology of evaluating the performance of the board of the company according to the purpose of the board of the company:

- evaluation of the discussion;
- advisory evaluation;
- self-assessment.

However, the most significant for the specific research is the division depending on the legal consequences of evaluating the performance of the board of the company. Based on this criterion, the author initiates two ways of evaluating the performance of the board of the company in the field of the organization of commercial relations. The first type is the evaluation of the performance of the board of the company without legally binding consequences and the second type is the evaluation of the performance of the board of the company with legally binding consequences.

Evaluation of the performance of the board of a company without legally binding consequences is usually organized in private companies, is related to such corporate governance issues that are not reported to the board of the company and shareholders. In this case, the result of the evaluation of the performance of the board of the company is not binding to the board of the company, to the shareholders of the company, as well as any other third party. Usually, the evaluation of the performance of the board of the

company without legally binding consequences takes place on the initiative of the board of the company itself.

Evaluation of the performance of the board of the company with legally binding consequences is based on the rules developed by the company itself or on the basis of external regulatory enactments. This type of evaluation is practiced in both public and private companies. Evaluation of the performance of the board of the company with legally binding consequences is initiated by the board of the company or by the shareholders of the company. The rules developed by the company or the external regulatory acts in force provide the legal consequences from the evaluation of performance of the board of the company. The state determines those situations when the shareholders and the board of a company have the right to initiate the evaluation process. As a rule, the criteria for evaluating the performance of the management board of a company are determined in regulatory acts. The state also defines the requirements for the persons and institutions performing the evaluation, as well as determines the requirements for the evaluation process itself. The result of the evaluation of the performance of the board of the company with legally binding consequences in the field of corporate governance may be the award of the board of the company, recall of the board, extension of the mandate of the board.

2.2.2. Subjects of evaluation of the performance of the board of the company in the field of organization of commercial relations

Determining the subjects of evaluation of the performance of the board of the company, who organize and carry out the evaluation process, has an undoubted theoretical and practical significance. Questions concerning the determination of the subjects of evaluation of the performance of the board of the company were and still remain in the field of interest of many researchers (Kiel, Beck, 2006; Barlow, 2020; Gupte, Paranjape, 2020). Despite a large amount of research activity concerning the issues of evaluation of the performance of the management board of a company, the unequivocal determination of the evaluation subjects is not formulated in the scientific literature.

Mandatory subject of evaluation of the performance of the management board of the company in the field of organization of commercial relations. The mandatory subject of the evaluation is the subject without whose participation the evaluation of the performance of the board of the company cannot take place. It is the authorized person of the company who uses the evaluation of the performance of the board of the company to prepare his report on the results of the performance of the board of the company. A person can evaluate the performance of the management board of a company only if he has obtained the authorization of the shareholders of the company or the board of the company to perform the mentioned activities. It follows that all persons who are authorized to evaluate the performance of the board of the company can be mandatory subjects of the evaluation of the performance of the board of the company in the field of organization of commercial relations.

It is logical that the process of evaluating the performance of the board of the company cannot take place without the members of the board of the company themselves. The board of the company is a mandatory subject of the evaluation process.

Shareholders of the company and the board of the company. The research indicates that the subjects of evaluation of the performance of the board of the company in the field of organization of commercial relations should include the shareholders of the

company and the council of the company (if one has been established). However, the question of whether the shareholders of the company and the board of the company should be counted among the mandatory subjects of the evaluation of the performance of the board of the company remains debatable. Several researchers emphasize the interest of the shareholders of the company and the council of the company in the process of evaluating the performance of the board of the company.

Evaluation of the performance of the board of the company in the field of organization of commercial relations can be initiated by the shareholders of the company or by the council of the company, as well as at the initiative of the board of the company itself, without any influence from the other subjects. In the opinion of the author, the internal motivation of the parties involved in the evaluation process contributes to the evaluation of the performance of the board of a company, rather than external influences. In the event that the process of evaluating the performance of the management board of a company took place at the initiative of a third party, it will only be an incentive, a catalyst, an accelerator of the will of the parties involved in the evaluation process, and not the result of the third party's influence. If the parties involved in the process of evaluation of the performance of the board of the company do not want to start the evaluation, then no action of a third party will help.

Taking into account the fact, that the evaluation of the performance of the board of a company can be realized only upon the initiative of the shareholders of the company and the council of the company (if any), the mentioned subjects are included among the mandatory subjects of the evaluation of the performance of the board of the company.

Optional subjects of evaluation of the performance of the management board of the company in the field of organization of commercial relations. Together with the state institution, that supervises the activities of state-owned companies, a certain place in the field of organization of commercial relations is also occupied by society. For example, the shareholders of a company, the council of a company or an authorized person of a company initiate the evaluation of the performance of the board of the company, acting under the influence of society, which in every way emphasizes the necessity of starting such a process.

According to the author, law enforcement authorities and securities trading institutions can also be added to the optional subjects of evaluating the performance of the board of a company. The first mentioned above can stimulate the shareholders of the company, the council of the company or the authorized persons of the company to start the evaluation of the performance of the board of the company by providing them with facts about the illegal actions of the board. On the other hand, the securities trading institution can stimulate the initiation of the performance evaluation process of the board of the company, based on the fall in the price of the shares of the company. This subject acquires its competences as an optional entity only in the event, when the shares of the company are in public circulation.

In order to evaluate the performance of the board of a company in the field of the organization of commercial relations, the use of the support of the state institution, that supervises the activities of the state-owned capital companies, the public, law enforcement authorities and the securities trading institution, is objectively justified. Thus, the inclusion of the mentioned subjects in the optional subjects of evaluation of the performance of the management board of the company is justified and correct.

2.3. Identification of the elements of commercial relations, which provide a basis for evaluating the performance of the board of the company

Before talking about the evaluation of the performance of the board of a company in the field of the organization of commercial relations, it would be necessary to analyze the elements of commercial relations, the existence of which allows the use of the evaluation of the performance of the board of a company, and to understand the logic of the emergence of these elements. It should be noted, that the evaluation of the performance of the board of the company in the field of organization of commercial relations is basically caused by the desire of all involved parties to make the performance of the company more effective. The desire of the parties, involved in the process of evaluation of performance, may be based on the material interests, the interests of improving the results of the performance of the board of the company due to the control and supervision of the performance (Kelly, 2018), as well as other rational considerations.

Elements of commercial relations. Evaluation of the performance of the management board of the company is possible only if the commercial relations meet the established criteria.

Taking into account the conclusions of the authors reviewed in the thesis, it can be assumed, that the mandatory elements of commercial relations, which provide a basis for using the process of evaluation of the performance of the board of a company, are the clearly defined goals of the process, the results of the performance, the competence of the board, the trust of the persons, involved in the evaluation process, as well as summary of the results of the board's performance. In the opinion of the author, another mandatory element of commercial relations can be considered the regulatory framework, which determines the methodology of the performance evaluation process of the management board of a company. Legal regulation can be external, that is, regulatory acts issued by the state, and internal - regulatory acts issued by the company itself, which must not conflict with external regulatory acts. The mentioned element gives reason to believe, that the same treatment is allowed for all members of the board as part of the evaluation process, as well as that the evaluation process itself takes place according to the same rules. This fact increases the legitimacy and trust of the board's performance evaluation process.

3. Scientific-theoretical analysis of the institutional system of evaluation of the performance of the board of a company in Latvia

3.1. Peculiarities of the performance of the board of a company in the field of organization of commercial relations in Latvian law

The evaluation of the performance of the management board of a company is closely related to a wide spectrum of evaluation methodologies: internal evaluation, which means the use of internal resources of the company; external evaluation, which means the use of external resources of the company; overall evaluation - an evaluation that combines external and internal evaluation criteria of the management board of a company; market evaluation, which means meeting the demands of the company's customers compared to alternative ways of meeting the demands; the ideal evaluation, which means the ultimate goal that the board of the company strives to achieve when optimizing the organizational structure; goal or strategic evaluation, which reflects the ways of achieving the goals of the company; cost or tactical evaluation, which reflects the ways of transformation of available resources in the process of operation of the company; global assessment, which means the structure of the management system of the company in the specific company, which is closely correlated with the general processes in the national economy. According to the author, it is more effective to use variations of the assessment of the performance of the board of a company than to apply one specific approach to the assessment of the performance of the board.

Analyzing the scope of the concept of "evaluation of the performance of the board of the company" in the regulatory acts of the Republic of Latvia, it should be taken into account, that the same concept can be defined in different ways. For example, depending on the level of competence of the board, depending on the operational goals of the company, which are planned to be achieved, depending on the field of commercial activity in which the company operates.

Regulations No. 95 of the Cabinet of Ministers of February 9, 2016 „The procedure for evaluating the performance and financial indicators of a company in which the state has a decisive influence” provides for the mandatory indication of the following financial indicators in the report on the performance of the company in the previous year:

1. Net turnover (*euro*);
2. Profit or loss (*euro*);
3. Earnings before interest payments, taxes, depreciation and amortization deductions (EBITDA) (*euro*);
4. Equity (*euro*);
5. Return on equity (ROE) (%);
6. Total liquidity indicator;
7. Liabilities to equity (%);
8. Operating net cash flow (*euro*);
9. Implementation of the investment plan (*euro*);
10. Dividends paid into the state budget during the reporting period (*euro*);
11. Total funding directly or indirectly received from the state and local government budgets (grants, fees for services and other financial resources) (*euro*);
12. Use of total funding directly or indirectly received from the state and local government budgets (grants, fees for services and other financial resources) (*euro*);

13. Total utilization of the part of the profit left by the decision of the Cabinet of Ministers (*euro*).

The above-mentioned financial indicators are evaluated for compliance with the planned indicators, which are provided for in the company's medium-term operating strategy. If the strategy was not approved, then the actual financial indicators are compared with the financial indicators, determined in other internal planning documents of the company for the reporting year, which have been approved by the holder of capital shares or by the company's council. Deviations from planned financial indicators are reflected in actual numbers as well as percentages. The management board of the company provides a separate explanation for each of the deviations.

The author of the thesis, taking into account the location of the place, where the thesis was created, performed an analysis of the basic principles of the performance evaluation process of the board of the company developed by the municipality of Daugavpils. The legal regulation of the process is determined by Daugavpils City Council Regulations No.3 "The order in which performance results and financial indicators are evaluated in companies in which the municipality has a decisive influence" (approved by Daugavpils city council decision No. 204 of May 21, 2020). The rules of the City Council provide for the obligation of municipal companies to submit reports on the results of their operations regularly once a quarter.

The reports determined by the Daugavpils City Council on the financial performance of the company consist of the action plan and budget plan execution report, the interim financial report (quarterly data), the report on the performance of the tasks specified in the delegation (mandate, order) agreement, the operational balance sheet (quarterly). The financial indicators, that are indicated in the mentioned reports of the company, include a wide set of indicators (see Table 3.1.).

Table 3.1.

Financial indicators, that are indicated in the reports of companies of the Daugavpils City Council

1.	Average salary (<i>euro</i>)
2.	Non-financial indicators (accomplished/planned amount of work)
3.	Personnel costs (<i>euro</i>)
4.	Services (<i>euro</i>)
5.	Materials and raw materials (<i>euro</i>)
6.	Administrative expenses (<i>euro</i>)
7.	Representation expenses (<i>euro</i>)
8.	Business trips (<i>euro</i>)
9.	Repairs and maintenance services (<i>euro</i>)
10.	Rent and lease (<i>euro</i>)
11.	Tax payments (<i>euro</i>)
12.	Depreciation of the value of fixed assets and other investments (<i>euro</i>)
13.	Settlements for claims (<i>euro</i>)
14.	Other expenses (<i>euro</i>)
15.	Cash flow (<i>euro</i>)
16.	Purchase of fixed assets (<i>euro</i>)
17.	Purchase of materials and raw materials (<i>euro</i>)
18.	Renovation plan and creation of fixed assets (<i>euro</i>)
19.	Actual repayment of credit obligations (<i>euro</i>)
20.	Use of funds and profit invested in share capital (<i>euro</i>)
21.	Movement of fixed assets (<i>euro</i>)

Table 3.1. (continuation)

22.	List of debtors and creditors
23.	Procurement plan

Source: table created by the author, 2022.

The mentioned financial indicators characterizing the evaluation of the performance of the management board of the company are compared with the financial and non-financial indicators contained in the budget plan and action plan for the relevant year. The companies belonging to the Daugavpils City Council, when developing the budget and action plan for the relevant year, must necessarily approve the following documents at the meeting of shareholders or at the council meeting (if the company has a council). The financial and non-financial indicators determined in the budget and action plan must be aligned with the goals set in the company's medium-term operational strategy. If the strategy for the relevant year was not adopted, the financial and non-financial indicators determined in the budget and action plan are derived from the goals provided for in other planning documents of the company. The mentioned planning documents must be previously agreed upon at a meeting of participants or at a council meeting (if a council has been established).

If the actual operating results (financial and non-financial) differ from the planned ones, the management board of the company provides information explaining the reasons for the deviations. The management board of the company provides an assessment of the impact of deviations on the opportunities to achieve the medium-term goals set in the medium-term operation strategy of the company, as well as indicates the identified risks and their impact on the financial stability and sustainable development of the company. The above-mentioned explanations are prepared in free form and are attached to the above-mentioned reports on the financial performance of the company.

Depending on the fulfillment of the planned financial and non-financial indicators, the operation of companies of the Daugavpils City Council is evaluated with the results "very good", "good", "satisfactory" and "unsatisfactory". The analysis of the financial indicators of companies owned by the Daugavpils City Council is carried out by the Capital Companies Supervision Department of the Daugavpils City Council.

A summary of the analysis of financial results of companies is prepared in the form of an analytical annual report. Such analytical annual report is submitted to the representative of the holder of capital shares of the Daugavpils City Council, who is the executive director of the council.

The analytical annual report of financial results of companies consists of the following sections:

1. Summary of financial performance indicators:
 - a. Compilation of performance data of financial performance indicators, which is compared with the planned, as well as with the previous year's results (budget plan indicators, annual report data);
 - b. financial analytical indicators;
 - c. payments made to the state and local government budgets;
 - d. the amount of state or local government funding and its use according to the specified purpose.
2. Analytical review of economic activity:
 - a. general information about the participation of the municipality in the ownership of companies, its invested resources and their return, the number of employees in companies, their dynamics, wages, services provided, service prices, service tariffs;

- b. characteristics of companies' economic activity and performance results, including analysis of the fulfillment of non-financial and financial goals: ensuring the availability and scope of the services provided, customer satisfaction with the services, revenue from the core business, execution of the plan for other revenues and expenses, deviations in the execution of the plan, description of the reasons for the deviations from the previous year's indicators, planned purchases of fixed assets, materials and resources, execution of the repair work plan, project implementation, performance of other tasks;
- c. dividends paid into the municipal budget, use of the share of profit left by the decision of the shareholder in accordance with the set goals;
- d. conclusions, assessment and proposals for ensuring the achievement of goals and the fulfillment of tasks.

After studying the analytical annual report and analyzing the results of the evaluation of the activities of Daugavpils City Council companies indicated in it, the representative of the shareholder makes a decision on the further continuation of cooperation with companies' board.

Evaluation of performance and financial indicators of companies in which the state has a decisive influence. Regulations No. 95 of the Cabinet of Ministers of February 9, 2016 „The procedure for evaluating the performance and financial indicators of a company in which the state has a decisive influence” stipulates that the management board of the company prepares and submits to the representative of the holder of capital shares or to the council of the capital company (if one has been established) a report on the results of the company's operation in the previous year (paragraph 2). The report includes information in accordance with the annex to these regulations:

- on the fulfillment of the non-financial goals approved by the shareholder or by the council (if established) in the company's medium-term operating strategy (hereinafter referred to as the “strategy”). If no strategy has been approved for the reporting year, then the report includes information on the non-financial goals set for the reporting year in other internal planning documents of the company, which have been approved by the shareholder or by the council (if established);
- on the fulfillment of the financial goals approved by the shareholder or by the council (if established) in the strategy of the company. If no strategy has been approved for the reporting year, then the report includes information on the financial goals set for the reporting year in other internal planning documents of the company, which have been approved by the shareholder or by the council (if established);
- information on the company's financial indicators, which are determined in clause 2.3. of the regulations;
- assessment of the management board of the company on the fulfillment of the financial goals and non-financial goals set in the strategy of the company.

Despite the fact that the evaluation of the performance of the management board of the company in the previous year is not mentioned in the report on the results of the company's operation, this directly follows from the data indicated in the report. Only the management board of the company is responsible for the fulfillment of the financial and non-financial goals approved in the medium-term operating strategy of the company, as well as the achievement of the planned financial indicators. Therefore, it is

considered that the shareholder or the council, when evaluating the data provided in the report, evaluates the performance results of the management board of the company.

Coordinating institution evaluates the fulfillment of the company's financial goals in connection with the financial goals planned in the strategy of the company for the relevant reporting year, as well as in connection with the financial indicators mentioned in the report on the performance of the company in the previous year, and the non-financial goals planned in the strategy of the company for the relevant reporting year, and gives its opinion on fulfillment of financial goals (Regulations No. 95 of the Cabinet of Ministers of February 9, 2016 „The procedure for evaluating the performance and financial indicators of a company in which the state has a decisive influence”, clause 7).

The legal status and competences of the Cross-Sectoral Coordination Centre in Latvia are regulated by the Cabinet of Ministers on 19.10.2011. regulations No. 815 “Regulations of the Cross-Sectoral Coordination Centre”. Clause 3.9. of the regulations of the Cabinet of Ministers states that one of the functions of the Cross-Sectoral Coordination Centre is to ensure coordination and supervision of the management of state companies and state capital shares. The regulations of the Cabinet of Ministers also emphasize the place of the Cross-Sectoral Coordination Centre in the national institutional structure, stating that it is under the authority of the Prime Minister as a direct administrative institution.

One of the powers of the Cross-Sectoral Coordination Centre in the field of management and supervision of state capital shares in Latvia is related to the right to provide opinions on issues of management bodies of companies. The general description of the mentioned function is provided for by the Cabinet of Ministers on 26.05.2015. in order No. 273 “On the coordinating institution for the management of state companies and state capital shares”. Clause 2.1. of the order stipulates that the coordinating institution shall start providing opinions on the operating strategies of companies starting from January 1, 2016. Public opinions of the coordinating institution are prepared in the form of guidelines. Currently the Cross-Sectoral Coordination Centre has developed the following management guidelines for companies:

- Guidelines for the nomination of board and council members in companies in which capital shares belong to the state or to the municipality;
- Guidelines for determining the remuneration of board and council members of public companies and public-private companies;
- Guidelines for the evaluation of the performance results of the board and council members;
- Guidelines for the annual self-assessment of the performance of the council;
- Guidelines for setting general strategic goals for state participation in a company;
- Guidelines for the development of the medium-term operational strategy of state companies;
- Information disclosure guidelines for state companies and holders of capital shares;
- Guidelines for evaluating the performance of capital companies in which the state has a decisive influence;
- Guidelines for the preparation and publication of the annual report on companies and capital shares owned by a municipality.

The developed guidelines of the Cross-Sectoral Coordination Centre are reviewed and before approval (confirmed by the head of the Cross-Sectoral Coordination Centre) are agreed upon in the Council of the Coordinating institution.

Types of companies in which evaluation of the performance of the board is carried out. The author proposes to designate the first case of evaluation of the performance of the board of a company as an imperative evaluation of the performance of the board, while the second - as a dispositive evaluation of the performance of the board.

In accordance with Article 1, Clause 3 of the Law on Governance of Capital Shares of a Public Person and Capital Companies, an evaluation of such companies, which are designated by the name “Public person capital company”, can be considered as an imperative evaluation of the performance of the board. Namely, a company in which all capital shares or voting shares belong to one public person. If the owner of the company of a public person is the state, then the evaluation of the performance of the board is carried out in accordance with the procedure provided by the Regulations No. 95 of the Cabinet of Ministers of February 9, 2016 „The procedure for evaluating the performance and financial indicators of a company in which the state has a decisive influence”. If the owner of the company of a public person is a municipality, then in accordance with the delegation contained in the third part of Article 34 of the Law on Governance of Capital Shares of a Public Person and Capital Companies, the highest decision-making body of the municipality determines the procedure by which companies are evaluated, including performance results of the management board of the company. When evaluating the performance of the board in public companies, the representative of the holder of capital shares or the council (if one has been established) may revoke the board or apply other binding legal consequences. It is necessary to point out that the imperative evaluation of the board’s performance can also be used in public-private companies. Namely, in companies in which all capital shares or shares with voting rights belong to several public persons. Article 41 of the Law on Governance of Capital Shares of a Public Person and Capital Companies provides for such a possibility of application.

In other cases, when the company is private, when evaluating the performance of the board, the owner (shareholder) of the company or the council (if one has been established) need to carry out the following activities:

- 1) to be guided by developed procedures for evaluating the performance of the board, which are valid in the company;
- 2) to prepare an evaluation opinion of the board’s performance;
- 3) to decide what binding legal consequences to apply to the board of the company.

The conditions for the application of a dispositive evaluation of the performance of the board are provided for in the internal regulatory acts developed by the relevant company, which are approved by the owner (shareholder) or by the council (if one has been established). The basic types of binding legal consequences are determined by the fourth and sixth parts of Article 224, the first and second parts of Article 306 of the Commercial Law. Namely, recalling the board if there is an important reason for it.

3.2. Principles, methods and techniques of evaluating the performance of the board of a company in the field of organization of commercial relations

The application of the evaluation of the performance of the board of the company in the field of commercial relations requires an appropriate theoretical basis, namely the systematization of the principles, methods and techniques of the evaluation of the performance. Such a systematization will make it possible to determine and organize the range of activities used in modern Latvia and to identify possible directions of

development of evaluation of the board's performance in the field of commercial relations.

3.2.1. Classification of techniques and methods of evaluation of the performance of the board of the company

The principles of evaluation of the board's activity are based on the methods of evaluation of the board's activity in the field of commercial relations. Method in this case refers to the general expression of techniques based on one main idea. In the case of evaluating the performance of the board of a company, the technique is used in the performance of certain actions with the aim of solving a specific task. The author connects the definition of the structure of the board's performance evaluation methods and techniques with the recognition of the board's performance evaluation process at the national level. Depending on it, the evaluation of the performance of the board of the company in the field of commercial relations can be internal, external and mixed.

The internal application of the evaluation of the performance of the board of a company is the evaluation of the results of the performance of the board, the result of which - an opinion on the results of the performance of the board - is not recognized in the system of legal acts in the country. The internal application of the evaluation of the performance of the management board of the company takes place under the following circumstances:

- 1) There are mandatory legal norms that delegate the performance of the evaluation process of the board's performance only to state institutions. State institutions are the only entity that has the right to evaluate the performance of the board of a company;
- 2) The process of evaluation of the performance of the board is started after the occurrence of the conditions specified in the regulatory acts;
- 3) There are usually no opportunities to prematurely evaluate the performance of the board of the company. If such options are provided, then they are based on legal conditions (for example, risks of insolvency of a company). The decision on the evaluation of the performance of the management board of the company is made only by a duly authorized civil servant;
- 4) The work of competent state institutions is hampered by a large amount of documentation. The process of evaluating the board's performance takes a disproportionate amount of time and money;
- 5) The shareholders of the company are usually not satisfied with the quality of performance of the competent state institutions;
- 6) The company has adopted internal regulatory acts, with the help of which the company itself can evaluate the performance of the board. The results of such evaluation are not recognized at the national level;
- 7) There are non-governmental organizations in the country, that develop guidelines for evaluating the performance of the board, as well as offering alternative services for evaluating the performance of the board of a company. The work results of the mentioned associations and organizations are not recognized by the current regulations;
- 8) The shareholders of the company, the council (if established) and the board are interested in organizing and carrying out the process of evaluating performance results (Nordberg, Booth, 2018).

Part of these circumstances, for example, the delegation of the organization of the performance evaluation process of the management board of a company to a state institution - Cross-Sectoral Coordination Centre, is characteristic of the Latvian

regulatory enactment system, which to some extent also indicates the possible spread of such a process of evaluating the performance of the board.

The author also identifies other approaches to systematizing the methods and techniques of the evaluation process of the management board of a company. For example, grouping the application of the board's performance evaluation process into three types:

1) Integration – these methods and techniques envisage connecting the mechanisms of applying the evaluation process of the management board of a company with the system of national laws and regulations with the aim of making the evaluation process of the management board an integrated part of the corporate governance system (Homberg, Bui, 2013);

2) Quality control – provides the application of specific techniques, that control the quality of the application of the performance evaluation process of the board of the company;

3) Increasing the possibilities of application - techniques that stimulate the use of the performance evaluation process of the board of the company in the field of commercial relations.

The third approach to the grouping of the methods and techniques of the process of evaluation of the performance of the board of a company takes into account subjects that play a significant role in the application of the process of evaluation of the performance of the board in the field of commercial relations, namely:

1) In the subgroup „officials of state institutions, state companies, non-governmental organizations, other state institutions, politically significant persons, members of councils and boards of state companies” are collected methods and techniques that apply to state (including state companies) officials – development and adoption of policy planning documents of companies; analysis of the improvement of regulatory acts in the field of the use of performance evaluation methods of the board of companies; regulatory act, including development of amendments to corporate regulatory acts of state-owned companies to promote the application of the board's performance evaluation process, promotion of regulatory acts for adoption of regulatory enactments; popularizing the application of new methods of evaluation of the performance of the board; explaining internal opinion on the application of the board's performance evaluation process to the public; learning the positive experience of applying the board performance evaluation process in foreign countries;

2) The subgroup „parties, involved in commercial relations” contains methods and techniques, that refer to persons involved in commercial relations (shareholders of companies, members of councils and management boards, cooperation partners) – establishment of effective commercial activity; maintaining constructive relationships; readiness to objectively evaluate the performance results of the company and the board; readiness to use various evaluation processes of the board's performance; good understanding of corporate governance, the board's performance evaluation system and its application conditions; maintaining cooperation with state institutions, and introducing these institutions to the procedures for evaluating the performance of the board;

3) The subgroup „shareholders” contains methods and techniques related to the shareholders of the company and their understanding of the application of the evaluation process of the board's performance in the field of commercial relations – development of new methods and techniques for organizing the evaluation process of the board's performance; participation in non-governmental organizations engaged in the study of corporate governance issues; cooperation with competent state institutions

in the field of implementation and popularization of board performance evaluation processes.

The grouping of methods and techniques for evaluating the performance of the management board of a company can be done using the criterion of the consequences of the application of the process of evaluating the performance of the board for the parties involved in the process. Depending on whether the consequences of the application of the evaluation process of the board's performance in the field of commercial relations leave or do not leave a legal impact on the parties, the methods are divided into legally binding and legally non-binding.

The author offers to typologize the methods and techniques of the evaluation process of the management board of a company in the field of commercial relations according to the technology of methods and techniques. Depending on whether the methods and techniques of the evaluation process of the board's performance have a non-standard nature, they can be divided into modern and classic. The author adds to the modern methods and techniques of the evaluation process of the management board of a company such innovations as the use of electronic communication devices in the evaluation process of the management board, the design of all documentation in a digital environment, a special layout of the organization of the evaluation process of the management board, the development of strategies and methodology for the evaluation process of the management board using the latest methods of social psychology and corporate management and other methods (Ingley, Van der Walt, 2008). The use of modern methods and techniques in the process of evaluating the performance of the board of a company can contribute to a more effective application of the process of evaluating the performance of the board. The classical methods of the evaluation process of the performance of the board are based on the standard solutions of the process, which were already analyzed in the previous chapters of the thesis.

3.2.2. Principles of evaluating the performance of the board of a company

The application of the performance evaluation process of the board of the company in the field of commercial relations is based on general principles, that determine the basic requirements for the evaluation process. The evaluation process of the board's performance in the field of commercial relations must at least comply with the following general principles:

1. principle of freedom;
2. principle of justice;
3. principle of democracy;
4. principle of legality;
5. principle of equality;
6. principle of legal trust;
7. principle of proportionality;
8. principle of cooperation;
9. principle of inviolability of rights and freedoms;
10. principle of ascertaining the truth;
11. principle of activity monitoring;
12. principle of eliminating deficiencies found in the evaluation process of the management board of the company.

The considered general principles of the evaluation process of the management board of a company, which are directly or indirectly provided for in the document

„Principles of corporate governance”, adopted by the Organisation for Economic Cooperation and Development (OECD), constitute only a part of the range of principles of corporate governance. Therefore, in the process of evaluating the performance of the management board of a company, the other conditions, that generally refer to the corporate governance structure of companies, their structure and basic requirements for functioning, must also be taken into account. In addition, taking into account, that the Latvian regulatory enactment system also provides for public companies and public-private companies, the basic requirements of the regulatory enactments discussed above in the thesis must also be taken into account in the process of evaluating the board’s performance. Therefore, compliance with all the principles of the evaluation process of the management board of a company depends on the level of preparation, experience and knowledge of the person, performing the evaluation.

3.2.3. Models of evaluating the performance of the board of the company

The performance evaluation models of the board of a company in the field of commercial relations are characterized by the place of functioning of the board in the corporate governance system. J. Roberts points out that the evaluation models of the board’s performance are related to the complex management process of companies, which is considered successful only when the value of the company constantly increases as a result of the board’s activity (Roberts, 2002). The evaluation process of the management board of a company can be characterized by four evaluation base models:

- 1) evaluation model, that focuses on internal factors of production;
- 2) a human-centered evaluation model;
- 3) open system evaluation model;
- 4) stakeholder assessment model (Nicholson, Pugliese, Bezemer, 2017).

The evaluation of the performance of the board of the company is based on the choice of values, determining the political orientation of the company, connecting the interests of the company with the interests of cooperation partners, arranging the internal culture of the company with the values of employees and society (Minichilli, Gabrielsson, Huse, 2007). P. Zhang additionally states, that the evaluation of the performance of the board of the company in this model is based on the satisfaction of the interests of related groups (Zhang, 2010).

In the form of a table, the evaluation models of the management board of the company mentioned by the author could look like this:

Table 3.2.

Models of evaluating the performance of the board of the company

No.	Board performance evaluation model	Content of the evaluation model of the board’s performance
1.	An evaluation model, that focuses on internal factors of production	The evaluation of the board’s performance is carried out with the help of economic indicators - the number of produced products in relation to the resources used (resource return indicators). The economic indicators of the company’s activity are analyzed in detail, the production volumes are compared against the resources used.

Table 3.2. (continuation)

2.	A human-centered evaluation model	The evaluation methodology of the management board of the company is based on the performance of resource management system, which includes indicators of creation, development and quality improvement of labour resources.
3.	Open system evaluation model	The evaluation methodology of the management board of the company is based on the company's ability to obtain the necessary resources from the environment, as well as the ability to satisfy the demand of the environment for the produced products (services).
4.	Stakeholder assessment model	The evaluation of the performance of the board of the company is based on the choice of values, determining the political orientation of the company, connecting the interests of the company with the interests of cooperation partners, aligning the social and cultural policy of the company with the values of employees and society.

Source: table created by the author, 2022.

3.3. Subjects of the performance evaluation system of the board of a company in the field of organization of commercial relations in Latvia

In the Republic of Latvia, the range of subjects involved in the process of evaluating the performance of the board of a private company is determined by the Commercial Law. The range of subjects involved in the process of evaluating the performance of the management board of a public company and a public private company is determined by:

- 1) Law on Governance of Capital Shares of a Public Person and Capital Companies;
- 2) Regulations No. 95 of the Cabinet of Ministers of February 9, 2016 „The procedure for evaluating the performance and financial indicators of a company in which the state has a decisive influence”;
- 3) Regulations No. 20 of the Cabinet of Ministers of January 7, 2020 „The procedure for nominating board and council members in companies in which capital shares belong to the state or a municipality”;
- 4) Regulations No. 72 of the Cabinet of Ministers of January 25, 2022 „The order in which payments for the use of public capital are forecast, determined and made”;
- 5) Regulations No. 63 of the Cabinet of Ministers of February 4, 2020 „Regulations on the number of board and council members of public companies and public-private companies, as well as the maximum amount of monthly remuneration of board and council members”;
- 6) Regulations No. 815 of the Cabinet of Ministers of October 19, 2011 „Regulations of the Cross-Sectoral Coordination Centre”;
- 7) Regulations No. 518 of the Cabinet of Ministers of September 8, 2015 „Regulations of the Council of the Coordinating Institution for the Management of State Capital Shares and State Companies”;
- 8) Order No. 273 of the Cabinet of Ministers of May 26, 2015 “On the coordinating institution for the management of state companies and state capital shares”.

The following subjects are involved in the evaluation process of the management board of the company:

Owners of the company. Referred to by the terms shareholders, if the company is a joint stock company, and members, if the company is a limited liability company (Caune, 2019). In accordance with the terminology used in Articles 10-15 of the Law on Governance of Capital Shares of a Public Person and Capital Companies, the owner of a company is denoted by the name „holder of capital shares”. On the other hand, the person, who makes decisions on behalf of and in the interests of the holder of capital shares is designated by the name „representative of the holder of capital shares”.

Council of the company. Article 291 of the Commercial Law stipulates, that the council is the supervisory body of the company, which represents the interests of the shareholders between meetings and supervises the activities of the board within the limits set by this law and the statutes of the company. The functions of the council are to ensure the management of the company in the business aspect through prudent and effective board control measures, that enable the assessment and management of risks (Guidelines for effective council work, 2016). Article 292, first part, paragraph 1 of the Commercial Law stipulates, that the task of the council is to elect and recall board members, to constantly monitor the board’s activities.

The board of the company. The first part of Article 221 of the Commercial Law states, that the board is the executive body of the company, which manages and represents the company. The board manages the company’s affairs. It is responsible for the company’s commercial activities, as well as accounting in accordance with the law. The board manages the company’s property and handles its funds in accordance with laws, statutes and decisions of the shareholders’ meeting. M. McIntyre and S. Murphy state, that the board of a company provides day-to-day operational management by making decisions, that are important to the company and its shareholders (McIntyre, Murphy, 2008).

Coordinating institution. Functions of the coordination institution are performed by the Cross-Sectoral Coordination Centre (Article 2 of the Order No. 273 of the Cabinet of Ministers of May 26, 2015 “On the coordinating institution for the management of state companies and state capital shares”).

The Council of the Coordinating Institution for the Management of State Capital Shares and State Companies. Article 1 of the Regulations No. 518 of the Cabinet of Ministers of September 8, 2015 „Regulations of the Council of the Coordinating Institution for the Management of State Capital Shares and State Companies” states, that the Council of the Coordinating Institution for the Management of State Capital Shares and State Companies is an institution, established by the Cabinet of Ministers, whose task is to ensure effective management of companies and capital shares of public entities.

Cabinet of Ministers. The Cabinet of Ministers is the national government of Latvia, or the highest executive power of the country. State administrative institutions are subordinated to the Cabinet of Ministers (Article 58 of the Constitution of the Republic of Latvia). The Cabinet of Ministers exercises subordination over the organization of state administration (institutional subordination) and over the performance of functions of state administration (functional subordination) (Article 7, first part of the State Administration Structure Law). The Cabinet of Ministers consists of the Prime Minister and the following ministers, to whom the relevant ministries are subordinate:

- 1) the Minister for Defence;
- 2) the Minister for Foreign Affairs;
- 3) the Minister for Economics;

- 4) the Minister for Finance;
- 5) the Minister for the Interior;
- 6) the Minister for Education and Science;
- 7) the Minister for Culture;
- 8) the Minister for Welfare;
- 9) the Minister for Transport;
- 10) the Minister for Justice;
- 11) the Minister for Health;
- 12) the Minister for Environmental Protection and Regional Development;
- 13) the Minister for Agriculture (Article 5, first part of Cabinet Structure Law).

The Cabinet of Ministers does not directly evaluate the performance of the boards of public companies and public-private companies. At the same time, the evaluation process of the Cabinet of Ministers in the creation of the institutional structure of the companies, makes this subject very important in the evaluation system of the board's performance.

4. The level of application of the performance evaluation system of the board of the company in the field of commercial relations organization

4.1. The level of application of the performance evaluation process of the board of the company and its application methodology in the field of organization of commercial relations

The process of evaluating the performance of the board of a company as an activity, that is difficult to measure. Determining the level of use of the board performance evaluation process in the field of commercial relations is easier to implement. The choice of research methodology is important for determining the actual level of use of the evaluation process of the company's board.

Currently, no methodology has been developed, that would allow objectively and unequivocally determine the overall level of use of the performance evaluation system of companies in the country, therefore the author proposes to find out the level of use of the evaluation system in the field of commercial relations using all available methods:

- 1) Statistical analysis of the registration of companies;
- 2) Analysis of international indicators of the use of the performance evaluation system of the boards of companies. The following sources related to the study of the use of the evaluation system have been analyzed in the thesis:
 - a) European Parliament Report of March 8, 2012, on a corporate governance framework for European companies (2011/2181(INI));
 - b) CFA institute Corporate governance policy in the European Union, 2016;
 - c) Organisation for Economic Cooperation and Development Corporate Governance (OECD) Factbook, 2019;
- 3) Sociological method;
- 4) Method of discourse analysis;
- 5) Press analysis.

Research methodology plays an important role in determining the actual level of use of the board performance evaluation system. No methodology has been developed in the world, that would allow objectively and unequivocally to determine the exact level of prevalence of the use of the process of evaluating the management of companies in the respective country. The true level of prevalence of the use of the board performance evaluation system in the field of commercial relations in Latvia can only be estimated.

In order to determine the objective level of the use of the board performance evaluation system, three extensive empirical studies were organized and conducted: structured interviews with 10 experts, questionnaires of 50 board members of companies, questionnaires of 1000 residents.

4.2. Modern analysis of the performance evaluation system of the board of a company in the field of organization of commercial relation

4.2.1. Statistical analysis of the registration of companies

The board of the company is a corporate body, that evaluates the performance of the board. Therefore, when analyzing the statistical data on the registration of companies, the application of the board performance evaluation system can be

determined by calculating the percentage of registered companies, that have a council. In fact, the greater the number of established councils in relation to the number of registered companies, the wider the use of the board performance evaluation system in the field of commercial relations.

Analyzing the statistics of the Register of Enterprise on registered joint-stock companies, it can be concluded, that the dynamics of newly registered joint-stock companies generally has a negative trend. The number of joint stock companies registered in 2015 – 59; the number of joint stock companies registered in 2016 – 50; in 2017, the number of registered joint stock companies was 60, in 2018 – 55, in 2019 – 34, in 2020 – 25, in 2021 – 26. According to preliminary forecasts, the total number of joint stock companies registered in 2022 will decrease to 7 joint stock companies (Register of Enterprise, 2022).

Table 4.1.

Dynamics of registered joint stock companies

	2015	2016	2017	2018	2019	2020	2021
The number of newly registered joint stock companies	59	50	60	55	34	25	26
Council	created	created	created	created	created	created	created

Source: Lursoft statistics, 2022.

The statistical analysis shows, that the level of use of the evaluation process of the board and the dynamics of newly registered joint stock companies in the country cannot be considered satisfactory. Only in a very small number of companies (0.4%) the board of the company is established, which also organizes the evaluation process of the board's performance. In the conditions of a post-industrial society, this is a rather low level.

4.2.2. Analysis of international indicators of the performance evaluation system of the board of a company

Within the framework of the thesis, the term „indicator” should be understood as a specific indicator, that indicates the state of the researched phenomenon in the established system and the dynamics of its changes. Indicators for determining the level of use of the performance evaluation system of the management board of a company have not been developed on a global scale. This is mainly due to the difficulties in accurately determining the real state of the corporate governance system in the country, as well as distinguishing situations when the evaluation of the board's performance is carried out using a certain system. However, due to the demand for such information, several indicators related to the performance of the corporate governance system have been developed around the world. Thanks to these indicators, it is possible to find out directly the real level of use of the board performance evaluation system within the respective country. In the following, the author will briefly analyze some of the international indicators.

European Parliament Report of March 8, 2012, on a corporate governance framework for European companies (2011/2181(INI)).

The report was published in 2012. The main purpose of the report is to monitor the progress of the application of the European Commission's Green Paper on the EU Corporate Governance Framework in the field of governance of member companies. The reports of the European Parliament are prepared on the analyzes of the responsible authorities of the EU member states, the activities of the EU institutions and the

information, provided by the public representatives. The reports are intended to provide assistance to EU member states and their responsible institutions in order to help them to determine, which provisions of EU law have not yet been implemented in national legislation. The reports also provide an overview of how successful national reforms have been in implementing binding EU regulations.

The European Parliament's report provides a comprehensive overview of how well the EU's corporate governance framework has been revised. For example, it highlights guidance on how to create a more transparent, stable, trustworthy and accountable corporate sector with better corporate governance. The report also states, that the EU's corporate sector must be able to take into account social, ethical and environmental issues in its practices and demonstrate responsibility both to its employees and stakeholders, and to society as a whole, as well as to ensure better financial performance and the creation of quality jobs. Finally, the report calls on the European Commission to submit all legislative proposals regarding corporate governance to an impact assessment, focusing on the objectives to be achieved and maintaining the competitiveness of companies. The report also emphasizes, that initiatives in the field of corporate governance should be closely linked to the initiatives, proposed by the European Commission in the field of corporate social responsibility. It is also indicated, that in the current economic and social conditions, corporate social responsibility combined with corporate governance could help to create a closer connection between companies and the social environment, in which they develop and operate.

CFA institute Corporate governance policy in the European Union, 2016.

The report was published in 2016. The report was prepared to examine the state of corporate governance policy and practice in Europe and to offer progressive ideas for the development of corporate governance policy. The report consists of two parts. The first part analyzes the history of European corporate governance and its current development perspectives. The second part analyzes the prospects for future corporate governance development and reforms in Europe. The report was prepared at the request of the European Commission. The main purpose of preparing the report was to investigate how corporate governance processes are implemented in European Union companies, including the board performance evaluation system. The intermediate goal of preparing the report was to find out how widespread the use of corporate governance processes is in the field of commercial activity, to analyze the experience of European companies in the field of organization of internal management processes, as well as to help understand how the evaluation processes of the company's board help to achieve the goals, set by the owners (shareholders) of companies. The object of the research were companies, registered in the European Union, investors, owners (shareholders) of companies, as well as policy makers.

As a result of the preparation of the report, it became clear, that all European companies use elements of corporate policy in their commercial activities. The report indicates, that Green Papers and Action Plans are gradually being introduced in the corporate policy process of European Union companies, which have led to positive developments in the areas of the rights of owners (shareholders) of companies, voting, termination of corporate activity and recognition of shareholder liability. At the same time it is pointed out, that the rights of the owners (shareholders) are still the main problem, in particular the observance of the rights of minority shareholders in the companies they own.

Organisation for Economic Cooperation and Development Corporate Governance (OECD) Factbook, 2019.

The fact book was first published in 2014. It is updated every two years. At the time of writing the thesis, the latest edition of the book is dated 2019. The book is published with the aim of supporting the implementation of good corporate governance practices, by providing easily accessible and up-to-date information about the countries' institutional, legal and regulatory systems. National governments can use the book to compare their own regulations with those of other countries, as well as to obtain information on practice in specific jurisdictions.

The fact book collects information provided by members of the Organisation for Economic Cooperation and Development. The book addresses important corporate governance issues, such as board compensation practices; the role of institutional investors; transactions of related parties and rights of minority owners (shareholders); nomination and election of a board member; monitoring of the board's activities, including evaluation of the board's performance and achievement of tasks; risk management; mechanisms of flexibility and proportionality in corporate governance. Additional sections cover other information on the corporate governance system, including corporate ownership patterns, data on stock exchanges and their market performance, institutional and regulatory environment.

Table 4.2.

Legal framework of corporate governance in the Baltic States

The Baltic States	The framework of the legal regulation (including the evaluation process of the board's performance)
Estonia	Exists
Lithuania	Exists
Latvia	Exists

Source: OECD Corporate Governance Factbook 2019

The Factbook notes, that the „comply or explain” approach has gained the largest share of corporate governance practices in the 47 jurisdictions reviewed. It is explained, that in this case the corporate governance processes, including evaluation of the board's performance, are explained separately by the legislator. The forms of application of corporate governance in the Baltic States look as follows:

Table 4.3.

Application forms of corporate governance in the Baltic States

The Baltic States	Application form of corporate governance
Estonia	„comply or explain” approach
Lithuania	„comply or explain” approach
Latvia	„comply or explain” approach

Source: OECD Corporate Governance Factbook 2019

The book states, that the basic entities, that implement corporate governance procedures, are the company's board, council, as well as the owners (shareholders) of the company. Other subjects (involved specialists, state and local government institutions) are also mentioned, which have the right to initiate and lead the process of evaluating the board's performance, but their role is objectively smaller, compared to the first three subjects.

4.2.3. Analysis of the functioning of the performance evaluation system of the board of the company from the point of view of experts, residents of the Republic of Latvia and members of the board of other companies

The analysis of the functioning of the performance evaluation system of the management board of the company was carried out using sociological research.

Results of expert structured interviews. To determine the level of use of the performance evaluation process of the management board of the company in the field of commercial relations, the author used the qualitative research method - expert structured interviews. The purpose of the mentioned interviews was to obtain information about specific knowledge and practical work experience, i.e. to find out the opinion of various subjects, who have a connection with the evaluation process of the board's performance regarding the problems of applying the evaluation process.

10 experts were interviewed during structured interviews. The experts' answers were carefully recorded. The interviews were conducted within 3 months - from February 2020 to April 2020.

Reasons for choosing experts. Only experienced experts, who are highly qualified specialists in their fields, were interviewed. Experts in their professional field are involved in the process of evaluating the performance of the board of the company.

Expert opinions. All experts acknowledged, that the application of the process of evaluation of the board's performance in the field of commercial relations is broad.

Table 4.4.

Expert assessments regarding the general prevalence of use of the performance evaluation system of the company's board, the peculiarities of its operation, the prevalence of the use of the evaluation process in the field of commercial relations and its legal regulation

Expert scope	Council member (A)	Council member (B)	An employee of a state institution (A)	An employee of a state institution (B)	An employee of a municipal institution (A)	An employee of a municipal institution (B)	Shareholder of a company (JSC) (A)	Shareholder of a company (JSC) (B)	Shareholder of a company (LLC) (A)	Shareholder of a company (LLC) (B)
How long have you been dealing with issues of the organization of the performance evaluation process of the board of the company?	4	6	7	6	4	8	11	8	13	10
Do you think that the use of the process of evaluating the performance of the management board of a company is widespread in the field of commercial relations in Latvia?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
In your opinion, does the performance evaluation system of the management board of a company is effective in Latvia?	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Is the current legal regulation of the evaluation process of the management board of a company sufficient in the field of commercial relations in Latvia?	No	No	Yes	Yes	Yes	No	No	No	No	No

Source: table created by the author, 2022.

Determining the functioning problems of the performance evaluation system of the management board of the company, the experts have emphasized the following:

- low competence of specialists, who organize the development of the board's performance evaluation system;

- there is no understanding of the purpose of using the performance evaluation system of the board of the company;
- inability to effectively process and apply the data, obtained during the evaluation process of the board's performance;
- there is insufficient cooperation between the board, council and owners (shareholders) of the company;
- several experts point to the shortcomings of the regulatory framework, which limit the effective use of the evaluation process of the board's performance.

The summary of the answers, given by the experts, is included in table 4.5.

Table 4.5.

Expert evaluations regarding the subject, that usually has the greatest influence on the decisions regarding the initiation of the use of the performance evaluation process of the board of the company

Council member (A)	Council member (B)	An employee of a state institution (A)	An employee of a state institution (B)	An employee of a municipal institution (A)	An employee of a municipal institution (B)	Shareholder of a company (JSC) (A)	Shareholder of a company (JSC) (B)	Shareholder of a company (LLC) (A)	Shareholder of a company (LLC) (B)
Owners (shareholders) of a company	Council members, owners (shareholders) of the company	Council members, board members	Owners (shareholders) of a company	Board members, council members, owners (shareholders) of a company	Board members, council members, owners (shareholders) of a company	Council members	Council members, owners (shareholders) of the company	Owners (shareholders) of a company	Owners (shareholders) of a company

Source: table created by the author, 2022.

Evaluating the activity of each individual entity in promoting the use of the process of evaluation of the performance of the board of the company in the field of commercial relations in Latvia, the absolute majority of the experts indicated, that the most active implementers of the evaluation process are the council of the company, the owners (shareholders) of the company and the board of the company. Likewise, the coordination institution, as well as state and local government institutions, which are involved in the management process of companies, play an important role in organizing the evaluation process of the board's performance..

Results of the survey of the population of the Republic of Latvia. As part of the thesis, the author conducted a survey of the population of the Republic of Latvia. The total number of the population, that was surveyed - 1000 respondents, of which women made up the number - 549, men - 451.

When answering question No. 1, the answers of the respondents were as follows:

Table 4.6.

Have you personally heard about the process of evaluating the performance of the board of the company?

Answer / number of respondents, %	Riga	Kurzeme	Zemgale	Vidzeme	Latgale	Total in the country
Yes	78	54,6	69,1	61,9	57,4	64,2
No	22	45,4	31,9	39,1	42,6	35,8

Source: table created by the author, 2022.

Summarizing the answers of the respondents to the question, it was found, that the majority of the respondents have heard about the process of evaluating the performance of the board of the company. The largest proportion of respondents, who positively evaluated their knowledge, live in Riga, Zemgale and Vidzeme. The relatively smallest proportion of respondents with positive knowledge in the process of evaluating the performance of the board of a company lives in Latgale and Kurzeme.

When answering question No. 2, the answers of the respondents were as follows:

Table 4.7.

Have people you know heard about the process of evaluating the performance of the board of the company?

Answer / number of respondents, %	Riga	Kurzeme	Zemgale	Vidzeme	Latgale	Total in the country
Yes	55,1	51,2	52,8	56,1	50,8	53,2
No	44,9	48,8	47,2	43,9	49,2	46,8

Source: table created by the author, 2022.

Summarizing the answers of the respondents to the question, it was found that the majority of the respondents know people, who have heard about the process of evaluating the performance of the board of the company. The largest proportion of respondents, who gave positive answers, live in Vidzeme, Riga and Zemgale. The relatively smallest proportion of respondents, who know persons with positive knowledge in the process of evaluating the performance of the board of a company, live in Latgale and Kurzeme.

When answering question No. 3, the answers of the respondents were as follows:

Table 4.8.

In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company?

Answer / number of respondents, %	Very low	Low	Average	High	Very high
Companies of public persons	11,9	26,5	32,8	26,8	2,0
Public-private companies	31,3	25,1	32,0	9,5	2,1
Private companies	27,4	21,8	25,6	12,6	12,6

Source: table created by the author, 2022.

Summarizing the answers of the respondents to the question, it was found that the majority of the respondents believe that the prevalence level of the board's performance evaluation process in companies of public persons and public-private companies is average, while in private companies - very low.

When answering question No. 4, the answers of the respondents were as follows:

Table 4.9.

How has your perception of the level of prevalence of the process of evaluation of the performance of the management board of a company been formed in these companies?

Answer / number of respondents, %	I encountered it myself	I found out from acquaintances	From mass media	Other
Companies of public persons	3,1	18,7	44,1	34,1
Public-private companies	3,2	17,9	45,8	33,1
Private companies	0,6	14,0	35,7	49,7

Source: table created by the author, 2022.

Summarizing the answers of the respondents to the question, it was found that the idea of the prevalence of the process of evaluation of the performance of the management board of a company in public companies and public-private companies arose for the majority of respondents from the mass media, while in private companies from other unmentioned sources.

When answering question No. 5, the answers of the respondents were as follows:

Table 4.10.

In your opinion, how widespread is the evaluation process of the management board of a company in Latvia?

Answer / number of respondents, %	Riga	Kurzeme	Zemgale	Vidzeme	Latgale	Average in the country
Not common	8,1	11,9	8,8	12,4	8,7	10,0
Less common	11,2	12	12,3	11,9	14,8	12,4
Moderately common	23,5	20,6	17,6	38,3	29,9	26,0
Common	9,6	13,2	16	19,7	17,1	15,1
Very common	7,7	9,7	6,7	9,8	8,1	8,4
Hard to answer	26,6	26,3	28,4	26,7	28,4	28,1

Source: table created by the author, 2022.

Summarizing the answers of the respondents to the question, it was found that the majority of the respondents could not assess at what level the performance evaluation process of the board of a company is common in Latvia. Relatively fewer respondents believe, that the evaluation process of the board's performance is common on average or not at all in Latvia. On the other hand, the smallest proportion of respondents believe that the process is not common, as well as very common.

When answering question No. 6, the answers of the respondents were as follows:

Table 4.11.

Would you be ready to use the board's performance evaluation process in your own company?

Answer / number of respondents, %	Riga	Kurzeme	Zemgale	Vidzeme	Latgale	Average in the country
Yes	63,2	51,3	54,2	56,6	47,4	54,6
No	31,9	34,7	35,8	33,2	42,2	35,9
Don't know	4,9	14	10	10,2	10,1	9,5

Source: table created by the author, 2022.

Summarizing the respondents' answers to the question, it was found that the majority of the respondents would be ready to use the board's performance evaluation process in their own company. The largest proportion of respondents, who gave positive answers to the question, live in Riga, Vidzeme and Kurzeme. The relatively smallest proportion of respondents, who gave positive answers to the question, live in Latgale and Kurzeme.

When answering question No. 7, the answers of the respondents were as follows:

Table 4.12.

Do you understand what the process of evaluating the performance of the board of a company is?

Answer / number of respondents, %	Riga	Kurzeme	Zemgale	Vidzeme	Latgale	Average in the country
Yes	39,4	29,2	36,7	27,1	25,9	31,7
No	60,6	70,8	63,3	72,9	74,1	68,3

Source: table created by the author, 2022.

Summarizing the answers of the respondents to the question, it was found, that the majority of the respondents do not understand what is the process of evaluating the performance of the board of a company. The largest proportion of respondents, who gave negative answers to the question, live in Latgale, Vidzeme and Kurzeme. The relatively smallest proportion of respondents, who gave negative answers to the question, live in Riga and Zemgale.

In support of the presumption, formulated within the framework of the thesis „The process of evaluating the performance of the board of companies in Latvia is not sufficiently developed and the public has poor awareness of the goals and conditions of the implementation of the process”, the author analyzed the results of the survey of the inhabitants of the Republic of Latvia depending on: [1] gender; [2] age; [3] citizenship; [4] education; [5] employment status; [6] sphere of employment; [7] type of occupation; [8] income level.

[1] The summary of the answers, provided by the respondents, dividing the respondents by gender, is included in table 4.13.

Table 4.13.

Summary of respondents' answers by gender

Question	Gender of the respondent	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by gender	Male	41,9
	Female	58,1
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by gender	Male	49,3
	Female	50,7
	Total	100
Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by gender	Male	52,9
	Female	47,1
	Total	100

Table 4.13. (continuation)

Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by gender	Male	51,8
	Female	48,2
	Total	100
Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by gender	Male	44,7
	Female	55,3
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by gender	Male	51,3
	Female	48,7
	Total	100
Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by gender	Male	49,1
	Female	50,9
	Total	100

Source: table created by the author, 2022.

[2] The summary of the answers given by the respondents, dividing the respondents by age, is included in table 4.14.

Table 4.14.

Summary of respondents’ answers by age

Question	Age of the respondent	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by age	18-24	2,1
	25-34	23,5
	35-44	37,6
	45-54	31,9
	55-64	2,7
	65 years old and more	2,2
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by age	18-24	3,3
	25-34	27,7
	35-44	30,1
	45-54	30,6
	55-64	8,1
	65 years old and more	0,2
	Total	100

Table 4.14. (continuation)

Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by age	18-24	3,9
	25-34	20,6
	35-44	43,5
	45-54	28,7
	55-64	2,3
	65 years old and more	1
	Total	100
Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by age	18-24	1,2
	25-34	15,1
	35-44	40,6
	45-54	27,5
	55-64	12,3
	65 years old and more	3,3
	Total	100
Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by age	18-24	0,2
	25-34	16,2
	35-44	25,8
	45-54	41,2
	55-64	13,2
	65 years old and more	3,4
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by age	18-24	0,8
	25-34	16,9
	35-44	41,1
	45-54	26,2
	55-64	13,5
	65 years old and more	1,5
	Total	100

Table 4.14. (continuation)

Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by age	18-24	2,8
	25-34	13,1
	35-44	46,6
	45-54	26,6
	55-64	10,2
	65 years old and more	0,7
	Total	100

Source: table created by the author, 2022.

[3] The summary of the answers given by the respondents, dividing the respondents by citizenship, is included in table 4.15.

Table 4.15.

Summary of respondents' answers by citizenship

Question	Citizenship of the respondent	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by citizenship	Citizens of the Republic of Latvia	89,2
	No citizenship of the Republic of Latvia	10,8
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by citizenship	Citizens of the Republic of Latvia	90,1
	No citizenship of the Republic of Latvia	9,9
	Total	100
Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by citizenship	Citizens of the Republic of Latvia	88,8
	No citizenship of the Republic of Latvia	11,2
	Total	100
Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by citizenship	Citizens of the Republic of Latvia	80,2
	No citizenship of the Republic of Latvia	19,8
	Total	100

Table 4.15. (continuation)

Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by citizenship	Citizens of the Republic of Latvia	78,3
	No citizenship of the Republic of Latvia	21,9
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by citizenship	Citizens of the Republic of Latvia	65,7
	No citizenship of the Republic of Latvia	34,3
	Total	100
Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by citizenship	Citizens of the Republic of Latvia	80,7
	No citizenship of the Republic of Latvia	19,3
	Total	100

Source: table created by the author, 2022.

[4] The summary of the answers given by the respondents, dividing the respondents by education, is included in table 4.16.

Table 4.16.

Summary of the answers given by the respondents, dividing the respondents by education

Question	Education of the respondent	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by education	Higher	70,5
	Medium	20,8
	Basic	8,1
	No education	0,6
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by education	Higher	72,2
	Medium	19,9
	Basic	7
	No education	0,9
	Total	100

Table 4.16. (continuation)

Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by education	Higher	60
	Medium	28,3
	Basic	9,8
	No education	1,9
	Total	100
Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by education	Higher	69,6
	Medium	25,1
	Basic	4,2
	No education	1,1
	Total	100
Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by education	Higher	66,5
	Medium	27
	Basic	5,7
	No education	0,8
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by education	Higher	73,7
	Medium	23,8
	Basic	2,2
	No education	0,3
	Total	100
Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by education	Higher	81
	Medium	15
	Basic	3,8
	No education	0,2
	Total	100

Source: table created by the author, 2022.

[5] A summary of the answers provided by the respondents, dividing the respondents by employment status, is included in table 4.17.

Table 4.17.

Summary of responses by respondents by employment status

Question	Respondent’s employment status	Number of respondents, %
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Table 4.17. (continuation)

Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by employment status	Working	90,5
	Not working	9,5
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by employment status	Working	91,1
	Not working	8,9
	Total	100
Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by employment status	Working	92,9
	Not working	7,1
	Total	100
Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by employment status	Working	88
	Not working	12
	Total	100
Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by employment status	Working	88,9
	Not working	11,1
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by employment status	Working	86,7
	Not working	13,3
	Total	100
Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by employment status	Working	81,1
	Not working	18,9
	Total	100

Source: table created by the author, 2022.

[6] The summary of the answers given by the respondents, dividing the respondents by the sphere of employment, is included in table 4.18.

Table 4.18.

Summary of the answers given by the respondents, dividing the respondents by the sphere of employment

Question	The respondent’s sphere of employment	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by sphere of employment	Private sector	69,5
	Public sector (including municipalities)	20,1
	Not working	9,5

Table 4.18. (continuation)

	Other	0,9
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by sphere of employment	Private sector	68,9
	Public sector (including municipalities)	21
	Not working	8,9
	Other	1,2
	Total	100
Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by sphere of employment	Private sector	63,9
	Public sector (including municipalities)	23,8
	Not working	7,1
	Other	5,2
	Total	100
Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by sphere of employment	Private sector	67,4
	Public sector (including municipalities)	16,4
	Not working	12
	Other	4,2
	Total	100
Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by sphere of employment	Private sector	68
	Public sector (including municipalities)	19,2
	Not working	11,1
	Other	1,7
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by sphere of employment	Private sector	65,7
	Public sector (including municipalities)	18,1
	Not working	13,3

Table 4.18. (continuation)

	Other	2,9
	Total	100
Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by sphere of employment	Private sector	51
	Public sector (including municipalities)	29,6
	Not working	18,9
	Other	0,5
	Total	100

Source: table created by the author, 2022.

[7] The summary of the answers provided by the respondents, dividing the respondents by type of occupation, is included in table 4.19.

Table 4.19.

Summary of the answers given by the respondents, dividing the respondents by type of occupation

Question	Type of occupation of the respondent	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by type of occupation	Managers	48,4
	Specialists	24,5
	Servants (lower-level civil servants, support staff)	17
	Workers	6,9
	Farmers	2,7
	Self-employed persons	0,5
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by type of occupation	Managers	46,2
	Specialists	25,6
	Servants (lower-level civil servants, support staff)	15,9
	Workers	8
	Farmers	2,3
	Self-employed persons	2

Table 4.19. (continuation)

	Total	100
<p>Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by type of occupation</p>	Managers	49,7
	Specialists	25,3
	Servants (lower-level civil servants, support staff)	13,1
	Workers	5,5
	Farmers	4,5
	Self-employed persons	1,9
	Total	100
	<p>Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by type of occupation</p>	Managers
Specialists		25,3
Servants (lower-level civil servants, support staff)		10,9
Workers		4
Farmers		3,7
Self-employed persons		0,9
Total		100
<p>Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by type of occupation</p>		Managers
	Specialists	23,9
	Servants (lower-level civil servants, support staff)	14,3
	Workers	5,1
	Farmers	3,8
	Self-employed persons	2,2
	Total	100

Table 4.19. (continuation)

Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by type of occupation	Managers	61
	Specialists	25,1
	Servants (lower-level civil servants, support staff)	11,1
	Workers	2,1
	Farmers	0,5
	Self-employed persons	0,2
	Total	100
	Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by type of occupation	Managers
Specialists		27,4
Servants (lower-level civil servants, support staff)		10
Workers		1,9
Farmers		0,4
Self-employed persons		0,1
Total		100

Source: table created by the author, 2022.

[8] The summary of the answers provided by the respondents, dividing the respondents by income level, is included in table 4.20.

Table 4.20.

Summary of respondents’ answers by income level

Question	Income level of the respondent	Number of respondents, %
Respondents who, to the question „Have you personally heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by income level	more than 2000 euros per month	46,3
	from 1000 euros to 2000 euros per month	35,5
	from 750 euros to 1000 euros per month	14
	from 500 euros to 750 euros per month	3,4

Table 4.20. (continuation)

	from 250 euros to 500 euros per month	0,7
	from 1 euro to 250 euros per month	0,1
	Total	100
Respondents who, to the question „Have people you know heard about the process of evaluating the performance of the management board of a company?” answered „Yes”, divided by income level	more than 2000 euros per month	47,2
	from 1000 euros to 2000 euros per month	35,5
	from 750 euros to 1000 euros per month	13,5
	from 500 euros to 750 euros per month	3
	from 250 euros to 500 euros per month	0,6
	from 1 euro to 250 euros per month	0,2
	Total	100
Respondents who, to the question „In your opinion, what is the prevalence level of the process of evaluating the performance of the management board of a company in such companies?” answered „High” and „Very high”, divided by income level	more than 2000 euros per month	47,3
	from 1000 euros to 2000 euros per month	36
	from 750 euros to 1000 euros per month	12,8
	from 500 euros to 750 euros per month	3,2
	from 250 euros to 500 euros per month	0,6
	from 1 euro to 250 euros per month	0,1
	Total	100

Table 4.20. (continuation)

Respondents who, to the question „How has your perception of the level of prevalence of the process of evaluating the performance of the management board of a company in these companies been formed?” answered „I encountered it myself”, divided by income level	more than 2000 euros per month	48,7
	from 1000 euros to 2000 euros per month	34,6
	from 750 euros to 1000 euros per month	13,1
	from 500 euros to 750 euros per month	2,8
	from 250 euros to 500 euros per month	0,6
	from 1 euro to 250 euros per month	0,2
	Total	100
Respondents who, to the question „How widespread, in your opinion, is the process of evaluating the performance of the management board of a company in Latvia?” answered „Common” and „Very common”, divided by income level	more than 2000 euros per month	49,1
	from 1000 euros to 2000 euros per month	36
	from 750 euros to 1000 euros per month	11,3
	from 500 euros to 750 euros per month	2,8
	from 250 euros to 500 euros per month	0,5
	from 1 euro to 250 euros per month	0,3
	Total	100
Respondents who, to the question „Would you be ready to use the board’s performance evaluation process in your own company?” answered „Yes”, divided by income level	more than 2000 euros per month	48,6
	from 1000 euros to 2000 euros per month	34,1
	from 750 euros to 1000 euros per month	13,5

Table 4.20. (continuation)

	from 500 euros to 750 euros per month	2,9
	from 250 euros to 500 euros per month	0,8
	from 1 euro to 250 euros per month	0,1
	Total	100
Respondents who, to the question „Do you understand what is the process of evaluating the performance of the board of a company?” answered „Yes”, divided by income level	more than 2000 euros per month	49,4
	from 1000 euros to 2000 euros per month	33,8
	from 750 euros to 1000 euros per month	13,1
	from 500 euros to 750 euros per month	3
	from 250 euros to 500 euros per month	0,6
	from 1 euro to 250 euros per month	0,1
	Total	100

Source: table created by the author, 2022.

The results of the survey of the population of the Republic of Latvia allow the following important conclusions to be formulated:

1. The majority of Latvian residents (64.2%) have heard about the process of evaluating the performance of the board of a company. The sources of information were varied, but the mass media play an important role here. The highest level of awareness is characteristic of the Riga region, which shows that the residents of this region are more aware of progressive principles of corporate governance. At the same time, it should be noted that a sufficiently large number of respondents have not heard of such a process at all.
2. The majority of Latvian residents (28.1%) found it difficult to assess the real level of prevalence of the performance evaluation process of the board of companies in Latvia. Considering the rest of the obtained empirical data, this is not surprising and corresponds to the actual situation.
3. As a positive result, it can be mentioned that the majority of the population is hypothetically ready to use the process of evaluating the performance of the board of the company. This indicates a positive trend in society's readiness to use advanced corporate management methods in the field of commercial

relations. In this case too, the residents of the Riga region are more progressive, than the residents of the other regions of Latvia.

4. The absolute majority of respondents (68.3%) openly announced, that they did not fully understand the concept of „performance evaluation process of the board of a company”.
5. Citizens of the Republic of Latvia, aged between 35 and 54, who have a higher education and are employed as managers or specialists in the private sector with an income of over 2000 euros per month should be considered as the best informed citizens of Latvia regarding the performance evaluation process of the board of a company.

The results of the survey of members of the board of companies.

Table 4.21.

Technical documentation of surveying members of the board of companies

Target group	Members of the board of companies
Planned sample size	50 respondents
Sample size reached	50 respondents
Sampling method	Stratified sampling
Geographic coverage	The entire territory of Latvia
Time of the survey	March 2020 - May 2020

Source: table created by the author, 2022.

The summary of the results of the survey of members of the board of companies is contained in table 4.22.

Table 4.22.

Summary of survey results of board members of companies

Question	Answers' variants	Answers of respondents (%) / Number of respondents
How often do you implement the board's performance evaluation procedures?	Almost every week	19,1
	Almost or every month	20,2
	About once a quarter	37,1
	A couple of times a year	19,4
	Less than once a year	3,4
In your opinion, what is the level of use of the performance evaluation process of the management board of the company in the field of commercial relations in Latvia?	Not implemented at all	0,8
	The assessment of the board's performance in the mentioned area is not used	5,5
	The use of board performance evaluation is low	32,6
	The use of the evaluation of the board's performance is average	28,9
	The use of board performance evaluation is high	20,9
In your opinion, when implementing the evaluation process of the board's performance in the field of commercial relations, do you always take into account the basic principles of corporate governance?	The use of board performance evaluation is very high	12,1
	Always consider	25,3
	More often consider	36,3
	Consider in half of the cases	31,1
	More often is not considered	4,8
	Never consider	2,5

Table 4.22. (continuation)

When participating in the evaluation process of the board's performance, did you have the impression that the process implementer was influenced by one of the involved parties (or was the process implementer objective during the evaluation process)?	Never	9,9
	Very rare	32,1
	Sometimes	31,7
	Often	19,3
	Almost always	7
Did the conduct of the board's evaluation process implementer, when organizing the evaluation process, ever lead you to think that the process implementer is trying to influence the parties of the process?	Never	55,4
	Very rare	12,2
	Sometimes	19
	Often	7,8
	Almost always	5,6
Would you be willing to negotiate with the owners (shareholders) of the company and the council (if one has been established) with the aim of encouraging them to start using the board's performance evaluation process in their company?	Yes	27,8
	More yes, than no	31,7
	More no, than yes	23,4
	No	17,1
If the parties involved in the process of evaluation of the performance of the board were offered some advantages with the aim of persuading them to participate in the process, would, in your opinion, the parties make a positive decision about using the process?	I wouldn't accept	7,7
	I would rather not accept	26,8
	I would rather accept	39,1
	I would accept	22,1
	I would always accept	4,3
In your opinion, does the current legal regulation of the use of the evaluation process of the board's performance in the field of commercial relations allow the parties to use the process effectively?	Yes	9,9
	More yes, than no	27,7
	More no, than yes	33,9
	No	28,5
In your opinion, the use of the evaluation process of the board's performance in the field of commercial relations is organized fairly for all parties involved in the process?	Yes	53,1
	More yes, than no	37,9
	More no, than yes	6,4
	No	2,6
In your opinion, the use of the evaluation process of the board's performance in the field of commercial relations helps to improve the results of the performance of the board of the company?	Yes	22,8
	More yes, than no	39,5
	More no, than yes	19,5
	No	18,2
Do you think that the use of the evaluation process of the board's performance in the field of commercial relations helps the parties involved to achieve a higher degree of satisfaction with the results of the board's performance?	Yes	35,5
	More yes, than no	38,2
	More no, than yes	20,6
	No	5,7

Table 4.22. (continuation)

In your opinion, the parties involved in the process of evaluating the performance of the board need to improve their knowledge in the field of organizing the evaluation process?	Yes	33,2
	More yes, than no	47,6
	More no, than yes	14,4
	No	4,8
How much (percentage), in your opinion, is the evaluation process of the board's performance used in companies in Latvia?	0%-5%	6,6
	5%-10%	14,5
	10%-20%	32,1
	20%-30%	37,6
	30%-50%	-
	More than 50%	-
What would you recommend for promoting the use of the board's performance evaluation process in the field of commercial relations?	I can't name	9,2
	Yes, I made a recommendation	14
	No, I don't make a recommendation	36

Source: table created by the author, 2022.

The results of the survey of members of the board of companies allow the following important conclusions to be formulated:

1. A large part of the board members of companies (37.1%) implement performance evaluation procedures at least once a quarter. The types of performance evaluation procedures are different, but the very fact, that such procedures are implemented on a regular basis, is of great importance. A relatively large number of members of the board of companies (20.2%) carry out board performance evaluation procedures almost every month, which also indicates the conditional popularity of evaluation procedures. The increase in the popularity of the use of board performance evaluation procedures can also be explained by the fact, that only 0.8% of the board members of companies, who participated in the survey, had not implemented performance evaluation procedures at all.
2. Most of the board members of companies believe, that the level of use of the board's performance evaluation process in the field of commercial relations in Latvia is low (32.6%) or average (28.9%). Considering the rest of the obtained empirical data, this is not surprising and corresponds to the actual situation.
3. As a positive result, it can be mentioned, that the majority of the members of the board of companies (31.7%) would hypothetically be ready to negotiate with the owners (shareholders) of the company and with the council (if one has been established) in order to encourage them to start using the evaluation process of the board's performance. This indicates positive trends in the readiness of board members of companies to use advanced corporate governance methods in their everyday activities.
4. The absolute majority (39.5%) of board members of companies declared, that the use of the board performance evaluation process in the field of commercial relations helps to improve the performance results of the board of companies. The mentioned conclusion indicates, that in the future the popularity of the use of board performance evaluation procedures will only increase. Also, because of the expansion of the use of procedures, the application of new and progressive board performance evaluation methodology will be promoted.

Conclusion

Within the framework of the thesis, an analysis of the creation and development of the performance evaluation process of the management board of the company was carried out. The functional and institutional system of the evaluation process was studied, as well as the real level of spread of the performance evaluation process of the board of the company in the field of commercial relations in Latvia was determined.

The novelty of the research conducted as part of the thesis is determined by the fact, that the analysis of the use of the complex board performance evaluation process is carried out for the first time in Latvia at the thesis or monograph level. Mostly, in Latvian scientific sources, the elements of the board's performance evaluation process were studied separately, separated from each other. The institutional framework of the evaluation process was not studied at all. The novelty of the results obtained during the research is determined by the fact, that:

- The essence and content of the performance evaluation process of the board of the company was analyzed;
- The peculiarities and problems of the development of the board's performance evaluation process were identified;
- The functional and organizational peculiarities of the evaluation process of the board's performance were revealed;
- By typologizing the process of evaluating the performance of the board of a company, criteria were developed, that allow logically classifying different types of the process;
- Factors affecting the evaluation process of the board of the company were clarified;
- The real level of prevalence of the performance evaluation process of the board of a company in the field of commercial relations in Latvia was determined.

The research provides comprehensive answers to all questions and the goal of the thesis has been achieved - the author has prepared a scientific basis for determining the real level of prevalence of the performance evaluation process of the board of a company in the field of commercial relations in Latvia. The theses, formulated in the introduction of the thesis, are confirmed by the author's conclusions.

Along with the proof of theses, the hypothesis related to the practical and theoretical part of the research will be confirmed.

Thesis 1: The process of evaluation of the performance of the board of a company is based on the desire to get an idea of the results of the performance of the board, which is justified by the prerequisites for the establishment of the institute for the evaluation of the performance of the board of the company and historical development trends. This thesis is confirmed by the conclusions made by the author in Chapter 1, analyzing the concepts of economists of several countries regarding the process of evaluating the performance of the board of a company and establishing, that there are no substantive contradictions between them. For the most part, it was found that the authors link the evaluation process with its logical result - a conclusion about the results of the performance of the board of the company, which is particularly important for the specific study. The variety of terms could be explained by linguistic peculiarities, because, for example, in English, instead of the phrase "evaluation of the board's performance", the term "corporate governance" is used much more often, which, unlike in Latvian, does not require an explanation of this concept. The historical development of the institute for evaluating the performance of the board of a company shows the constant improvement of its understanding and application. As

a result, more and more new entities are involved in the implementation of the mentioned process, as well as procedural rules with strictly defined principles and goals are created.

Thesis 2: The basis of the application of the evaluation process of the performance results of the board of the company is the clear identification of the elements of commercial relations. This thesis is confirmed by the conclusions drawn by the author in Chapter 2, studying the mechanism of the performance evaluation process of the board of a company and defining it as a set of sequential elements of the evaluation process, which is necessary so that the subjects involved in it - owners (shareholders), board and council members of the company can participate in the process, organizing the course of the process and obtaining the results of the evaluation of the board's performance. The following mandatory elements of commercial relations were identified - the clearly defined goals of the evaluation process, the results of the board's performance, the competence of the board, the trust of the persons involved in the evaluation process, a summary of the results of the board's performance, a clearly developed methodology of the evaluation process. It was concluded, that the existence of mandatory elements of commercial relations provides a basis for maintaining the same attitude towards all members of the board within the process of evaluating performance results, as well as to consider, that the evaluation process itself takes place according to the same rules. This, in turn, increases the quality and trust of the board's performance evaluation process.

Thesis 3: The development of the methodological basis for the process of evaluation of the performance of the board of a company in the Republic of Latvia is only at the initial stage, which means that it has a great potential for development. This thesis is confirmed by the conclusions made by the author in Chapter 3, studying the methodological base of the performance evaluation process of the board of the company in the Republic of Latvia and concluding, that it is mostly based on the analysis of the financial performance of the company and the use of special economic coefficients. The basis of the methodology of the process is the internal regulations developed by the owners (shareholders) of the company, in state and municipal companies - the regulatory acts issued by the state or municipality. Applicators of the process methodology are members of the board, council, owners (shareholders) of the company, specially engaged independent experts, as well as employees of state and municipal institutions.

Thesis 4: The process of evaluating the performance of the board of a company in Latvia is not sufficiently developed and the public is poorly informed about the goals and conditions of the implementation of the process. This thesis is confirmed by the conclusions that the author made in chapter 4, studying the level of use of the performance evaluation system of the board of a company in the field of commercial relations in Latvia. Evaluating the basic conditions for the application of the process of evaluation of the performance of the board of a company, in which the state has a decisive influence, the author concluded, that the application of the process is based only on the financial indicators of the company, as well as the achievement of financial and non-financial goals. The author of the thesis, taking into account the variety of criteria for evaluating the performance of the board, offered to use non-financial criteria as well. It was also established, that the opinions of experts obtained within the framework of the empirical study, correlate with each other and indicate, that corporate governance is not sufficiently developed in Latvian business management theory, but the qualitative application of the evaluation process of the board's performance is to some extent limited by the public's weak awareness of corporate

governance methods. It was also concluded, that the results of the survey of the Latvian population indicate their weak knowledge about the nature and content of the performance evaluation process of the board of the company.

The thesis hypothesis: An insufficient understanding of the process of evaluation of the performance of the board of companies and the lack of cultural and historical traditions in the field of corporate governance in Latvia seriously slow down the development of the institute of evaluation of the performance of the board of companies, hindering its comprehensive and complete application, is confirmed by the summary of the conclusions formulated within the thesis. Analyzing the results of a survey of Latvian population on the level of use of the performance evaluation system of the board of a company in Latvia, it was found that the majority, namely 64.2% of Latvian residents, have heard about the performance evaluation process of the management board of a company. At the same time, the absolute majority of respondents (68.3%) openly announced, that they did not fully understand the concept of “the process of evaluating the performance of the board of a company”. Likewise, 28.1% of the respondents found it difficult to assess the real level of prevalence of the process of evaluation of the performance of the board of companies in Latvia, emphasizing that the lack of understanding of the concept indicates the low popularity of the application of this process.

The author offers the following **proposals** for the expansion of the application of the performance evaluation process of the board of a company in the field of commercial relations in Latvia:

1. Effective corporate governance can only exist if the company's owners (shareholders), the council (if it has been established) or any other person, who is competent in the organization of the evaluation process of the board's performance, implements this process on a regular basis. In the course of such a process, at least the results of the company's financial activity and operative financial data are taken into account. It would be desirable to implement the evaluation process of the board's performance at least once a quarter, in exceptional cases - once every six months or once a year. The results of the process must necessarily be presented to the head of the decision-making body, who can further propose the issue of determining positive or negative consequences to the board of the company.
2. In the process of evaluating the performance of the board of the company, the financial performance results and operative financial data of the company must be primarily taken into account. When assessing the compliance of such data with the financial goals, set in the company's planning documents, at least the following financial coefficients must be additionally used: earnings before interest, taxes, depreciation and amortization (EBITDA); return on equity (ROE); overall liquidity ratio; liabilities to equity. For evaluating the achievement of non-financial goals, the process of evaluating the performance of the board of the company should be based on the application of data, that reflects the subjective attitude of the board of the company towards the achievement of the set goals. In this case, the questionnaire data of the company's board, as well as the self-assessment reports of the board, could be useful.