Exploring the social factors that influence the decision-making behaviours of non-executive directors in Australian public companies

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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May, 2018
Declaration

I certify that except where due acknowledgment has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis–project is the result of work which has been carried out since the official commencement date of the approved research program; it fully complies with the university’s formal ethics application processes; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Sarogini Thuraisingham nee Meena Thuraisingham

Date of submission
Acknowledgments

I acknowledge the support I have received for my research through the provision of an Australian Government Research Training Program Scholarship.

I would like to acknowledge the contributions of a number of people and thank them for the support and encouragement they have given me in completing this research.

My supervisors Honorary Associate Professor Dr Robert Inglis and Honorary Associate Professor Dr Rosalie Holian, whose invaluable support has helped to challenge and shape my thinking along the way.

Thanks to Dr. Gershon Maller for copy editing this thesis according to the guidelines laid out in the university-endorsed national ‘Guidelines for Editing Research Theses’. Thanks also to Capstone Editing who provided proofreading services, according to the guidelines laid out in the university-endorsed national ‘Guidelines for Editing Research Theses’. The responsibility for the final manuscript is my own.

The directors who have participated in this study and given so generously of their time and other directors who have not participated in this study, but have given me support and encouragement and shared their wisdom and time generously with me.

Lastly, my family, especially my son and daughter, Surain and Renuka, who have buoyed me during troughs in my motivational level and kept me focused on the contribution such a study would make in continuing to advise and coach boards and top teams. Friends, including Susan Mravlek and Josie Gibson who, like my family, have actively supported and encouraged me, and were great thought partners throughout these past five years.
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<th>Full Form</th>
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<tbody>
<tr>
<td>ASX</td>
<td>Australian Stock Exchange</td>
</tr>
<tr>
<td>BEI</td>
<td>behavioural event interviewing</td>
</tr>
<tr>
<td>BOD</td>
<td>board of directors</td>
</tr>
<tr>
<td>CEO</td>
<td>chief executive officer</td>
</tr>
<tr>
<td>CFO</td>
<td>chief financial officer</td>
</tr>
<tr>
<td>EPS</td>
<td>earnings per share</td>
</tr>
<tr>
<td>FTSE</td>
<td>Financial Times Stock Exchange</td>
</tr>
<tr>
<td>GFC</td>
<td>global financial crisis</td>
</tr>
<tr>
<td>HR</td>
<td>human resources</td>
</tr>
<tr>
<td>IME</td>
<td>international market entry</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>mergers and acquisitions</td>
</tr>
<tr>
<td>MD</td>
<td>managing director</td>
</tr>
<tr>
<td>NED</td>
<td>non-executive director</td>
</tr>
<tr>
<td>NPV</td>
<td>net present value</td>
</tr>
<tr>
<td>PLC</td>
<td>public limited company</td>
</tr>
<tr>
<td>RDT</td>
<td>resource dependence theory</td>
</tr>
<tr>
<td>SME</td>
<td>subject-matter expert</td>
</tr>
<tr>
<td>SOX</td>
<td>Sarbanes–Oxley Act</td>
</tr>
<tr>
<td>SIDE</td>
<td>social identity model for deindividuation effects</td>
</tr>
<tr>
<td>SIT</td>
<td>social identity theory</td>
</tr>
<tr>
<td>SCT</td>
<td>self-categorisation theory</td>
</tr>
<tr>
<td>TMT</td>
<td>top management team</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
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Abstract

This inductive study explores and explains non-executive directors’ (NEDs) contribution to major corporate strategic decisions. It addresses the often undersocialised view of corporate boards by recognising boards as complex social systems embedded in complex power asymmetries and group identity affects. Drawing from theories in social psychology and organisational theory, this study explores the behavioural side of corporate governance and contributes to the understanding of the origins, reasons, dynamics and consequences of boardroom influence of NEDs. The decision practices of 15 large Australian public companies are studied through NEDs’ narrations of their decision experiences when faced with the task of shaping strategy—an important aspect of their advisory accountabilities. By focusing this study on large transformative decisions, it aims to contribute to a deeper understanding of the processes of influence relating to value-creating decisions. The findings have identified significant variations in the sense NEDs make of their decision experiences and their influence attempts in response to their ‘sensemaking’. It also illuminates how the effects of group membership, identification and power differentials interact to create a unique social reality and how this social reality moderates the use of decision influence. This study has implications for scholarship, policy and practice relating to influence in and around a boardroom. It contributes a new psychosocial dimension to corporate governance theory, which historically has underestimated the role of human dynamics in a boardroom. It also contributes policy insights into practices that create strategically active boards and the enablers that help a board reach its full potential as a strategic decision-making group.

Keywords: Corporate governance, company directors, strategy, decision-making, power, social identity, influence, board dynamic
Chapter 1: Introduction

Research into the governing of corporations and the influential role boards play has a long history. However, most board research has followed the economic tradition that is rooted in agency theory and focuses on a board’s monitoring and control role on behalf of shareholders. This research tradition and the studies it has generated over the last three decades has brought us no closer to understanding the inner workings or dynamics of a board, particularly how the influence of a board and its directors is exercised in the process of decision-making (Ahrens et al. 2011; McNulty, Florackis & Omrod 2013; Petrovic 2008). This is a vital area of study, as it has implications for how our institutions are governed and provides important insights for investors, shareholders, regulators, peak-business bodies, the director community and anyone interested in board effectiveness and the process by which accountability is created.

This chapter presents a short outline of the current literature and the reasons why this research was undertaken, its aims and the research questions posed, the research context, the chosen methodology, the contribution this study makes and the approach and structure of this thesis.

1.1 Current Literature

Due to the difficulties accessing boards and observing board decision-making ‘live’, the study of board-decision dynamics has eluded many researchers. Instead, they have indirectly inferred board dynamics from demographic factors such as tenure, age, gender, qualifications and experience and relied on surveys and questionnaires. As a result, an undersocialised view of board life has persisted. Explorative, inductive studies are few and far between (Maitlis & Lawrence 2003; Pettigrew 1992, 2001; Pettigrew & McNulty 1995; Pye 2002, 2005; Roberts, McNulty & Stiles, 2005; Samra-Fredericks 2003). Moreover, the field has been dominated by normative research that describes how boards should behave when enacting their accountabilities, rather than how they actually behave. This study relies on the recounted experiences of non-executive directors (NEDs) as expert informants, as a way of understanding how NEDs describe how they behave.

This study seeks to investigate how influence is exercised by directors beyond extrapolations from demographics and recognises the broader ‘social context’ in which an individual
director performs his or her work (Maitlis & Lawrence 2003; Pettigrew & McNulty 1995; Roberts, McNulty & Stiles 2005). Despite this being a director-level study, it acknowledges that a director is a microcosm of a board and a board is a complex social system. In taking a socialised approach, the scope of this literature review focuses on current theory in social psychology, and organisational and business management to consider what researchers have discovered about the effects of group membership on individual behaviour and, reflexively, the effects of an individual on group behaviour. The primary question posed by this study is how do social factors influence NED behaviour in strategic decision-making? From an epistemological stance, this question is approached with the belief that all knowledge is socially constructed rather than discovered, especially when trying to understand the role experience plays in decision-making. Therefore, this study adopts a phenomenological approach in investigating how social factors such as power and identity might affect the processes of creating accountability in and around a boardroom.

1.2 Aims and Questions Posed

The aims of this director-level inductive study are to explore the human side of the processes by which board accountability is created. Particularly, it seeks to extend current understandings of the origins, reasons, dynamics and consequences of the use of NEDs’ power in a board context by investigating the social dynamics that may influence their strategy-shaping behaviour. To understand board dynamics with more insight, one must have a better understanding of the experiences, perspectives, orientations, beliefs and dispositions that individual board members bring to their work and how they are likely to influence behaviour, interaction patterns and the propensity for involvement in strategic debate. The NED-recounted experiences of behaviours such as testing, confirming, clarifying, challenging, explaining, probing, debating and advocating while shaping strategy responds to the primary question in this study, which pertains to how social factors influence decision-making behaviours of NEDs.

The primary question in this study generates three supplementary questions:

1. What are the origins of and differences in an individual NED’s power?
2. How does a NED’s sense of shared identity with the board group shape the process of decision-making?
3. How is the use of NED influence in decision-making shaped by the ‘social reality’ (of group identification and power distribution)?

From a theoretical basis, this study aims to investigate if director work is merely an expression of rational agency or whether social factors may subjectively shape how power and influence are shared, gained and lost through interaction and discourse. From a practitioner’s perspective, this study also hopes to offer actionable insights for policymakers, practitioners and the director community who are keen to strengthen the processes of accountability and improve the effectiveness of board decision-making cultures.

1.3 Research Context

The research context is a transformative, potentially value-creating, decision taken by 15 Australian public companies and each participating NED (one from each company) recounting their behaviour during the decision making process. That is, by standardising a transformative decision as the research context for this study, it was possible to infer how NEDs seek to shape and influence strategy. The focus was not on the decision itself or the outcome, rather on the recounting by NEDs of their and others’ behaviour during the process of shaping strategy. Such strategy decisions are commercially sensitive and generally shrouded in secrecy. Further, due to the size and scale of decisions (such as acquisitions) that large listed companies might consider, a decision process typically plays out over an extended period, thus, making direct observation methods impractical.

1.4 Methodology

Therefore, an interpretive methodology was used as the most effective method to examine the social construct of a ‘board system’ within which an individual director works. Through an exploration of the subjective experience of individual NEDs and their interpretation of social reality, individual case stories provided a lens through which a deeper understanding of the whole board system and its parts may be gained. Thus, an individual NED is represented as part (microcosm) of that system. Employing a systems-level approach—that is, treating a board as a social system—in this qualitative inductive study helped frame an understanding of the complex tripartite relations between the discursive practices of various members of a board, a board context and a decision-making process.
The unique multiphased research design adopted by this study allowed the researcher to ‘walk’ with the 15 participating NEDs as they recounted their attempts to build, verify and modify working models and narratives about their own and others’ influence attempts. Using the questions listed in appendix 1 to guide the semi-structured interviews, this study used sensemaking theory and narrative analysis to analyse the interview transcripts and to explore how each NED interpreted their decision experiences and how they acted on those interpretations. Collectively, the experience of influence—that is, the use of power shaped by an individual’s construal of their place in a group in and around a boardroom—varied between the 15 participating directors, thus, revealing rich variations in the decision behaviours recounted. Particularly, it allowed the study to reveal the underlying dynamics at play reflected in the recounted influence attempts. This included both the effects and consequences of an individual’s behaviour on the ‘social system’ and vice versa. Similarities and distinctions between the NEDs’ narratives and the behavioural richness of each influence attempt provided the findings of this study.

1.5 The Study’s Contribution

The practices by which board members attempted to exercise influence in the process of enacting accountabilities through decision-making has valuable insights in a practical sense. End users of corporate governance practices, such as long-term shareholders and investors, may also have an interest in why the same or similar practices pursued by different boards can have such different consequences. Regulators may be interested in how regulatory codes are variously practised in different companies due to different behaviours of decision-making groups (Ahrens, Filatotchev & Thomsen 2011; Golden & Zajac 2001; Petrovic 2008; Samra-Fredericks 2003).

By integrating social identity and power theories with corporate governance literature on the process of creating accountability, this thesis provides three contributions to management literature. It also builds on the findings of other processual studies that report subtle processes of influence in and around a boardroom and how they affect how NED accountability is exercised (Maitlis & Lawrence 2003; Pettigrew & McNulty 1995; Roberts, McNulty & Stiles 2005).

First, it contributes to the body of process research by extending the work of notable process researchers in two ways. First, as a processual study it extends the works of other process
researchers such as Roberts, McNulty and Stiles (2005), Pettigrew and McNulty (1995), Maitlis and Lawrence (2003), Pye (2002), Pye and Pettigrew (2005), Samra-Fredericks (2003) and Pettigrew (1992, 2001) by offering explanations for how actors in a social system (such as a board) recount how they adjust to various social pressures. Additionally, from the perspective of this being an interpretive and qualitative study of NEDs as expert witnesses or informants of board decision-making, it extends the works of Roberts, McNulty and Stiles (2005), Pye and Pettigrew (2005) and Forbes and Milliken (1999) by proposing a dynamic psychosocial framework of boardroom influence. That is, the framework describes the extent to which some directors seem to wield more influence than others in a boardroom and why this occurs. The framework also provides an explanation for how and why revisions of identity and power shifts may occur, potentially creating socialising effects that interfere with the opportunity to challenge, elaborate, clarify and question our own and others’ assumptions. The findings demonstrate that a director’s work is not merely an expression of agency but also an effect of subjectively construed identities and power relationships, as each seeks legitimacy, relevance and decision influence in the social system that is a board. In a more geneal sense, this study also makes a unique contribution to the assumptions that have for some time have underpinned decision making scholarship (Martin & Parmar 2013).

Second, this thesis contributes to the practical application of theories relevant to the selection and development of NEDs. The concept of board capital as the total of a NED’s experience, accumulated reputation and embeddedness in terms of connections and networks describes the potential that each NED brings to a board. However, NEDs may not be able to fulfil this potential because of the identity politics that are an inevitable fact of board life. To overcome these obstacles, this study revealed that NEDs need to have certain social competencies, such as situational sensing, impression management, articulacy and social adaptability. Further, social competence determines how a NED’s board capital is used and, ultimately, how influential a NED may become. These social factors lay in sharp contrast to traditional corporate governance theory or rational action theorists. Social factors play an important part in how a director chooses to engage and, thus, determine the extent to which they can fulfil their accountabilities and potential. Both concepts are critical in optimising the strategic contribution of directors and, subsequently, critical for informing director-hiring practices, thus, enriching new director onboarding and ultimately developing more effective and accountable directors.
Third, this study makes an important methodological contribution to the current body of board studies. By means of the researcher’s professional connections, this study gained unprecedented access to NEDs as expert informants and provides board researchers, long challenged by access to boards, the opportunity to study in-depth the processes by which accountability is created in and around a boardroom. A multistaged research design added conceptual robustness to the inductive approach by providing a rich understanding of the inner workings of a board—something that is relatively rare in previous board studies. Moreover, the multistages’ research design can be adopted by other board researchers.

1.6 Thesis Structure

This thesis has five chapters, including this introductory chapter. Chapter 2 reviews the literature on board studies concerning how boards enact influence and create accountability through decision-making processes. It considers the relatively unexplored area of the effects of group membership and the role social identity and power plays on individual behaviour by drawing on social psychology and organisational theory. This review identifies some significant research gaps that are addressed in Chapter 3. Chapter 3 also poses the research questions raised by the research gaps and describes the research methodology and approach to data analysis. The research approach facilitates the building of ‘inductively rich’ accounts of director reflections embedded in narratives, stories, anecdotes and historical accounts provided by participating NEDs in a five-stage data gathering process. Chapter 4 presents and discusses the findings as they relate to the influence of group membership on director behaviours, as recounted by NEDs across the 15 decision stories studied. The variations revealed in directors’ discursive practices are analysed to determine if and why some directors may be more influential during decision-making processes. Chapter 4 draws some conclusions regarding the social dimensions by which influence is exercised and accountability is enacted by discussing how the complex interplay of an influencer (the NED), a decision-making process and a board context might shape the processes by which accountability is created. Specifically, it provides reflections on how power structures, identity effects, stated and unstated goals, and norms and routines play a role in the process by which a board makes a decision. Chapter 5 concludes by suggesting opportunities for future research by examining how this study may be extended to a deeper understanding of group process. A comprehensive list of references is provided comprising both seminal research on board functioning, as well as new and emerging research on this topic. The
appendix comprises a list of the semi-structured interview questions used in stage two of the data collection process and a profile of the directors who participated in this study.
Chapter 2: Literature Review

The principal-agency framework dominates research on corporate governance … a first critique argues that Agency Theory is an ‘undersocialised’ approach that remains insensitive to how institutions shape the identities, interests and interactions among actors in corporate governance. (Filatotchev, Jackson & Nakajima 2013, p. 967–968)

The body of research relating to corporate governance and a board’s advisory role and function in governing corporations is vast. This literature review is focused on research concerning how social factors and a social context (as experienced by NEDs) influence their decision behaviour and, therefore, their effectiveness and accountabilities in a decision-making process. In undertaking this literature review, the researcher focused on extensively cited research in the fields of social psychology and organisational theory, which has historically shaped inquiries into group dynamics.

To navigate the extensive literature relating to corporate governance and a board’s advisory role, as well as how social factors influence NED decision-making behaviour and, therefore, arrive at a conceptual framework for the study (as derived from previous research), this chapter proceeds in five sections. Section 2.1 reviews governance theories and the role of a director and provides a summary of major theories, Section 2.2 examines the role of a board and NEDs in strategic decision-making and Section 2.3 discusses literature concerning a board’s accountability to shareholders as a relational process accomplished through expectations, norms and relationships. These sections position the importance of considering a board as a group dynamic by which ‘shaping behaviours’ of individual directors influence decision-making processes. Section 2.4 then considers current research in psychology, social psychology and organisational theory concerning the effects of social factors such as social identity and power on decision-making behaviours and the ‘social reality’ of small groups, such as a board. This section also provides the conceptual framework for a study based on the literature. Finally, Section 2.5 summarises the literature and gaps in current research to provide the basis for the primary and secondary research questions.
2.1 Governing the Corporation: Governance Theories, Research Traditions and the Role of Directors

As noted, the effects of group membership on an individual, as studied through the lens of social psychology and organisational theory, has long been neglected in board research (Daily, Dalton & Cannella 2003; McNulty, Zattoni & Dougals 2013; Zattoni & Van Ees 2012). When interpreted as complex social systems, there is much we do not know about the internal workings of a board; to a considerable extent, how board directors enact their duties is a ‘black box’ that has eluded many scholars in understanding the human side of governance (Daily, Dalton & Cannella 2003). A better understanding will advance management research and promote corporate governance practice and reform (Daily, Dalton & Cannella 2003; Forbes & Milliken 1999; Pettigrew 1992; Pye & Pettigrew 2005; Roberts, McNulty & Stiles 2005). Particularly over the last decade, and following the global financial crisis (GFC), there has been increasing calls from shareholders, regulators and the broader business community to better understand what really goes on in a boardroom (Ahrens et al. 2011; McNulty, Florackis & Omrod 2013; Petrovic 2008).

This study is situated in the process tradition—that is, studying NEDs as social actors within a board as a social system. However, to validate the necessity for this approach, this section reviews the research traditions that have previously dominated the field of corporate board function and governance to contextualise this study within extant theoretical traditions.

Roberts, McNulty and Stiles (2005) argue that both governance theory and governance reform would benefit from being informed by primary qualitative research on key governance relationships and their effect on both strategy and performance and rely less on archival and secondary data. Other researchers have drawn the same conclusions (Aguilera et al. 2008; Huse et al. 2011; Judge & Talaulicar 2017; Petrovic 2008; Westphal & Zajac 1997).

There are seven major theoretical streams used to describe the role of a board in governing a corporation: the agency theory, the stewardship theory, the resource dependence theory (RDT), the resource-based theory, the class hegemony theory, the managerial hegemony theory and the stakeholder theory (Hendry & Kiel 2004; Hung 1998; Stiles & Taylor 2001; Zahra & Pearce 1989). Although the purpose of this study is not to evaluate corporate governance theory, Table 2.1 summarises major theories to contextualise the role of a director and the many complex theoretical perspectives to which it continues to shape.
### Table 2.1:
**Summary of Major Theories Describing the Role of a Board**

<table>
<thead>
<tr>
<th>Theory</th>
<th>Underpinning beliefs</th>
<th>Assumptions</th>
<th>Shortcomings</th>
<th>Examples of key references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>Individuals act on economic self-interest and a board of directors (BOD) exists to solve the problem that exists between diffused shareholders unable to control the excesses or overreach of management</td>
<td>Assumes managerial opportunism; chief executive officers (CEOs) will put self-interest ahead of shareholder interest; individuals are motivated primarily by financial needs</td>
<td>Focuses on control and monitoring; assumes behaviour is driven only by financial needs; de-emphasises collaboration over the development of strategy</td>
<td>Fama (1980); Fama and Jensen (1983); Zahra and Pearce (1989)</td>
</tr>
<tr>
<td>Stewardship</td>
<td>Individuals are motivated by non-financial needs, such as achievement and recognition, intrinsic satisfaction of successful performance, respect for authority or sense of duty, or identification with an organisation</td>
<td>Assumes that the appointment of an executive director is favoured because the combination of executives’ personal commitment and knowledge of a business should lead to effective management with a board taking an active strategy role in a business</td>
<td>Ignores the effect of board dynamics such as the interplay of power, ideological conflict and the effects of board leadership</td>
<td>Hillman and Dalziel (2003)</td>
</tr>
<tr>
<td>Resource dependence</td>
<td>Collaborative and mentoring capacity</td>
<td>Assumes that boards have a broader role than provided by a legalistic perspective. That is, boards play a cross-boundary role by linking a corporation to its environment. Grounded in sociology and organisational theory</td>
<td>Ignores the characteristics of the prevailing external environment that itself evolves; the stage of a company in its life cycle and whether a firm is a for-profit or a not-for-profit. The social network theory has supplemented this theory and shows how social networks facilitate cohesion and the exchange of information</td>
<td>Gulati and Westphal (1999); Pfeffer and Salancik (1978)</td>
</tr>
<tr>
<td>Resource-based</td>
<td>More internally focused than RDT by considering resources through directors’ networks and their competence</td>
<td>Assumes that a firm derives a competitive advantage through the professional and personal qualifications of board members</td>
<td>Ignores the fact that specialised knowledge and experience can be bought in the market</td>
<td>Barney (1991)</td>
</tr>
<tr>
<td>Class or institutional hegemony</td>
<td>Board decisions about CEO selection and compensation will be influenced by the values of general and investor communities and, therefore, is underpinned by an ideology</td>
<td>Assumes that differences in values of individuals or groups are fundamental to decision-making, as are the institutional context and framework in which an organisation finds itself</td>
<td>Does not address how a board can increase the wealth of shareholders and may ignore changing patterns of ownership</td>
<td>Filatotchev, Jackson and Nakajima (2013); Judge and Zeithaml (1992); Mace (1971)</td>
</tr>
</tbody>
</table>

| Managerial hegemony | Companies are dominated by management and power to manage a firm transfers from shareholders to management through the formal separation of ownership and control | Assumes only managers have the intimate knowledge required to control a firm; boards do not always fulfil their legally mandated responsibilities; management has considerable influence (if not control) over director and CEO appointments | Many examples of boards having a higher level of influence than dictated by their legal obligations, including high-profile departures of underperforming CEOs. Higher concentrations of ownership and interlocking directorships challenge the view that directors and boards are without power | Stiles and Taylor (2001) |
Stakeholder perspective Represents the interests of the various members of a firm, including ‘employees, customers, suppliers, stockholders, banks, environmentalists, government’ (Hung 1998, p. 106) Assumes that boards need to adopt a ‘pluralistic approach’ in recognition of a complex network of interest groups Widely recognised as being impractical for company management Donaldson and Preston (1995); Sternberg (1997)

It has been argued that corporate governance is a complex activity and no single theoretical perspective can fully explain or capture that complexity; hence, any explanation must adopt a multi-theoretical approach (Aguilera et al. 2008; Hung 1998). Others have argued that at various stages of a corporation’s life cycle, different perspectives may be more relevant to explain what is happening (Aguilera et al. 2008; Hendry & Kiel 2004; Nicholson & Newton 2010; Petrovic 2008; Zahra & Pearce 1989). In this regard, Hung (1998) describes the links between major governance theories and the six roles boards play: linking, coordinating, control, strategic, maintenance and support. He argues against relying on any single board theory to explain governance functions, acknowledging that a board can have multiple roles and that each major theory simply explains the significance of one aspect (Hung 1998).

There is agreement in the literature that by fulfilling Hung’s (1998) six roles, a board of directors faces three interrelated tasks (Demb & Neubauer 1992; Ruigrok, Peck & Keller 2006). First, a board is involved in setting the strategic context by providing overall direction on corporate strategy, mission or vision and overseeing the strategic development of a company, including approving strategic proposals. This is often characterised in literature as an ‘advisory role’. Second, a board manages succession for a CEO role, both hiring and firing a CEO, evaluating performance and providing wise counsel to a CEO and executive directors based on their experience and expertise; this is characterised as a board’s ‘service role’. Third, a board controls, supervises or monitors progress towards its objectives, including overseeing financial and other forms of risk. This role, which is focused on the protection of shareholder interests, is often characterised as ‘the control role’. However, there is a fourth role in which a board links a company to its external environment and performs ceremonial functions to enhance a company’s legitimacy (Pearce & Zahra 1992; Peck & Keller 2006;
Ruigrok, Stiles & Taylor 2001). This is sometimes characterised as a director’s ‘resource provision role’ and is explained by RDT.

Adding a deeper understanding of the inherent challenges associated with these board roles and tasks, Sundaramurthy and Lewis (2003) proposed a model that elaborated the potential tension between a board’s simultaneous need to control and collaborate. They identified reinforcing cycles that potentially precipitate ‘strategic persistence’ as a tendency to persist with ineffective strategies and subsequent organisational decline (Westphal & Bednar 2005). More recently, inductive research by Pick (2007) observed the board meetings of five United States’ (US) public companies and conducted interviews with their directors. In her multi-method study, which included observation and interviews, Pick’s (2007) observations of board meetings allowed her to ask more nuanced questions when interviewing directors. She identified role and status tensions and concluded that the behavioural aspects of board governance should not be ignored because the consequences can affect a board’s oversight and the quality of its advisory role (Pick 2007). Evidence was also found of the critical balancing role that chairpersons play in managing these tensions by being prepared to challenge peer directors while retaining cohesive group management.

The relatively recent focus in the last decade on institutionally contextualised research, and the process research it generated, is a welcome shift from the previously narrow focus of input–output, which mainly concerns the composition and demography of board members (Daily, Dalton & Cannella 2003; Filatotchev, Jackson & Nakajima 2013; Finkelstein & Mooney 2003). Increasingly, researchers have concluded that corporate governance is concerned with more than formal structures and should include informal processes that exist in oversight roles and responsibilities in a corporate context (Hambrick, Werder & Zajac 2015). Corporate governance does not occur in a social vacuum (Westphal & Zajac 2013).

Process researchers such as Pettigrew (1992, 2001), Pye (2002), Pye and Pettigrew (2005), Maitlis and Lawrence (2003) and Samra-Fredericks (2003), among others, adopt a more ‘social actor’-driven and context-rich explanation of board function to suggest that boards are only as effective as the relationships its members have with each other. They argue board work is often characterised by uncertainty, incomplete information and interdependency and, hence, trust is key (Pettigrew & McNulty 1995; Pye & Pettigrew 2005). Both the control and service components of a board’s accountability require extensive communication and
deliberation, and members must learn to trust each other’s judgement and expertise (Brundin & Nordqvist 2008; Forbes & Milliken 1999; Huse et al. 2011; Huse & Zattoni 2008).

The two research traditions previously applied to board studies—that is, economic and institutional traditions—have different theoretical assumptions (Petrovic 2008; Westphal & Zajac 1997). An economic tradition suggests that the role of a board is driven by compliance with corporate law and regulation, and the rights of the shareholders and owners of capital (Aguilera & Jackson 2003; Hambrick, Werder & Zajac 2015; Nicholson & Kiel 2004; Petrovic 2008). An institutional tradition, within which this current study is positioned, suggests that the role of a board is largely shaped by the behaviour of individual board directors (Hambrick, Werder & Zajac 2015; Huse 2005; Petrovic 2008; Roberts, McNulty & Stiles 2005). More recently, researchers have questioned whether such a complex area of human agency can be adequately investigated by relying on these narrow perspectives (Aguilera & Jackson 2003; Nicholson & Newton 2010; Petrovic 2008). They suggest there is a middle ground and their model seeks to bridge the gap between undersocialised agency theory and the oversocialised institutionally contextualised approaches.

Hendry, Kiel and Nicholson (2010) have argued that the actual practice of corporate governance can deviate from prescribed principles enshrined in governance codes for various reasons. This is because directors develop a history of successful interactions, which, in turn, influences the expectations, conduct and routines (heuristics) associated with their board activities (Aguilera & Jackson 2003; Hendry, Kiel & Nicholson 2010). Therefore, the study of instruments of board governance such as board meetings, strategy days, closed-door sessions, board field visits and extraordinary meetings commonly found in most modern boards vary widely in the different institutional settings in which they are applied. Consequently, director interactions and practices associated with the routine use of such instruments of governance are best studied in those institutional contexts.

Pye (2002) and others (Huse et al. 2011; Westphal & Zajac 2013) also identified a key tension in corporate directorships as the relationship between an individual and a collective. By law, directors are held to be individually accountable, but their actions at board level are clearly part of a collective and, as is well known in the field of social psychology relating to the study of group behaviour, people acting together may do things they would never do alone (Fritsche et al. 2013). Pye (2002) argues that directing is a relational concept in which agency occurs through relationships with others and this process is dynamic rather than
additive. Thus, rather than adding the individual ability of each director on a board to calculate the total capability of that group, Pye (2002) argues that a board may be greater (and sometimes less) than the sum of its parts. She suggests that research should focus on teasing out the relationship between an individual and a collective action and how this may be evaluated (Pye 2002). However, there is a lack of consensus on methodological issues concerning the analysis of board and individual member effects (Petrovic 2008). The methodology in this current study recognises these issues and uses a director as a unit of analysis. This methodology is discussed in Chapter 3.

While this review and thesis are primarily focused on the internal context of a board’s and a director’s contributions, the external context of a corporation must also be acknowledged. This includes the network of stakeholder relationships and expectations, governance codes and regulatory frameworks (including differences in national governance jurisdictions), financial conditions and crises, and evolving societal norms (Hambrick, Werder & Zajac 2015; Huse et al. 2011). Other researchers acknowledge that the life cycle of a company, transformation within the sector, competitive forces, disruptive technologies and systemic sector risk each complicates the research task and that any research design must accommodate these factors (Huse et al. 2011; Minichilli et al. 2012; Pettigrew 2001; Seidl & Whittington 2014).

2.2 Board and NED Contribution to Strategic Decision-making

While the literature has acknowledged the importance and need for adequate board control and independence (Baysinger & Hoskisson 1990; Jensen & Zajac 2004), both the contributions of boards to strategy and the desirability of such practice have remained topics of discussion (Golden & Zajac 2001; Daily et al. 2003). In light of a multitude of theoretical lenses and empirical findings in the management literature, Zahra and Pearce’s [1989, p. 328] observation that ‘there is controversy over the nature of directors’ strategic role’ … still seems to be topical after 20 years of research. (Pugliese et al. 2009, p. 293)

In this section, research relating to a NED’s involvement in a strategic decision-making process is reviewed by examining the role of a NED as a board-group member. Specifically, it concerns an understanding of how the NED role is currently conceived and perceived within academia and practice. The exclusive focus on the NED role is driven by the context of Australian public companies in which NED majority in board composition is the norm. It
is general practice in Australia that only a CEO and a chief financial officer (CFO) hold executive board responsibilities.

This review adopts the Johnson and Scholes (2002) definition of a strategic decision, that is, a strategic decision is one that could potentially and profoundly change the direction and scope of a company in the long term. In relation to an advisory role (which is the focus of this study), directors may be called upon to provide advice on a range of strategic decisions such as diversification, internationalisation, innovation and strategic change (Pugliese et al. 2009; Ravasi & Zattoni 2006).

In relation to the role a board has on firm strategy, a shift has occurred over the last three decades. In their extensive literature review of board contribution to strategy since 1972, Pugliese et al. (2009) identified a shift in the study of a board’s role from an agency paradigm to embrace pluralism. Increasingly, as advocated by Carpenter and Westphal (2001), Hillman and Dalziel (2003) and Hillman, Nicholson and Shropshire (2008), boards are being studied not just as a control mechanism on behalf of shareholders but conceived in terms of how the capacity and capability of individual directors and a board develop and refine strategic decisions. Particularly, the emergence of RDT and other theories of the board role have helped advance understandings of how and why boards of directors engage in strategy (Judge & Talaulicar 2017).

In the last decade, calls for a greater focus on the role of boards in shaping strategic proposals (in addition to monitoring responsibilities) has gathered pace and volume, particularly in the US and the United Kingdom (UK). This is a consequence of several contributing factors including several high-profile corporate failures which precipitated increased regulation (e.g., the US Sarbanes–Oxley Act (SOX) of 2002 following the collapse of Enron (Ahrens, Filatotchev & Thomsen 2011; McNulty, Florackis & Omrod 2013)). The rise of private equity and takeovers, the growing influence of institutional investors and the rise of a shareholder activism movement have also been significant factors. Additionally, calls for boards to play a greater role in strategy have extended beyond the UK and US to the rest of the world, including Australia (Kemp 2006).

Lapses in corporate governance in the UK precipitated the Higgs (2013) review, an independent review of the role and effectiveness of NEDs, which included an extensive qualitative study of the behavioural dynamics of boards (Roberts, McNulty & Stiles 2005).
the first inductive study of its kind in which 40 NEDs were interviewed in the UK, Roberts, McNulty and Stiles (2005) argued that, at best, board structure and composition conditions rather than determines board effectiveness. Instead, they suggested that the behavioural dynamics of a board, together with group and interpersonal relationships between NEDs and executive team members, has a more far-reaching effect on a board’s ability to perform its tasks effectively.

Australia has also experienced corporate governance issues, as evidenced by high-profile corporate failures such as HIH Insurance, One.Tel, Pyramid, Storm Financial, Allco Financial Group and Opes Prime. There has been no Higgs-type corporate behavioural studies in Australia other than the 1991 Bosch report Corporate Practices and Conduct. There have been no corporate governance reviews in Australia, apart from publications such as the Australian Stock Exchange (ASX) Corporate Governance Council’s (2014) Corporate Governance Principles and Recommendations.

While there is recognition that not all corporate failures can be attributed to lack of board oversight of strategic decisions, there are growing calls from the academic and the wider business communities for studies into NED involvement in strategic decision-making processes (McNulty, Zattoni & Douglas 2013; Pugliese et al. 2009; Zattoni & Van Ees 2012). These studies are motivated by a desire to ensure a richer understanding of the strategic governance function of boards and, therefore, redress a historical focus on a board’s monitoring function.

A board’s role in shaping strategy has also attracted the attention of directors who are keen to optimise their personal contributions in an increasingly complex environment (McNulty et al. 2011; Pick 2007). The McKinsey (2013) Global Survey covering both public and private company boards shows that in the two years following their 2011 survey, boards were spending comparatively more time on strategy. Moreover, the survey also reported that while only a fifth of those surveyed in 2011 demonstrated a complete understanding of company strategy, this increased to a third in 2013. The survey also reported that high-impact boards—defined as those effective in exercising their key roles: control, advisory and service—tended to engage more frequently in strategic behaviours such as assessing value-drivers, portfolio synergies and evaluating strategic alternatives (McKinsey 2013).
While there is general agreement in corporate governance academic literature that boards should contribute to corporate strategy (Brauer & Schmidt 2008; Daily, Dalton & Cannella 2003; Rindova 1999; Zahra & Pearce 1989), how boards should fulfil this role remains unclear (Hendry, Kiel & Nicholson 2010; Nicholson & Newton 2010; Pye & Pettigrew 2005). Brauer and Schmidt (2008) offer three reasons for this lack of consensus. First, there is no clear definition of a board role that varies across numerous studies. Second, corporate governance research has largely relied on a single theoretical perspective (i.e., agency theory), even though, as noted, the complex phenomenon of public corporation governance cannot be captured by a single theory (Daily, Dalton & Cannella 2003; Roberts, McNulty & Stiles 2005). Third, scholars’ limited access to board strategic decision-making processes has resulted in an over-reliance on proxies rather than direct measurement.

To meet their responsibilities in the oversight of strategy and optimise outcomes, NEDs are required to collaboratively contribute to strategic proposals brought to a board by management (McNulty & Pettigrew 1999; Roberts, McNulty & Stiles 2005). During the complex process of a board decision, as in the case of an internationalisation strategy (which occurs over several months), many micro-decisions are made that synthesise progressive NED contributions. This involves the gathering of information, analysis and clarification until a workable consensus is achieved (McNulty & Pettigrew 1999; Roberts, McNulty & Stiles 2005). McNulty and Pettigrew (1999) concluded that these shaping behaviours of a decision-making process included testing ideas, questioning assumptions, evaluating (strategic) logic, raising concerns, weighing risks and offering encouragement. Each line of questioning posed by NEDs in this process effectively shapes a strategic outcome. Therefore, the process of shaping a strategic proposal and providing the required oversight is largely determined by NED behaviour and, hence, is the focus of this study. Particularly, the aim is to explore and explicate the enablers and inhibitors of strategy-shaping behaviours. In this regard, it is significant that Kemps’s (2006) empirical study based on interviews with 20 Australian NEDs using the McNulty and Pettigrew (1999) framework (shown in Table 2.2) found evidence of variations in strategy-shaping behaviour.
Table 2.2:
The Strategy Involvement of a NED: Behavioural Variation in How Boards Apply Themselves to Their Strategic Role

<table>
<thead>
<tr>
<th>Definition</th>
<th>Board behaviour</th>
<th>Strategic involvement</th>
</tr>
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<tbody>
<tr>
<td>Taking strategic decisions (minimalist)</td>
<td>Influence is exerted inside a boardroom at the end of a capital-investment decision process</td>
<td>All boards take strategic decisions</td>
</tr>
<tr>
<td>Shaping strategic decisions</td>
<td>Influence occurs early in a decision process as part-time board members shape the preparation of capital investment proposals by executives</td>
<td>Some boards shape strategic decisions</td>
</tr>
<tr>
<td>Shaping the content, context and conduct of strategy (maximalist)</td>
<td>Influence is continuous, not confined to decision episodes</td>
<td>A minority of boards shape the content, context and conduct of strategy</td>
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Board behaviour:
- Inside a boardroom, boards take decisions to either accept, reject or refer capital investment proposals.
- Consultation with board members by an executive (either formally or informally) while a capital investment proposal is being prepared enables board members to test ideas, raise issues, question assumptions, advise caution and offer encouragement.
- Executives ‘sieve’ capital investment proposals in anticipation of a need for board approval.

A board develops the context for strategic debate, establishes a methodology for strategy development, monitors strategy content and alters the conduct of an executive in relation to strategy.

Source: McNulty and Pettigrew (1999 p. 55)
However, in studying the factors that influence the level of involvement in strategy, Kemp (2006) discovered little evidence that external factors such as stakeholder expectations, public pressure, preserving a company, board and individual reputations, corporate governance policy, company history and performance, informal ties with other board members and established board processes influence director-level behaviour. Other researchers also suggest that board members’ obligations and motivations were better indicators of whether they personally pursued a deeper involvement in strategy (Judge & Talaulicar 2017).

Researchers have argued that the minimalist (passive) and maximalist (active) mode of board involvement in strategy (as depicted in Table 2.2) is an oversimplification, in that in any given decision, both modes can coexist; further, identification, development and selection of strategic options rarely follows a sequential pattern (Hendry, Kiel & Nicholson 2010; Nicholson & Newton 2010).

Other typologies have also emerged (Bailey & Peck 2013; Nadler 2004). Nadler (2004) described five types of boards: the passive board, the certifying (or rubber-stamping board), the engaged board, the intervening board and the operating board. He suggested that real-world boards slide back and forth across the scale and their levels of engagement change according to issues and circumstances. Bailey and Peck (2013) proposed a different board decision-making typology: engaged, adaptive and contested. However, while such typologies or archetypes and characterisations usefully describe a board’s ‘frame of mind’ associated with their strategic role, they do not explicate how the ‘shaping of strategy’ is performed or the ‘inner context’ factors that might moderate shaping behaviour. That is, the actual behaviour of an individual board director when enacting their strategy-shaping accountabilities remains relatively under-researched.

In summary, the strategic influence of a board in shaping strategy has increasingly become the focus of board studies. Despite this increased attention and acknowledgment that corporate governance does not occur in a social vacuum, few studies have described strategy-shaping behaviours or explored how social context affects these behaviours. Section 2.3 describes relational and social dimensions associated with the processes of accountability, extending this notion beyond formal structures.
2.3 Accountability as a Relational Process

Corporate governance is the process by which corporations are made responsive to the rights and wishes of stakeholders (Demb & Neubauer 1992) and accountability is the process by which this is achieved. As noted, in corporate governance research, board accountability is often described in structural and hierarchical terms, as influenced by agency-prescribed definitions of shareholder rights and claims. Other researchers have studied the directors role beyond shareholder rights and claims, suggesting they play a complex role in mediating in the needs of all its constituents (not just shareholders) in calculating what is the best for the firm as an ongoing concern (Blair & Stout 2001). This section describes research that considers informal processes of accountability and takes a social reality approach to understanding the process of accountability as one that is accomplished through expectations, norms and relationships; further, it has a self-regulating nature.

The term ‘accountability’ implies the anticipation of an ‘accounting’, that is, having to report or explain oneself in response to others’ explicit or implicit expectations. Therefore, accountability is contextual and relational and has an impact on a wide range of social judgments and choices (Lerner & Tetlock 1999). Despite this, there is little if any extant research on board level accountability as a socially accomplished activity shaped by individual expectations, routines and norms (Huse 2005; Huse et al. 2011; McNulty, Zattoni & Douglas 2013; Nicholson & Newton 2010; Petrovic 2008; Roberts, McNulty & Stiles 2005; Van Ees, Gabrielsson & Huse 2009; Westphal & Zajac 2013).

Over the last decade, the focus has progressively moved away from a simple analytical utility approach towards accountability, thus, acknowledging that accountability between the actors in a social system (such as a board or top team) is socially accomplished (Huse 2005; Roberts 2001; Roberts, McNulty & Stiles 2005). Researchers such as Huse (2011) and McNulty Zattoni & Douglas (2013) continue to call for multiple theoretical perspectives when studying boards as complex social systems.

Researchers also distinguish between formal and informal processes of accountability (Frink & Klimoski 2004). Informal sources of accountability are shaped by the expectations and interpersonal relations between members of a group and the recognition of a ‘social reality’ with trust at its heart (Frink & Klimoski 2004; Mayer, Salovey & Caruso 2008; Roberts 1991). Importantly, this second source of accountability, rooted in dependence and
relatedness, cannot be accounted for in traditional accounting or economic terms (Roberts 2001). As such, the process of accountability and how it is achieved is complex and those held accountable (in this case, corporate governance actors such as NEDs) are immersed in a web of formal and informal types of accountability (Frink & Klimoski 2004; Lerner & Tetlock 1999). Interpersonal communication is key. In putting forward his dynamic social impact theory (a meta theory), Latane (1981, 1996a) supports the social constructionist view that a group’s culture is created by communication and suggests how individuals located in a social space influence each other to create higher order patterns and subcultures, which he describes as dynamic entities that feed on and evolve through communication. Group cultures and subcultures may appear to have an internal coherence but they are continually resisting categorisation because ‘individuals [differ] in their ability to influence each other and in their spatial location, [affect] each other in a dynamic iterative process of reciprocal and recursive influence’ (Latane 1996a, p. 13). His theory is relevant in any study of the processes of creating accountability because it explains how the diffusion of accountability, described as the bystander effect or social loafing, can occur (Latane 1981).

Although the distinction made between ‘outcome accountability’ and ‘process accountability’ has long been posited (Lerner & Tetlock 1999, p. 258) the notion of ‘creating accountability’ in a boardroom (in a process context) was first flagged by Roberts, McNulty and Stiles (2005) as part of a major study undertaken at the request of the UK government’s Higgs (2003) review. Significantly, this study laments the dominance of agency theory in board research. The study comprised 40 in-depth NED interviews combined with an established Ipsos MORI Social Research Institute qualitative survey of 350 Financial Times Stock Exchange (FTSE) directors taken from a sample of 605 Chairs, NEDs and executive directors of UK companies. The study (Roberts et al. 2005) concludes that ‘creating accountability’ is about bridging the gap between board role expectations and actual board task performance. Board accountability was, until then, often discussed in terms of expectations—that is, what should be done, by whom and how (Huse 2005; Nicholson & Newton 2010). In their inductive study, Roberts, McNulty and Stiles (2005) demonstrated that the internal context is critical to understanding the process of accountability by studying actual interactions, behaviours, routines and norms—that is, how accountability is practised. Other process studies have also contributed to an increasing body of research that focuses on how accountability is enacted behaviourally (Huse 2005; Huse & Rindova 2001; Huse & Zattoni
The literature also suggests that since strategic decisions are cognitively complex, uncertain and laden with ambiguity, strategic proposals are generally debatable, and, hence, different views are inevitable. This contestable decision setting potentially leaves space for the exercise of power with different power-holders pursuing preferred strategic choices (Finkelstein 1992; Stiles 2001). Therefore, a NED’s self-construal and conception of place in a group and their predisposition to seek power and influence the creation of alternatives to preferred strategies can be critical antecedents in understanding how NED accountability is practised (McNulty & Pettigrew 1999; Roberts 2001; Roberts, McNulty & Stiles 2005).

Consistent with the view that boards have a monitoring and advisory role, there is an implicit assumption of the coexistence of trust and control (Huse et al. 2011; Sundaramurthy & Lewis 2003; Westphal 1999), which promotes a collaborative model of the board; that is, boards can provide advice and counsel while simultaneously engaging in control. This more nuanced view recognises that a board is a highly complex social system comprising interactions between members in which trust is experienced, learned and reinforced. This social reality approach to accountability was explored inductively in a Pettigrew and McNulty (1998) study that examined the link between power and accountability in a boardroom. They suggest that NED power is limited in three ways: by position (the non-executive nature of the role), by expertise (limited direct access to specialist skills) and by information (NEDs always work with less information than executive management) (Pettigrew & McNulty 1998). Given their limited power, exercising accountability on behalf of shareholders they represent is achieved through relationship power and is exercised by skilful personal influence, either individually or collectively. More recently, researchers argue that a more socially informed actor-centric approach may explicate the political skills required to deal with high levels of ingratiation, flattery, opinion conformity and impression management, typically directed by others to managerial elites (Westphal & Zajac, 2013).

This literature review also found evidence that accountability is a learning process in which actors in a social system (in this case, directors) continually reassess their value and place in a group and adapt their behaviour through double-loop learning (Argyris 1986). That is, despite individual identities having an appearance of stability, they are dynamic, recursively and reflexively authored, and ‘in-progress’ (Brown & Lewis 2011; Hillman, Nicholson &
Shropshire 2008). This is because board interaction routines act as a standard against which an individual continually assesses how they are performing. In previous discursive studies of professionals (such as the inductive study of the routines of lawyer behaviour), researchers found an ongoing narratisation of work selves (Brown & Lewis 2011).

In summary, the research into small-group accountability reviewed in this section suggests that it is a socially accomplished process achieved through expectations, norms and interactions between members. However, how social factors influence accountability in decision-making practices remains relatively unexplored and, therefore, represents the problem this study seeks to explicate. Section 2.4 explores some of the relevant social factors in the literature that explain the social reality of a small group, such as a board.

2.4 The Role of Social Identity and Power in the Functioning of Small Groups

The nature of strategic decisions at a board level was discussed in Section 2.2 in which it was discovered to be cognitively complex by nature, uncertain and laden with ambiguity. Further, Section 2.3 argued that strategic proposals are debatable and differences of views are inevitable. As noted, this contestable decision setting potentially leaves space for the exercise of power with different power-holders pursuing preferred strategic choices (Finkelstein 1992; Stiles 2001). Therefore, a NED’s self-construal and conception of place in a group and their predisposition to seek power and influence alternatives to preferred strategies are all critical antecedents in understanding NED accountability.

This section reviews research in social psychology and organisational theory concerning social systems. It shows that ‘socialising’ effects remain relatively unexplored in a board context. Moreover, current studies do not explain how power and identity might cause one board culture to differ from another, despite the fact that the boards in question have identical structures and similar composition. First, this section considers social identity, particularly the processes by which an individual identifies with a group (group identification) and categorises themselves, relative to group members (self-categorisation). Second, it focuses on the experience of power (particularly its sources), acquisition, maintenance and loss. Third, it considers how social identity and power interact and their potential ‘socialising’ effects on the functioning of small groups such as boards.
2.4.1 Review of Prior Research on Social Identity

Despite its genesis in the 1970s, the application of social identity theory is a relatively recent phenomenon in board studies (Brown 2001). Relevant to this current study, the focus is on how group identification can influence a director’s thoughts and actions.

This review explores literature concerning the positive and negative effects of group identification. As a director-level study, it is important to consider how group membership can both strengthen and diminish an individual’s agency and contribution. This review acknowledges that while we may rely on others in a group and agree with another’s point of view (not simply to gain approval or flatter them), we may rely on group members because we believe they can provide us with relevant information about the world, especially in conditions of uncertainty.

There are two seminal theories of group identification and self-categorisation: social identity theory (SIT) and self-categorisation theory (SCT). Both show how a group fundamentally changes and transforms an individual’s psychology and behaviour (Turner 1982; Turner & Reynolds 2012). Turner’s (1987) seminal research on social identity (Tajfel & Turner 1979) and self-categorisation argues that social identity is what actually allows intergroup behaviour to occur. Hence, it is in situations in which people can conceive of themselves and others (that is, as ‘us’) that they are able to act as ‘us’ (Brewer 1991, p. 476). The unique contribution of SIT and SCT are that they are concerned with analysing a group in an individual rather than focusing on an individual in a group. These theories, considered in the context of a NED, are considered in the following sections.

2.4.1.1 Social Identity Theory

Social identity involves an extension of self beyond the level of an individual and is not an aspect of individual self-concept (Brewer 1991). Social identities are categorisations of the self into more inclusive social units that depersonalise the self-concept—in which ‘I’ becomes ‘we’ (Brewer 1991). Therefore, as this study concerns the role of a NED within a functioning group, social identity rather than personal identity is the focus of this section.

SIT concerns how individuals view social categories to which they belong and, therefore, define ‘who I am’ (Hogg & Turner 1985; Oakes, Turner & Haslam 1991; Onorato & Turner 2004; Turner 1975, 1985). While SIT emphasises the multifaceted and dynamic self in the
context of social structures, social categories are stories we construct about ourselves and how we fit the social reality in which we find ourselves. SIT literature is strongly linked to sensemaking theory (Brown 2001). Sensemaking is a three-stage process of enactment in which actors capture fragments of experience, link them cognitively to make a plausible story and reuse this story to make sense of situations in the future (Weick, Sutcliffe & Obstfeld 2005). That is, confronted with a network of relationships into which they must fit (such as a board group), a director will build a story about their place in a board, which then influences how they approach their responsibilities and interact with other group members (Hillman, Nicholson & Shropshire 2008). Thus, an individual’s self-definition in the social context they find themselves is critical to any study of group behaviour.

SIT suggests that a special category (e.g., nationality, political affiliation or sports team) can provide a definition of who one is in terms of the defining characteristics of a category—a self-definition that becomes part of the self-concept. Each of these memberships is represented in an individual member’s mind as a social identity that both describes and prescribes their attributes as a member of that group—that is, what one should think and feel and how one should behave. This concept of social identity may apply to directors’ minds, in which their identification with a board group to which they belong describes and prescribes how they should think, feel and behave. Social impact theory also suggests that once part of a group, the ability for members to practice detachment and distance themselves from it is challenging (Latane 1981, 1996a).

SIT is especially relevant to this study because it explains intergroup behaviour—that is, how particular features of a subjectively perceived social structure could lead people to define themselves in terms of a shared social identity and, therefore, produce distinctive forms of group behaviour. Membership of a social group may be voluntary or imposed; however, social identities are chosen (Brewer 1991). Thus, what occurs is not simply a social, structural and ideological reality but is internalised by an individual group member to influence thought and action. Although SIT was groundbreaking—in that it presented an alternative to models that perceive groups merely as aggregations of interpersonally attracted individuals (Turner 1982; Turner & Reynolds 2012)—it has limitations. It does adequately consider interaction, that is, how a director’s self-concept of their place in a board group might influence their thinking and actions and produce distinctive and unique patterns of behaviour. This is where SCT is relevant.
2.4.1.2 Social Categorisation Theory

SCT attempts to describe the psychological processes that underpin the behaviour of social identity (Haslam, Reicher & Reynolds 2012; Hogg & Turner 1985; Hogg & Williams 2000; Onorato & Turner 2004). It posits that the self is not a stable identity but is fluid and context-dependent rather than a manifestation of enduring personality traits or a self-concept. Instead, the self continually interacts with contextual factors. This theory suggests that the self-categorisation process—an internalisation process developed by individuals to understand and explain their social experiences—is the cognitive basis of group behaviour. Therefore, it often features in people’s spontaneous self-descriptions (Onorato & Turner 2004). The process of categorisation leads to a process of differentiation—that is, accentuating perceived similarities and differences between features or characteristics (e.g., beliefs, attitudes and behaviours) belonging to various categories (Hogg, Terry & White 1995). This is a critical theory for the study of board-member behaviour in that it may explain how in-groups—that is, a social group that a person identifies with as being a member—and out-groups; (the opposite) may affect the decision-making behaviour of an individual or subset of directors. Particularly, the ways in which the views of an in-group on a board may dominate the strategic shaping process and, consequently, the contributions of an out-group are marginalised or silenced. Therefore, group membership assists people to define themselves and provides, by association, social acceptance, influence and control.

After being categorised in terms of group membership and defining themselves in terms of that social categorisation, individuals seek to achieve or maintain positive self-esteem by positively differentiating their in-group from a comparable out-group concerning some valued dimension. As Reicher et al. (2012) explain, this quest for positive differentiation means that when a person’s sense of who they are is defined in terms of ‘we’ rather than ‘I’, they want to see ‘us’ as different from, and better than, ‘them’.

By emphasising the desire for a positive evaluation of the self, SIT also lays the ground for in-group identification and bias in that the ‘like me’ or ‘unlike me’ categorisations affect an individual’s decision-making process (Fritsche et al. 2013). Whether one takes another member’s view into consideration depends on whether it derives from an in-group member ‘like me’; that is, the consensus among people ‘like me’ guides the behaviour of social groups (Haslam et al. 1998; Reynolds 2012; Turner 1987, 2005). SCT researchers suggest that in-group identification determines the receptiveness to influence by majorities or
minorities. For example, when a target (the person at whom the influence attempt is directed) receives an influence attempt from an in-group minority, they are more likely to become pressured to conform with the views of that in-group. Conversely, Haslam et al. (1998) and Turner (2005) also suggest that when an out-group minority attempts to send an influence attempt, the pressure to change opinions in the direction of an advocated position is minimal. Hence, in-group identification suggests that the ‘people like me’ construct has a pervasive effect on how influence attempts are responded to in a group setting such as a board. Moreover, influence is dependent on whether a message source is a majority or minority.

For example, in a board setting, a majority may comprise NEDs who possess industry sector experience or those who have previously held CEO roles, while a minority may be NEDs who are female or those with direct acquisition experience. Therefore, it is possible that on every board, self-categorisation by an individual director will create groupings along the lines of ‘people like me’ and ‘people not like me’ and, consequently, affect a director’s influencing behaviour and the success of their influence attempts. Further, self-categorisation effects will depend on whether a director perceives themselves to be part of an in-group or out-group and are further complicated by the fact that disagreement with a group can produce uncertainty—a sense of subjective invalidity, such as ‘have I misunderstood this’ or ‘am I wrong’. Haslam et al. (1998) suggest this process of validation may result in revisions of identity and understandings of reality.

The dynamic nature of self-definition has recently attracted the interest of several academics (Reynolds & Subasic 2016; Xiao et al. 2016) who take a perceiver-centred approach to the social categorisation process. This approach suggests that a perceiver’s needs, motivations and expectations are fundamental to their perception of categories; hence, even if perceivers belong to a single in-group or out-group, they can have different perceptual experiences of the same stimuli. Xiao et al. (2016) explored social identity processes that concern variability in people’s self-definition from an individual to a group and the effect of in-group self-identity on perception. They outlined a model that depicted perception as central to understanding the relationship between social identity and intergroup relations because people have the capacity to vary their self-definition depending on their environmental contexts (Xiao et al. 2016).

Reynolds and Subasic’s (2016) enhancement of the model posits that self-definition can vary both horizontally (so that different social identities become salient across social contexts) and
vertically or hierarchically (so that higher level identities emerge and redefine lower level intergroup relations). In a board context, this might mean that a director who is an accounting professional and holds a board committee role may identify (horizontally) with board peers who have accounting backgrounds and simultaneously identify (vertically) more closely with board peers who are members of a committee. Hence, people have the capacity to vary their self-definition depending on which self-categorisation becomes more salient or contextually meaningful. Reynolds and Subasic’s (2016) work implies that directors can hold memberships across several (vertical and horizontal) categories, and revisions of identity may occur during a decision-making process depending on the identity they perceive to be more meaningful at that time.

In summary, this review of social identity literature applied to a board context suggests it can be extended in two ways. First, board and director identities may not be as stable as board literature suggests because of internal and external context triggers for adaptation. While having some appearance of stability, social identity effects in board groups may, in fact, be dynamic and subject to adaptation during a decision-making process. Further research is required to understand in-depth when and how adaptation as social learning takes place and the role that strong social identity plays in learning among board peers—particularly, how social learning plays a role in shaping influence attempts. The traditional director role (in which NEDs are perceived as sources of expertise and experience) may need to be challenged and make way for a concept of NED role that is more open, emergent and adaptive. This reframing may become increasingly relevant as business environments continue to become more unpredictable and, consequently, directors are required to be more comfortable with ambiguity and uncertainty.

Second, recent research reveals that social identity effects are problematised by the ambiguity that continues to surround board roles (Simoes, Kakabadse & Ramos 2013). This variation is consistent with extant research advancing the minimalist versus maximalist model examined in Section 2.2—that is, how each board variously applies itself to a governance role (McNulty & Pettigrew 1999). Role ambiguity is also further complicated by a gap between a regulator or legislator prescribed role and the actual roles that directors play in discharging their responsibilities (Cadbury 2002; Pick 2007; Simoes, Kakabadse & Ramos 2013). Therefore, any exploration of the effect of director identity on strategy shaping must be integrated with the role and accountabilities of board directors. Different interpretations of
the role of a NED within a given board group may give rise to role and task tensions, in that ‘role tension’ refers to the tensions a role holder experiences in enacting their role and ‘task tensions’ refers to the tensions a role holder experiences when accomplishing tasks. For example, while all NEDs may agree that their role is to ensure the creation of shareholder value, they may have different views about how this is achieved through management (Pick 2007). Further, these differences may weaken shared identity in a board group by implicit threats to shared values and beliefs.

Overall, social identity is a relational construct that can transform group members from separate individuals into a cohesive ‘we’. Both SIT and SCT suggest that intergroup relations and social identity are intertwined to generate a complex social dynamic. It transcends and redefines the boundaries of otherness and creates cohesiveness and solidarity (Reicher & Haslam 2010; Reynolds & Subasic 2016; Subasic, Reynolds & Turner 2008). This is critical to acting on our shared beliefs, as decision-makers may experience in the process of arriving at a decision as a group, since we know we can rely on others to make sense of the world and when needed to back us up.

Both SIT and SCT suggest that intergroup relations and social identity are intertwined to generate a complex social dynamic that transcends and redefines the interpersonal boundaries and creates cohesiveness and solidarity (Reicher & Haslam 2010; Reynolds & Subasic 2016; Subasic, Reynolds & Turner 2008). Hence, a board and director-level influences on identity are multifaceted and complex (Hillman, Nicholson & Shropshire 2008).

Further, extant research does not fully explore these effects at a board level and how they are linked to power. The significance of power and its effects are addressed in the Section 2.4.2.

### 2.4.2 Review of Prior Research on Power

This review focuses on prior studies relating to the effects of power and power-holders in an organisational context and the relations between social identification and power. It draws from relevant research in psychology, sociology and organisational theory on the psychological effects and consequences of power for those with its possession (Fiske 1993; Keltner, Gruenfeld & Anderson 2003; Sachdev & Bourhis 1991).

Power has been variously described as a capacity to modify the environment or the thinking and actions of others, both as an ability or source and as a property of social relations (Sturm
This review adopts the most widely used definition in the literature in which power is described as the asymmetric control over resources and outcomes (both social and material) desired by others (Bendahl 2007; Emerson 1962; Fiske 2010; Keltner, Gruenfeld & Anderson 2003; Magee & Galinsky 2008; Overbeck 2010; Overbeck & Droutman 2013; Pfeffer & Salancik 1978). The term ‘asymmetric’ is relevant because power is relational; it exists by giving power to the controllers of resources over those who desire or need them but who have no control. Contemporary researchers are generally in agreement that influence as a process is an outcome power (Sturm & Antonakis 2015). Interpersonal power has also been defined in terms of its effects, by which it involves both powers over and freedom from influence, as well as the right to decide one’s own fate (Fehr, Herz & Wilkening 2013).

Table 2.3 summarises the literature concerning the study of power in a social context. The various theoretical approaches reflect the complexity of power and its sources, uses and effects. Most studies are based on power manipulations in experimental conditions.

**Table 2.3:**

**Typologies and Theories of Power in a Social Context**

<table>
<thead>
<tr>
<th>Potential: Origins and sources of power</th>
<th>Trait: Predisposition to seek or use power</th>
<th>Use of power: Influence tactics of high-power individuals</th>
<th>Experience of power: Effect on own cognition, affect and behaviour</th>
<th>Effects and consequences on others (prosocial or antisocial)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>board context</strong> (Finkelstein 1992)</td>
<td><strong>take risks</strong> (Overbeck &amp; Park 2006) The tendency to focus on upside rather than downside (Anderson &amp; Galinsky 2006)</td>
<td><strong>More judgemental of others</strong> (Lammers, Stoker &amp; Stapel 2009)</td>
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<tr>
<td><strong>Power as part of motive</strong> (McClelland 1975; 1985)</td>
<td><strong>Other orientation</strong> versus less self-anchoring or dominance motivation as empathy (Anderson &amp; Berdahl 2002) Attentive to social relations and concern for others (Blader &amp; Chen 2012)</td>
<td><strong>Individual (motivational) style</strong> (Anderson &amp; Brion 2013; Galinsky, Gruenfeld &amp; Magee 2003) <strong>Coercion</strong> (Galinsky, Gruenfeld &amp; Magee 2003) <strong>Feelings or affect</strong> The feelings accompanying power (Chen et al. 2001; Weick &amp; Guinote 2008) <strong>Optimism</strong> (Anderson &amp; Galinsky 2006) <strong>Desire, enthusiasm and pride</strong> (Keltner, Gruenfeld &amp; Anderson 2003) <strong>Power transference or power by association</strong> (Goldstein &amp; Hays 2011) <strong>Less discomfort or fear to self-express, or overestimating the accuracy of own knowledge</strong> (Anderson &amp; Berdahl 2002; Guinote 2007; Keltner, Gruenfeld &amp; Anderson 2003)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Institutional logic as a source of power</strong> (Prahalad &amp; Bettis 1995)</td>
<td><strong>Weaker identification with groups or others</strong> (Seppala et al. 2012) <strong>Formation of alliances as in-group or out-group</strong> (Turner 1985, 1987, Anderson &amp; Berdahl 2002; Magee &amp;)</td>
<td><strong>Behavioural bias for action</strong> (Anderson &amp; Berdahl 2002; Magee &amp;) <strong>Power loss</strong> (Brion &amp; Anderson 2013) <strong>Trust and power</strong> (McKnight &amp; Chervany 2001)</td>
<td></td>
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</tr>
</tbody>
</table>
As a segue into a detailed discussion of the theories and typologies of power set out in Table 2.3, a few general observations are required. First, power and status in a social context tend to be associated, but they are not the same (Magee & Galinsky 2008). A recent review of the literature by Anderson and Brion (2014) concludes that individuals with power are more respected and admired and, therefore, assume status in the eyes of others. This derived status can result in others wanting to associate with an individual because of loyalty, respect, admiration, friendship, affection or a desire to gain approval. Therefore, status is a form of social power. Importantly, this review demonstrated that those who are respected tend to be given control over valued resources (Anderson & Brion 2014). This may be relevant to a board context in which NEDs, who are perceived as having more power, will have a higher status in a group, be more respected and admired and, consequently, be given greater latitude to exercise influence over a group.

Second, the literature review on power reveals three major trends. First is a shift in the research from simply defining typologies (that is, sources of power) as initiated by French and Raven (1959) to explanations of its use. Second is a shift away from the uses of power by power-holders to in-depth studies of its consequences on others, albeit, mostly conducted by experimental manipulations rather than real-life contexts—that is, rather than focusing on the structural and institutional aspects of power, a second shift in the research focused on the psychological and interpersonal aspects of power. Third denotes a shift from a study of individualised notions of power to the notion of social power by which the complex nature of group membership itself becomes a source of power. In this regard, the link between theories of social identity and power become critical to understanding the role that psychological identification with group members plays in the decision-making influences on individuals in organisations.

Third, also relevant to this study is recent research on the relationships between social power and social action, particularly in the context of decision-making in which power is exercised...
by individuals in a group and by the dynamics of a group itself (Magee & Galinsky 2008). The following subsections examining the extant literature on power, as summarised in Table 2.3 and applied to the context of a board group, proceeds as follows: the sources of power and its acquisition, the maintenance and loss of power, the experience of power and how power might shape action.

2.4.2.1 Sources of Power and its Acquisition

The summary provided in Table 2.3 suggests that all previous typologies of power sources fall into two categories: structural and social. Structural power, also known as position power or legitimate power, refers to attained positions of formal authority within a hierarchy (Brass 1984). Social power—also known as referent power, status power or charismatic power—refers to occupying a power position in a social network that accords a particular (social) status to an individual (Burt 1992).

Further, three critical factors apply to power acquisition. First, both sources of power (structural and social) emanate from a hierarchy (Magee & Galinsky 2008), which can develop formally or informally in a group (Blau & Scott 1962). However, no hierarchy exists in isolation, as all groups and organisations often have multiple value dimensions by which people can be ranked. This is where the study of power and social identity become indivisible, in that social categorisation (as group identification) facilitates comparisons by one’s perceived position across multiple hierarchies—for example, as a board and subcommittee member. The second factor is the role of expertise, knowledge and skill, which, arguably, may (in different circumstances) straddle both structural and social forms of power. This view is consistent with Rindova (1999) who characterises expert power in terms of cognition, which comprises requisite and external varieties. The requisite variety derives from experience, knowledge and reputation and the external variety derives from an expert’s connections and networks, which also provide power. For example, a NED’s expertise and professional associations concerning risk or audit may accord them a status that results in their position as the Chair of the risk and audit committee. Finally, the third factor is that the acquisition of power is independent of actual power, as actual power relies on its use (Pettigrew & McNulty 1995).
Concerning structural hierarchy, individuals are ranked by the number of resources they control and, in this case, resources include knowledge and expertise. Magee and Galinsky (2008) found that relatively few studies look beyond structural notions of hierarchy.

However, self-categorisation, as a function of power as social identity, also plays a role in power acquisition. At a global level, it can refer to an individual’s perceived place in a hierarchy, thus, giving rise to hierarchical or position power (French & Raven 1959)—for example, shareholders at the top, NEDs acting as agents for shareholders and then managers. In a board context, hierarchical subcategories exist by means of role categories such as the board Chair and board committee Chair. NEDs can also self-categorise based on shared interests and goals and values that may drive consensus and influence. Finally, NEDs may self-categorise based on similarities and differences—that is, in the positions they take on strategic choices, which may drive conflict and potential coercion. Hence, power relations and their structural and social sources are complex and dynamic processes of alignment and realignment around subcategories, thus, suggesting that in-group and out-group categorisation and its effects may be a lot more complex in any given board than described in Section 2.4.1.2 concerning SCT.

In this context, it is important to note that a social hierarchy is characterised by a rank ordering of individuals or groups according to the amount of respect accorded by others. Magee and Galinsky (2008) argue that social hierarchy can be an implicit or explicit rank order of individuals or groups with respect to a valued social dimension. They explain their use of the terms implicit and explicit to capture the range of awareness that people have of the hierarchies in which they are embedded. Hierarchies can be delineated by rules and consensually agreed upon or they can be subjectively understood and taken for granted. Magee and Galinsky (2008) use the phrase rank order to indicate that at least one individual or group must be subordinate to at least one other individual or group. They use the phrase ‘valued social dimension’ because there must be some specification and understanding of the dimension along which people are rank ordered. Further, this dimension must have a subjective value to individuals or groups, as a higher rank possesses more of that valued dimension than a lower rank. Moreover, Magee and Galinsky (2008) suggest that an important implication of this definition of a social hierarchy is that there could be multiple value dimensions in play at any one time and that context will determine which dimension is most relevant for hierarchical differentiation at any given moment. This implies that power is
always asymmetric because it captures the relative state of dependence between two or more parties (individuals or groups).

This discussion of literature on the sources of power is concluded by noting the large body of research concerning small groups, which demonstrates that informal hierarchical differentiation within groups tends to develop spontaneously and rapidly (e.g., Anderson et al. 2001; Bales et al. 1951; Eagly & Karau 1991; Hollander 1985; Schmid Mast 2002). Magee and Galinsky (2008) suggest that one reason for this incipient hierarchical differentiation is temporal because individuals form inferences and make judgements of others’ competence and power based on a few seconds of observation. Therefore, differences in task participation, which emerge within minutes of interaction, can produce hierarchical differentiation that shapes an entire group experience. Section 2.4.2.2 discusses how power is maintained and lost.

2.4.2.2 The Maintenance and Loss of Power

Power results in many advantages that motivate its individual maintenance. Power provides a diverse set of affective, cognitive and behavioural advantages that reinforce the status quo, afford affective and physiological buffers against stress, facilitate goal-directed thoughts and cognitions, and promote approach-oriented behaviours that contribute to the maintenance of power among the powerful (Anderson & Brion 2014). Although power may facilitate several power-perpetuating consequences and is largely a static force, it is not immutable. The rest of this section considers what the literature says about the determinants of power maintenance and loss.

Although power provides several advantages that may contribute to the ability of power-holders to maintain it, a significant body of evidence also suggests that power-holders may think and act in ways that jeopardise their grasp on power (Anderson & Brion 2014). The cognitive and behavioural ramifications of power are especially pernicious given that those in positions of power are subject to the aspirations of others who wish to obtain access to the resources controlled by power-holders. The question then remains: when does power lead individuals to maintain rather than lose power?

The literature shows that a critical determinant of maintaining power is the extent that power-holders engage in self-serving versus group-serving behaviours (Anderson & Brion 2014). Researchers draw upon the reciprocal influence model of social power (Keltner et al. 2003) in
addition to research on the pernicious effect of self-interested hubristic CEOs on organisational outcomes (Chatterjee & Hambrick 2007; Malmendier & Tate 2005). They argue that the key role of power-holders and leaders is to facilitate social coordination and cooperation to enhance group success. Sturm and Antonakis (2015) argue that power loss often results from difficulties in managing interpersonal relationships, especially in relation to the formation and maintaining of alliances, the strength of which is sometimes overestimated. This is especially relevant to studying boards in which cliques and alliances may frequently form (Forbes & Milliken 1999).

Self-serving behaviours undermine the goal of cohesion, thus, potentially jeopardising the ability of power-holders to maintain their influence over a group. By contrast, collective group-serving behaviours strengthen power-holders’ positions by furthering the interests of individuals and groups rather than serving their own interests. Anderson and Brion (2014) studied what leads power-holders to engage in self-serving behaviours that undermine their power. They highlighted several moderators, which included personal characteristics such as the personal drive for power, personality traits (such as the ability to read social networks) and communication style (verbal and non-verbal) that account for how individuals subsequently maintain or lose power (Anderson & Brion 2014). Although they cite the limitations of research that make inferences from experimental conditions, they maintain their study may provide useful perspectives about how organisational groups and individuals within them might work to retain their power. The subjective experience of power and its effects on an individual and a group are also relevant to understanding how power-holders can engage in self-serving behaviour.

2.4.2.3 The Experience of Power

The experience of holding power in a situation generates a range of characteristics and propensities that manifest themselves in affect, cognition and behaviour (Keltner, Gruenfeld & Anderson 2003). Keltner, Gruenfeld and Anderson (2003) also suggest that the concepts and behavioural tendencies associated with power are activated whenever the possession of power is implied (consciously or unconsciously in a new situation) or even when an experience with power is simply recalled. Further, they argue that these propensities are stored in memory and can be carried beyond a situation in which power is directly experienced (Keltner, Gruenfeld & Anderson 2003).
As noted, the experience of power changes a power-holder in three ways: cognition, affect (emotions) and behaviour (Sturm & Antonakis 2015). Guinote (2007) summarises the effect on cognition by identifying the following changes: simplified processing orientation (less attention to detail and more global processing of information), less individuating (seeing a group rather than an individual in a group, which, in turn, leads to generalised thought patterns), overestimating the accuracy of knowledge and less aversion to threats associated with loss.

As reported in the literature, the psychological explanation for these cognitive effects may lie in the notions of self-anchoring and self-projection (Overbeck & Droutman 2013), as well as self-enhancement (Pfeffer & Fong 2005). Self-anchoring extends the concept of self-categorisation in that it determines how an individual power-holder tends to project their own traits, attitudes and values onto a group (Overbeck & Droutman 2013). Projection can involve assimilation (seeing similarities between the self and others) or contrast (seeing differences between one’s self and others). For example, power-holders may interpret their own thoughts and feelings as those of a group. This is a psychological explanation for what some board researchers call a false consensus, which occurs when an individual intuits an unknown property of an in-group by using data about the self to anchor estimates of a group’s position (Overbeck & Droutman 2013; Robbins & Krueger 2005). Power-holders’ self-anchoring may also be due to a power mindset (Fast & Chen 2009), a psychological state that carries a heightened sense of control and a greater feeling of entitlement to judge.

Regarding self-enhancement, Pfeffer and Fong (2005) argue that this concept can explain and predict many phenomena associated with organisational power. That is, the motivation to think positively about ourselves and our capabilities is relevant to a deeper understanding of power. They found that most people are not motivated to be as accurate as possible but create and preserve a positive self-image when they assess themselves and others (Pfeffer & Fong 2005). Further, they suggest that a belief in one’s self-efficacy and above average qualities produce an orientation towards action. This is significant because being active can enhance the attribution of power (Keltner, Gruenfeld & Anderson 2003). The link between power and action is discussed in Section 2.4.2.4.

There is also a link between self-enhancement, self-categorisation and the exercise of power as influence. If people are motivated to think well of themselves, they would be motivated to favourably judge those to whom they perceive to be most similar. Therefore, self-
enhancement motivation leads to similarity in attitudes, demographics and even speech and physical behaviour, which Montoya and Horton (2014) believe may be the most important basis of interpersonal attraction. The bias to prefer things that remind us of ourselves and to offer aid to similar others is an almost automatic and unconscious response; hence, the preference for similar others influences actions and choices, even in unlikely circumstances. For example, Burger et al. (2004) found that people are more willing to assist others who share incidental and trivially unimportant similarities, such as birthdays or initials. These findings may provide further insights into how and why NEDs gravitate to those who they perceive are similar to them and affect their influencing behaviours.

Regarding affect or emotion and the experience of power also noted by Sturm and Antonakis (2015), Keltner, Gruenfeld and Anderson (2003) suggest that high-power individuals are more likely to express optimism, desire and enthusiasm. Further, they are also likely to show less discomfort or fear (Berdahl & Martorana 2006), are more open to emotional displays (Kemper 1991), are less sensitive to others’ suffering and show less compassion even in the face of others’ distress (van Kleef et al. 2008). In addition to other orientations and identification with a group, which can lessen these effects (Guerrero & Seguin 2012), individual traits and dispositions can also influence how individuals react to the possession of power. Hence, the literature suggests that how a director’s individual traits and dispositions affect their use of power to influence the strategy-shaping process is an important consideration.

The literature concerning the link between power and behaviour also shows that power increases action orientation (Galinsky, Gruenfeld & Magee 2003; Keltner, Gruenfeld & Anderson 2003). Magee, Galinsky and Gruenfeld (2007) found that powerful individuals exhibited a greater propensity to initiate negotiations. High-power individuals also tend to depend less on others (Emersen 1962), feel more isolated (Magee & Smith 2013), express themselves more freely, generate more creative ideas and take more risks (Anderson & Galinsky 2006).

Finally, these behaviours may have the consequence of silencing others. Tost, Gino and Larrick (2012) examined the effect of the subjective experience of power on leadership dynamics and team performance. They found that the psychological effect of power on formal leaders spills over to affect team performance through verbal dominance; this reduces
team communication, creates acquiescence among team members and, consequently, diminishes team performance.

As the link between power and behaviour (as action) is particularly significant for this study, Section 2.4.2.4 investigates the link between power and social action. It also provides a review of the few extant studies of power in a board context.

2.4.2.4 Power and Social Action

Despite a tendency in literature to focus on the use of power for antisocial outcomes, recent studies have redressed the balance to show that power can be used for good, that is, as a catalyst for achieving prosocial outcomes that might not otherwise be realised. Galinsky, Gruenfeld and Magee (2003) showed that power could be conceived as an aspect of both social and cognitive structures that determine and shape action.

Using experiments in which power was manipulated, Galinsky, Gruenfeld and Magee (2003) demonstrated that those who possess power exhibit a greater proclivity to act than those who do not, thus, arguing that power and action are intimately and positively related. Essentially, power channels behaviour towards accomplishing a specific goal. In their review of the literature on power, Keltner, Gruenfeld and Anderson (2003) argued that power activates a general tendency to approach whereas powerlessness activates a general tendency to inhibit. This implies that individuals with power exhibit a greater orientation to action than those without power, regardless of the social consequences of their acts.

Turner’s (2005) later work explored the social influence of power, taking his theories beyond explanations in terms of psychological processes. A key question in understanding social power as a construct is to determine whom exactly do we rely on in making sense of the world? Simon and Oakes (2006) are also interested in the question of how these influences are fed and evolve through social interaction. Hogg (1992) emphasised how shared identity may transform social relations between group members, such that individual opinions are coordinated and transformed into shared values, beliefs and behaviours, and, hence, become a force of their own to create group cohesiveness. Overbeck and Droutman (2013) argue that when a strong shared identity exists between members of a group, the powerful tend to personify their groups and engage in self-projection in their interactions with others.
As described in Section 2.4.1 concerning social identity, it is people with whom we identify psychologically (i.e., in-group members) who both drive and satisfy the requirement for subjective validation. Shared identification provides a shared perspective on the world and, hence, a shared expectation of agreement that will influence when, how and why a power-holder will act. The literature suggests there are two motivations for a power-holder to act: the first is to take, retain and restore control, and the second, to reduce uncertainty. However, these motivations must be considered in the context of the dynamics of group membership.

In the intergroup literature—which suggests that group membership itself provides the perception of control—the control motivation has been largely ignored as an independent source of intergroup and ethnocentric behaviour. For example, Guinote, Brown and Fiske (2006) demonstrated that social identity as a group member influences an individual’s perception of control. Their five experimental studies of group-based control provide converging evidence to support their basic assumption that people increasingly act in terms of group membership, clinging more strongly to their in-groups to restore control when it is threatened. Guinote, Brown and Fiske (2006) found that the salience of low control increased in-group serving reactions, such as in-group bias, out-group derogation and pro-organisational behaviour.

Turner (2005) and Simon and Oakes (2006) proposed that it is not dependency that determines group formation and group life. Rather, they suggest that existing social identities lay the ground for mutual influence among people, which, in turn, leads to the emergence of power and resource control through others. Although group formation might sometimes occur along the lines of shared interests and positive mutual interdependence (as shown in Section 2.4.1), interdependence is not sufficient to explain why group membership should have the capacity to restore and maintain a subjective sense of global control. Turner (2005) and Simon and Oakes (2006) suggest the reason that group membership as interdependence is not sufficient to explain a subjective sense of social control is because receiving support from others within a group might be a double-edged sword; that is, people might want to perceive the self (and not others) as having control. Thus, social identity as self-categorisation rather than mere group membership is critical for group-based control restoration.

Specifically, people who perceive they have low personal control may prefer to define their self through an in-group and act as an in-group member because this might maintain perceptions of power and control exerted through the (social) self. Additionally, social impact
theory (Latane 1981) also suggests that if a person is the target of social forces, increasing the number of other persons diminishes the relative social pressure on each person. If the individual inputs are not identifiable a person may contribute less—this is referred in the literature as the bystander effect or social loafing. Power and social action research have important implications for this study, as it may suggest that NED power and an accompanying sense of control is achieved through identification with a board.

Regarding research relating to the desire for a power-holder to act to reduce uncertainty, Grieve and Hogg (1999) found that in-group bias is increased under conditions of personal uncertainty. Castano and Dechesne (2005) propose that in-group bias is rooted in the self-preservation motive. They explored the relations between uncertainty and the influence process and found that the strength of group influence on the individual is greatest when a task is more difficult or when the stimuli are ambiguous (Castano & Dechesne 2005). Further, disagreement among members increases with uncertainty when stimulus information is limited. Uncertainty as a stimulus for power-holder action has important implications for this study, given that its research context is a transformative strategic-board decision that carries with it a great deal of uncertainty and ambiguity. Hence, the literature suggests that in-group bias may be heightened in these contexts, thus, potentially affecting decision-making quality.

In the last decade, two major theories have emerged that explain the effects and consequences of power, particularly how the effects and consequences of power may shape power-holder actions: the approach/inhibition theory of power and the social distance theory of power. These are described as follows.

The approach/inhibition theory (Keltner, Gruenfeld & Anderson 2003) explains the regulation of behaviour and suggests that those with power are more likely to act, are more risk-seeking and are less averse to potential losses. Those with less power are more inhibition-oriented, are less likely to act and will seek to minimise losses because they feel they have less power over situations. This theory suggests that a subjective sense of power plays a role in behaviour. The alternative, social distance theory (Magee & Smith 2013), describes the phenomenon of how social distance emerges and operates in power relations to produce various interpersonal phenomena affecting attitudes, behaviour and perceptions. It makes the link between power and identity. This more recent theory incorporates the notion of social comparison derived from construed identities and suggests that high-power
individuals’ greater experienced social distance leads them to engage in more abstract mental representation, which may lead to less empathy for others’ positions or points of view. Social distance theory uses Rindova’s (1999) definition of the cognitive diversity between power-holders by suggesting that higher power-holders will assume that lower power-holders are dissimilar from them and are, therefore, less susceptible to their influence attempts. Both theories may have relevance for examining the predispositions of the powerful. However, they are based on experimental studies (often using university students) and do not illuminate the actual predisposition of those who seek power in a real-world context.

Overall, several conclusions can be made about the research on social power. First, group membership itself can be a source of power by creating the propensity for a group to act in line with furthering its shared goals and beliefs and, consequently, engage in less deliberation that may be required. Second, a dynamic psychosocial context is created emanating from the rank ordering of individuals or groups according to the amount of power, status and respect accorded by others in a group. This social hierarchy has a pervasive influence on how in-groups and out-groups form and balance power. Third, the link between power and action is driven by a need for control and a need to manage uncertainty.

However, it must be noted that despite the extensive studies on power summarised in Table 2.3, most were conducted under experimental conditions in which power manipulations were performed in artificial settings (Sturm & Antonakis 2015). The ability to manipulate and measure power in laboratory settings has contributed greatly to the growth of the field, thus, allowing researchers to control for confounding variables not possible in field settings. Moreover, these artificial manipulations of power rarely resemble what occurs in real life. Further research is required to explicate the subtleties of power relationships in real-life contexts such as in management and institutional contexts (Sturm & Antonakis 2015).

This section will conclude with a brief discussion of theories concerning power in organisational settings and, particularly, the board. It will be followed by Section 2.4.3, which discusses how power and social identity interact and provides an organising framework for the study derived from the literature. This chapter then concludes with a summary of the literature and research gaps that led to this study’s primary and secondary research questions.
Regarding an organisational setting, researchers have recognised that power is not a structural attribute or possessed by someone in isolation; that is, power is a relative concept and a social process only capable of being understood in context (Finkelstein 1992; McNulty et al. 2011; Scheepers, Ellemers & Sassenberg 2013). Power in organisations has also been recognised as being applied in subtle ways, as shown by Maitlis and Lawrence’s (2003) inductive study in which strategy involved a complex interplay between discourse and politics.

Finkelstein (1992) proposed a deductively derived model of power, suggesting that any study of strategy-making at board level cannot ignore the distribution of power in a TMT. Although his model was based on a TMT, it has been extended to apply to both executives and NEDs. Finkelstein (1992) suggested that board power sources have characteristics that differ from organisations in general. He defined four sources of power as follows: structural (derived from positions of structural authority, such as board Chair or committee Chair), ownership (derived from links to powerful owners, shareholders or blocking groups), expert (derived from a director’s particular sector or functional expertise) and prestige (derived from strong societal links and networks with actors outside a company, such as regulators, investors and industry bodies) (Finkelstein 1992).

The original contribution of Finkelstein’s (1992) theory of power was its link to upper echelons theory (Hambrick 2007; Hambrick & Mason 1984), which suggested that managerial power affects strategic outcomes and that strategy-making cannot ignore the distribution of power within a TMT. Finkelstein’s (1992) study confirmed anecdotal evidence of the importance of the distribution of power in relation to the strategy-making role of TMTs. This has relevance for this study, which is keen to explore how the distribution of power and resulting differentials may affect director behaviour.

However, Finkelstein’s (1992) study on the sources of power did not demonstrate how they are used to affect influence in a boardroom, primarily because of the complexities in measuring the use of power without access to director interactions in and around a boardroom. Arguably, Pettigrew and McNulty (1995) developed a more useful model for understanding board power by addressing many questions unanswered by Finkelstein’s (1992) study on which their work was partly based. In their inductive study—using both surveys and in-depth interviews with 65 part-time and 43 full-time board members and Chairs from the top 500 public limited companies (PLCs) in the UK—Pettigrew and McNulty (1995) suggested that the possession of power was merely a reflection of its
potential rather than its use. They argued that power, defined as the ability to produce intended effects in line with one’s perceived interests and, given the context and structure of a board, proposed a tripartite model that comprises sources, will and skill. Their research described how the mobilisation and use of power occur in a boardroom and its conversion into influence. They found that skilful and astute use of power may be required to overcome one’s lack of power sources (McNulty & Pettigrew 1999). Their study showed the power struggles result from power differentials and attempts to equalise power. That is, sources of power were critical but did not explain everything. In summary, their data showed that attention to structure is necessary but not sufficient for understanding how boards operate because each chairperson’s style and role may manage power differently. Further, their research showed that power in and around a boardroom was situational—that power derived and demonstrated in one setting was not transferable to another. This suggests that directors who were members of different boards may operate quite differently in each company, that power was more dynamic and relational in nature, and is generated, maintained and lost in the context of relationships with others.

Board studies have investigated issues of power and politics (Bailey & Peck 2013; Finkelstein 1992; Finkelstein & Mooney 2003; McNulty et al. 2011), particularly the way in which some members form dominant coalitions within a TMT group exercising power and influence in the strategic choices a group makes. Researchers also argue that corporate politics are observable but covert actions by which executives enhance their power to influence a decision are not (Bailey & Peck 2013; Eisenhardt & Bourgeois 1988; Ravasi & Zattoni 2006). Political behaviours include behind-the-scenes coalition formation, offline lobbying and cooption attempts, withholding information and controlling agendas. Political approaches contrast with straightforward influence tactics of open and forthright discussions in which information is shared in settings equally available to all decision-makers—a characteristic of effective boards. Therefore, the challenge for many board studies is the extent to which they can infer these covert actions by ‘fly on the wall’ or observational studies, which are unlikely to reveal covert political behaviours. Director recounting of experiences using well-constructed semi-structured interviews may reveal more in this regard.
Having discussed the sources, maintenance and loss of power, its experience and propensity for social action, Section 2.4.3 examines how power and social identity interact. As noted, this section also provides a conceptual framework for this study.

2.4.3 How Power and Social Identity Interact: Power Works Through Identity

While both power and identity and its effects on small group behaviour have both drawn on social psychology, for some time they have occupied parallel but separate research paths (Haslam, Reicher & Reynolds 2012; Simon & Oakes 2006; Turner & Haslam 2001). These are explained as follows.

As noted, Turner (2005, p. 6) argues that shared social identities provide the foundation for exerting control through others, as this kind of power ‘only emerges from human social relationships, from the capacity of people to organize themselves into groups, institutions, and societies’. Simon and Oakes (2006) put identity and group membership at the heart of how social actors recruit agency or create power by influencing the choices made by other free social actors. They argue that power involves some degree of active commitment to the agenda of another person, whether this is genuine or for ulterior motives. They suggest that group membership is the crucial pivot between an individual and the social because it acts as an internalised guide to thought and action rather than external motivators such as reward and punishment (Simon & Oakes 2006). Most power relationships involve a mix of conflictual and consensual power, and this depends on the salience of the shared identity of group members. Hence, if social identity is strong, more consensual power will exist and the reverse is also true. In effect, social identity provides the construction of meaning for self in a social context and, in turn, provides the basis on which social actors (in this case NEDs) can self-categorise. Influence as the use of power is not provided by dependence but is the result of active meaning-seeking engaged in by social actors in a social world (Brown 2001).

An organising framework emerged from this review of prior research into power and social identity and is shown in Figure 2.1. This framework will assist in this study’s investigation in several ways. First, the framework guides the generation of research questions not fully illuminated by extant research. If, as the current research suggests, power works through identity, several questions emerge about the relationship between power and social identity. How does the distribution of power affect group identification and how do both group identification and power distribution moderate the ‘social reality’ that directors experience on
a given board? In turn, how do the effects of group membership or identification shape the experience of power in and around a boardroom? Second, it provides a way of organising the data to be collected and third, it provides a structure by which an analysis can be conducted. This chapter concludes by summarising the main findings and research gaps, and provides the primary and secondary research questions derived from the literature.

Figure 2.1. Organising framework derived from the literature review.

Source: Author’s review of prior research on the role of social identity and power in group relations.

2.5 Literature Review Summary and Research Gaps

As noted, corporate governance explained by economic research traditions, which have dominated the field to date, do not offer complete explanations for directors’ behaviour in making major decisions on the strategic direction of a company. Additionally, factors affecting strategic decision-making are complex and decision-makers play a significant role in this complexity. Since all strategies are cognitively complex, strategic proposals are generally debatable and differences of views are inevitable. The practices that decision-actors adopt over time to deal with task complexity become routines, norms and conventions and play a significant self-sustaining role in creating a unique ‘social reality’. This makes the
study of strategic decision-making challenging and, as shown, it remains a relatively unexplored area.

This study seeks to address this gap in the research by focusing on power-holders in the field (that is, NEDs) and investigates how social identity and power may affect the process of shaping a strategic decision. The study will undertake this investigation inductively through NED accounts of their decision-making experiences and reports of theirs and others’ influence attempts in real-life decision contexts.

The literature review exposes questions not addressed by current research that would illuminate the effects and consequences of social influences in the context of board decision-making processes. Particularly, it reveals five major gaps that result from either the limitations of current research or a lack of research to date.

First, the vast number of conceptual papers and numerous board studies have used structural constructs and director demography as proxies for predicting what goes on in a boardroom, citing access to boards as being a major impediment to studies that might reveal what really goes on in a boardroom or ‘catch reality in flight’. Few board researchers have taken a social psychology perspective to study a board group as a living complex ‘social system’ and, particularly, what effects this may have on individual decision behaviour as part of this social reality.

Second, behavioural studies of boards (where they exist) have increasingly shown a tendency to use theories, constructs and concepts drawn from cognitive psychology to predict group or individual behaviour in decision-making. Although important, cognition and the cognitive limitations of individual actors is only one input to behavioural responses. Given this, we are no closer to understanding how directors behave when making decisions. When behavioural constructs or theories have been proposed, their application is in the developmental phase and they are largely speculative (Huse et al. 2011).

Third, where behavioural studies exist in the board realm, they have mostly focused on the relationship between a CEO and board rather than between NEDs. Particularly, this regards how NED contributions are influenced by the complexity of peer relationships within a board.
Fourth, social identity and power appear to be two most compelling drivers of group behaviour. These social factors appear to be largely under-researched in a board context. Particularly, this regards how the intensity and direction of group identification and power differentials may affect individual behaviour when individuals join a group. The literature review shows that these social factors have pursued by separate research paths and few consider the link between social identity and power in a board context. Further, none have proposed a psychosocial theory of board functioning.

Fifth, decades of quantitative methods seeking answers for research questions essentially qualitative in nature have produced little predictive value in understanding how board accountability is enacted. More venturesome research methods and a combination of methodological frameworks are required to advance the board-research agenda and deepen our understanding of how director effectiveness and accountability is strengthened.

Responding to these research gaps, the findings of this study may go some way to ‘humanise’ the process of governing public corporations and, therefore, contribute a more balanced and complete understanding of how directors and boards create accountability. It seeks to explore and describe how individual NEDs might optimise their strategic contribution and, in turn, suggest how NEDs can contribute in a more strategically active board culture, one that proactively involves itself in shaping and directing a firm’s long-term direction and success.

At the core of this academic pursuit is a primary question: how do social factors influence NED behaviour in shaping strategic decisions? The study also poses supplementary questions: What are the origins of and differences in an individual NED’s power? How does a NED’s sense of shared identity with the board group shape the process of decision-making? How is the use of NED influence in decision-making shaped by the ‘social reality’ of group identification and power distribution?

These questions are likely to illuminate more clearly the internal workings of a board to understand the behavioural processes by which director effectiveness and board accountability are achieved. They are explored in more detail in Chapter 3, which presents the methodology.
Chapter 3: Methodology

Chapter 2 concluded that director behaviour when making strategic decisions is an area relatively unexplored at board level. The few board studies available have been at arm’s length from the actual subject of this inquiry; that is, that boards of directors have used large-scale mailed surveys, questionnaires or the analysis of meeting minutes.

This chapter proceeds as follows. Section 3.1 considers the research questions that emerged from the identified gaps and limitations in the extant literature concerning how board directors participate in strategic decision-making. Particularly, this regards how social factors influence the creation of alternatives, the debating of options and the pursuit of preferred strategies at board level. As shown in Chapter 2, the extant literature has demonstrated that every group represents a social system in which position, power and status matters in how relationships form and operate, and where expectations and norms of group behaviour and sense of cohesion emerge over time (Forbes & Milliken 1999; Hillman, Nicholson & Shropshire 2008). Section 3.2 describes the methodology adopted by this study. This includes a critical evaluation and description of the ontological and epistemological assumptions underpinning it, which is a phenomenological approach, and a justification of the instrumental multiple case study method (Stake 1995) used to examine the complex social phenomena of making strategic decisions. The section also provides a detailed description of the five-stage research design used to collect data, including case selection, NED recruitment, profiles of participating directors, the interview process methodology and data validation. Section 3.3 examines the approach to the data analysis of the inductive process used in the study, including the four-level narrative method for identifying ‘codable moments’ of influence attempts, data mapping and its validation, within-case and cross-case comparisons and theory development. Finally, Section 3.4 provides a summary of the research questions and methodology. Overall, this chapter provides a more venturesome approach to understanding decision-making in a real-life board context in which it occurs; its insights on research-design methodology can be applied by other board-study investigators.

3.1 Research Questions

In this section, some of the questions that may address the gaps in understanding how social factors affect individual behaviour are posed, thus, accounting for a priori constructs that
have emerged from the literature review, particularly social identity and power. As shown in Chapter 2, Figure 2.1 provided an organising framework to guide the generation of research questions for this study. If power works through identity, as current research suggests, several questions emerge about the relationship between power and social identity in a board context. Of scholarly and practical value is the question as to whether and how some directors show a greater propensity for mounting effective influence attempts than others and why. As such, the core of this academic pursuit is the question: how do social factors influence NED behaviour in strategic decision-making? This primary question generates three secondary questions relating to the social factors that might play a part in the experience of influence reported by directors: What are the origins of and differences in an individual NED’s power? How does the NED’s sense of shared identity with the board group influence the process of decision-making? Finally, how is the use of NED influence in decision-making shaped by the ‘social reality’ (of group identification and power distribution)? This section proceeds by re-examining the issues that give rise to each of this study’s research questions.

### 3.1.1 Sources of a NED’s Power to Influence and How it Varies

Social identity is generally defined as one’s determination of the social category to which they belong, which helps to define who they are in a group (Hogg, Terry & White 1995; Hogg & Williams 2000). In a board context, it is the story directors construct about themselves and how they fit into a board group, as well as the resulting ‘social reality’ they find themselves in and, importantly, how this influences their decision-making behaviour. Current research suggests that the self-construal of directors is multifaceted, complex, dynamic, operates as a social hierarchy and plays a role in director behaviour and the interactional dynamic that emerges (Anderson & Brion 2014; Bailey & Peck 2013; Brewer 1991; Hillman, Nicholson & Shropshire 2008).

Association with others, particularly those who they perceive as more powerful (Fritsche et al. 2013), provides a director with social acceptance, influence and control. In turn, these associations come with in-group biases that affect attitudes, perceptions and behaviours such as the receptiveness to influence attempts by majorities or minorities (Haslam, Reicher & Reynolds 2012).

Despite multiple conceptualisations of power developed since the 1950s, including more recent taxonomies (Finkelstein 1992), we are no closer to understanding how power works at
board level—for example, how power differentials emerge, how these different capacities to exert influence are dynamically used in decision-making groups and such consequences. As noted in Chapter 2, most studies of power are conducted in experimental conditions, with manipulations of its effects performed in artificial settings.

Pettigrew and McNulty (1998) revealed the determinants of power include board history, current culture, Chair leadership, director experience, directors’ interpretation of board life, norms and conduct, and patterns of selection and socialisation of directors. However, their research included executives as well as NEDs and did not reveal actual behaviours.

For example, does a new director’s self-conception of how well they fit into the social hierarchy of a board create director-level differences in strategy-shaping behaviours? A review of board research by Petrovic (2008) seems to suggest this is the case. However, we know very little about how directors acquire power, how power differentials emerge and the role they play in the actual behaviours directors demonstrate when shaping strategic decisions.

This issue led to the first of the three secondary questions:

Research Q1: What are the origins of and differences in an individual NED’s power?

The next issue concerns the relation between the sense of shared identity and the processes of influence.

3.1.2 How Group Identification Guides How Power is Used to Influence

Current research into power points to a relational approach; that is, power is generated, maintained and lost in the context of relations with others and involves the ability to produce intended effects in line with one’s interests (Pettigrew & McNulty 1995). The literature review showed that the possession of power does not imply its use (Sturm & Antonakis 2015). Other definitions of interpersonal power suggest it is an individual’s intentional and effective capacity to control situations or people (Sturm & Antonakis 2015).

The literature also showed that identities, once created, are not stable but dynamic and recursively constructed during discourse (Brown & Lewis 2011; Reynolds & Subasic 2016). However, how and what adjustments directors make to their constructions of self as they
develop a history of working together is not explored in the extant literature. Therefore, this gap raises the question as to how a director’s self-construal may change on different boards or at different times and how this dynamic may affect their power in influencing decisions.

Therefore, it may be important and informative to determine if some directors more readily use their power to influence the direction of a debate, advocate a view or even silence different or opposing views other than their own. Particularly, it will be important to explore how a NED’s identification with a group affects how they choose to engage and interact in a decision-making process.

This led to the second secondary research question about the circumstances in which NEDs chose to use their influence in the process of shaping a strategic proposal:

*Research Q2: How does a NED’s sense of shared identity with the board group influence the process of decision-making?*

The final issue concerns the social reality of a board and its effects on influence.

**3.1.3 How Aspects of the Social Reality Directors Encounter Affect Their Use of Influence**

Recent literature on boards has shifted its focus to process studies that explore human dynamics and the role it plays in decision-making processes. Boards of directors are subject to the social and psychological influences that all small groups of corporate elites experience (Petrovic 2008). As noted in Chapter 2, board cohesiveness (which Forbes and Milliken (1999) argue is a board-level construct) contributes indirectly through influence on board task performance. However, board cohesiveness is itself shaped by the presence of cognitive conflict or relationship conflict between individuals on a board. That is, cohesiveness is indirectly a consequence of relationships that directors make between themselves. As most strategies are cognitively complex, strategic proposals are generally debatable with differences of views and, therefore, conflict is inevitable. The behaviour that directors demonstrate in how they respond to contention and conflict is critical to the conduct of the board role. Thus, it is useful to explore how the effects of group identification and power differentials (where they exist) can shape the level of consensus and contention experienced by directors during decision-making.
Further, the complex interdependent relationship between power and identity in decision-making in small groups has only been explored in the last decade (Haslam, Reicher & Reynolds 2012; Simon & Oakes 2006). The social identity model of power (Simon & Oakes 2006) and the social distance theory of power (Magee & Smith 2013) both posit links between power and identity. An individual’s self-construal undergoes categorisation when joining a group, which, in turn, creates differentiated identities within a group, thus, creating ‘social distance’. This results in the emergence of in-groups and out-groups reflecting power differentials within a group that were shown to have interpersonal effects (attitude, behaviour and perception). Therefore, the final question for this study relates to how aspects of ‘social reality’ play out between directors making a major decision and what skills and dispositions are demonstrated by effectively navigating this complex social reality. This led to the third secondary question for this study.

Research Q3: How is the use of NED influence in decision-making shaped by the ‘social reality’ (of group identification and power distribution)?

In summary, the exploration of these research questions seeks to contribute a deeper understanding of how social factors play a role in and around a boardroom in the processes of decision-making. By adopting an institutionally contextualised and behavioural approach, this study moves away from the heavy reliance on secondary data in board research. It offers a more novel approach that permits the researcher closer to the subject of the inquiry, as described in Section 3.2.

3.2 Research Methodology

Until the early 1800s, only philosophers and religious scholars who engaged in armchair speculation studied or wrote about human behaviour. The classical theorists made a major contribution to modern civilization when they argued that the social world could be studied using science. They contended that rigorous systematic observation of the social world, combined with careful, logical thinking, could provide a new and valuable type of knowledge about human relations. (Neuman 2006, p. 80)

This study has formed two conclusions from the literature review described in Chapter 2. First, decision-making is much more than just a rational analytical process. Instead, it is also a social process by which members of a group strive to establish their legitimacy, relevance and influence, and this aspect is entirely relational. Second, there continues to be an
undersocialised view of the processes by which NEDs exercise their accountability for strategy.

It has only been in the last decade that the human side of governance has been recognised and studied. The humanising of corporate governance may be better studied by drawing on theories in social psychology, particularly how individuals behave when they find themselves in groups into which they must fit.

This section proceeds by examining the ontological and epistemological assumptions on which this study is based and compares positivist and phenomenological research paradigms. It then examines the methodological implications of a phenomenological approach, which justifies the choice of a case study method. This is followed by a detailed description of the case study method and its implications and challenges for the research design, which is a five-stage approach to data collection. Each stage is then described in detail and the overall approach is linked to the organising framework derived from the literature and described in Figure 2.1.

3.2.1 Ontological and Epistemological Considerations

As noted, the aims of this study are to develop knowledge about how social factors influence decision-making behaviour of NEDs and, particularly, how this behaviour may be influenced by the social reality they encounter as members of a board. This phenomenon is subjective in nature. Relationships are difficult to observe, even for those in a boardroom. Relationships are experienced through the meanings construed and conveyed during discursive interactions between members of a group (Brown & Thompson 2013; Maitlis & Lawrence 2003; Weick & Roberts 1993).

A researcher’s world view or paradigm in approaching a social study is critical. A paradigm is a shared world view that represents the beliefs and values in a discipline that guides how problems are solved (Schwandt 1994). Two researchers examining the same topic can arrive at very different conclusions based on their ontological and epistemological assumptions. Therefore, before considering which methodologies to use, it is necessary to determine one’s world view. There are two major paradigms or ‘world views’ of social reality in social science research (Guba & Lincoln 1994). Positivism, a term coined by Auguste Comte (1830–1842), assumes that science is the only foundation for true knowledge. According to this paradigm, human behaviour is passive and true knowledge is external to an individual
and is best understood through observation and experiment. Hence, positivism stands for objectivity, measurability, predictability and controllability to derive constructs, laws and rules of human behaviour (Baxter & Jack 2008). Positivism is currently viewed as being objectivist; that is, objects around us have existence and meaning independent of our consciousness (Crotty 1989). This paradigm has dominated empirical research in the twentieth century, but more recently it has been criticised for its lack of regard for the subjective states of individuals (Ospina & Dodge 2005). For example, it does not recognise that human beings change themselves through interaction and bring changes to the groups and societies in which they interact and live.

Conversely, a post-positivist paradigm—which incorporates constructivism together with interpretivist and phenomenological paradigms—emphasises that social reality is viewed and interpreted according to the ideological position of an individual (Guba & Lincoln 1996). Therefore, according to post-positivism, which is underpinned by the philosophy of realism, knowledge is personally experienced rather than acquired or imposed from outside. Observations can contain errors and, rather than theories being immovable truths, they can be modified (Guba & Lincoln 1996). Those who oppose the positivist paradigm believe that reality is multilayered and complex and that a single phenomenon can have multiple interpretations. There are many approaches and diverse theories within this paradigm with distinct variations; among these is phenomenology (Flew 2001; Hammond, Howarth & Keat 2007). Phenomenologists hold that during interactions with various phenomena, human beings interpret and attach meaning to different actions or ideas and, thus, construct new experiences. Therefore, a researcher must develop an empathic understanding regarding the process of interpretation by individuals so they can ascribe their feelings, motives and thoughts to others’ and, thus, describe their behaviour.

From a philosophical position, a positivist paradigm does not lend itself to the study of social phenomena envisioned by this thesis and has a limited capacity to illuminate social processes. Therefore, this study has turned to a phenomenological paradigm in which the focus is interpretive. Here, the beliefs, attitudes and meanings that decision-actors give to their experiences (in this case, in and around a boardroom) help to explicate the behaviour of NEDs. As such, the approach to this study is to determine what a subject knows of reality as they interpret it rather than verified outside their experience; that is, it assumes reality is
constructed rather than discovered by participants. Both paradigms are contrasted in Table 3.1.

In drawing from a phenomenological paradigm (in which reality is socially constructed), organisational members may interpret their environment in and through interactions with others, constructing accounts that allow them to comprehend the world and act collectively (Weick & Roberts 1993). Therefore, studies that use sensemaking to underpin their research methodology represent one way of humanising their approach.

**Table 3.1: Positivist and Phenomenological Paradigms**

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<tr>
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<th>Positivist paradigm</th>
<th>Phenomenological paradigm</th>
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<tbody>
<tr>
<td><strong>Philosophical level</strong></td>
<td>The world is external and objective; the observer is independent; science is value-free</td>
<td>The world is socially constructed and subjective; the observer is part of what is observed; science is driven by human interests</td>
</tr>
<tr>
<td><strong>Social level</strong></td>
<td>Focus on facts; seek causality and fundamental laws; reduce the phenomenon to the simplest events; formulate a hypothesis and test</td>
<td>Focus on meanings; try to understand what is happening; look at the totality of each situation; develop ideas through induction from data</td>
</tr>
<tr>
<td><strong>Technical level</strong></td>
<td>Operationalise concepts so they can be measured; take large samples</td>
<td>Use multiple methods to establish different views of phenomena; small samples are investigated in-depth</td>
</tr>
</tbody>
</table>

Source: Adapted from Easterby-Smith, Thorpe and Loma (2002)

However, as shown in Table 3.2, there are weaknesses in a phenomenological approach primarily because it is time-consuming and makes analysis and interpretation open to the views of the researchers who are often part of a system being studied.
Table 3.2:  
Strengths and Weaknesses of a Phenomenological Approach

<table>
<thead>
<tr>
<th></th>
<th>Phenomenological</th>
<th>Positivist</th>
</tr>
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<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td>Considers temporality—objects and people change over time; understand people’s meanings; respond to ideas and issues as they emerge</td>
<td>Provides broad coverage of situations; fast and economical; statistics lend support to analysis and verification for enhanced credibility</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
<td>Can be time-consuming and resource hungry; analysis and interpretation of data may be difficult; may be perceived as having low credibility</td>
<td>Lacks effectiveness in understanding processes; less helpful in theory generation</td>
</tr>
</tbody>
</table>

Sources: Adapted from Collis and Hussey (2003), Easterby-Smith, Thorpe and Loma (2002) and Gummesson (1991)

Each of the two paradigms described above has implications for the research methods used in carrying out a social scientific investigation. The implications for this study must be considered in context.

3.2.2 Methodological Implications and Choice of Methods

Positivism, which emphasises an objectivist approach to studying social phenomena, gives prominence to research methods that focus on quantitative analysis, surveys and experiments. An anti-positivist paradigm stresses a subjectivist approach to studying social phenomena and attaches importance to a range of research techniques focusing on the qualitative; for example, this includes personal interviews, participant observations, individual accounts and personal constructs.

There are several methodological implications for the philosophical approach taken in this study. The examination of a director’s involvement in strategic decision-making in this thesis will require the study of complex social phenomena characterised by a human dimension of interaction embedded in a real-life context, specifically strategic decisions regarding an organisation’s entry into international markets. As with any small group that must work together, a study of how NEDs shape strategy can only be fully understood by investigating
(over the life of a complex decision) how NEDs interact with each other, what motivates them to engage in a decision process, what activities and interactions they value, how and why they use and share information, and how they form decisions. Essentially, this type of study must necessarily concern itself with questions of how and why, and the chosen research methods must reveal answers to ‘how’ and ‘why’ questions (Stake 1995; Yin 2014).

In selecting a research paradigm and corresponding methodology, given the ontological and epistemological considerations raised in this section, the researcher was prompted to ask four questions:

1. What is the nature or essence of the social phenomena being investigated?
2. Is social phenomenon objective in nature or created by the human mind?
3. What are the bases of knowledge corresponding to the social reality and how is knowledge acquired or disseminated?
4. What is the relationship of an individual with their environment; are they conditioned by the environment or is the environment created by them?

Given these questions, the case study method offered itself as ideal for exploring questions of how and why such social phenomena occurs (Stake 1995; Yin 2014). It is also relevant since these ‘how’ and ‘why’ questions require an extensive and in-depth description of social phenomena—in this case, the social reality within a board group (Yin 2014).

There are two key approaches that guide case study methodology: the first is proposed by Stake (1995) and the second by Yin (2014). Both base their approaches to case study using a constructivist paradigm; that is, truth is relative and dependent on one’s perspective. This recognises:

the importance of the subjective human creation of meaning but doesn’t reject outright some notion of objectivity. Pluralism, not relativism, is stressed, with a focus on the circular dynamic tension of subject and object. (Miller & Crabtree 1992, p. 10)

One advantage of this approach is the close collaboration between the researcher and the participants, which enable participants to tell their stories (Miller & Crabtree 1992). Through these stories, participants can describe their view of reality, thus, enabling the researcher to understand a participant’s actions better.
Yin (2014, p. 24) suggests the three reasons a study can employ the case method are:

1. when the focus is how and why questions
2. when you cannot manipulate the behaviour of those involved in a study
3. when you want to cover contextual conditions because you believe they are relevant to the phenomenon under study or that the boundaries are not clear between the phenomena and context.

These three criteria justify the case study approach adopted by this thesis. First, the research questions regard the how and why of director decision-making. Second, the decision-making of a director cannot be manipulated as an experiment and third, the decision-making process could not be considered without the context in which a director decision is made; that is, it would be impossible to have a true picture of a director’s decision-making, a board or organisation and, more specifically, boardroom settings.

Case studies can be conducted quantitatively or qualitatively (Bansal 2013; Baxter & Jack 2008). These approaches to case study research are profoundly different. Applied quantitatively, a case study seeks to identify cause and effect; however, qualitatively, a case study seeks an understanding of the human experience (Stake 1995). Qualitative case methods can also vary between observation, qualitative content analysis of written or audiovisual documents and in-depth interviews with key informants; thus, the latter was judged more appropriate, given the aims of this study.

A critical aspect of this methodology was the approach taken to how the decision case study was ‘built’ and how data were collected. Central to this was the role that (NED) narratives played in reconstructing their interactions with each other and the analysis of these reconstructive narratives to illuminate how strategic decisions were made (Brown & Thompson 2013). Therefore, while a case study approach to undertaking research is not new, the researcher explored how a multiple case approach might be combined with other approaches, as well as the steps required to access, collect and analyse potentially sensitive and confidential research data without sacrificing research quality. Further, an iterative and staged process of data collection, analysis and validation can deal more effectively with limitations of the perceived limitations of post-event reconstructions (Bansal 2013; Baxter & Jack 2008; Eisenhardt 1989).
In studying the ‘internal context’ of the strategic decisions and decision-makers more closely, this study took a post-event reconstructive approach. Using this approach, the narrations of directors as they recounted their experiences were used to explore the strategy-shaping interactions and behaviours of individual NEDs. Hence, this approach focused on strategy-shaping dialogue rather than the process or procedural aspects of strategic oversight, such as the episodic rituals of strategy ‘away days’ and workshops. It also recognised the delicate balance that boardroom relationships play in the shaping of strategy and, therefore, probed interpersonal interactions during the interviews.

3.2.3 Case Method as the Research Strategy: Challenges

Miles and Huberman (1994) defined the case method as a phenomenon of some sort occurring in a bounded context. Therefore, in establishing a bounded context, the researcher had to consider two questions: What is the object of analysis, the director, the decision or the process? Did the researcher want to analyse the activity of decision-making or the experiences of a director? Asking these questions helped to ensure the researcher avoided one of the common pitfalls associated with case study research—a tendency to attempt to answer a question that was too broad or address a topic with many objectives for one study (Baxter & Jack 2008).

Yin (2014) and Stake (1995) suggest placing boundaries on a case to prevent these issues. Eisenhardt (1989) refers to this as entering the field—being clear about what one wants to investigate. In considering these questions, the study’s focus was a director as an expert witness and informant of the process of decision-making and, therefore, was the unit of analysis.

Before ‘entering the field’, the researcher considered three methodological implications: first, how to assess decision-makers as expert informants of board decision-making to obtain data about potentially highly sensitive and confidential matters; second, how the observation of decision interactions over the life of a complex decision, such as an internationalisation decision, can be organised and third, how influence experienced by decision-makers in and around a boardroom can be closely studied to produce a deeper understanding of a process that is plausible and trustworthy—essentially, how a NED’s influence attempts (the primary construct this study seeks to explore) can be captured in such a way that the methods used
can reveal the ‘how’ and ‘why’ of those attempts. These three considerations are addressed in this section.

To address these three challenges, the researcher had to carefully consider an approach that would navigate some of the difficulties and challenges typically experienced by researchers attempting to study a board’s strategic role. Access to board meetings over an extended period of deliberations, given the nature of the strategic decision, was potentially challenging and commercially impractical. Therefore, access to individual directors and their narratives of decision experiences post-event was considered a viable alternative. This effectively navigated the difficulties of boardroom access.

Further, an instrumental approach was adopted (Stake 1995) in which a transformative decision was used as the instrument to understand and illuminate strategy-shaping interaction and behaviours of NEDs; therefore, the decision itself was of secondary interest. That is, a decision plays a supportive role in facilitating an understanding of interactive practices between directors and the processes of collaboration, consensus-seeking, contention and cooption during a decision-making process. The decision used for this study was a major internationalisation decision by a company, which, typically, can take place over a 12–18-month period. This length of time offered an opportunity for the NEDs to enact and experience ‘shaping behaviours’ to achieve a consensual outcome. The decision also provided a focused and consistent ‘strategic’ context to examine shaping behaviours across several individual decision-making cases. Additionally, to accommodate the difficulties of board access and to witness interaction patterns and shaping behaviours relating to a decision, the study assumed the research setting as a decision rather than a company. By not making the research setting a company or a board (in contrast with many studies on board governance), assumptions were also avoided about a certain ‘collective board mindset’ (Hillman, Nicholson & Shropshire 2008). Therefore, the decision was only secondary; it inductively posed the question: what is happening in this decision that can tell us about board-level decision experiences in general?

To ensure the generality of analysis and results, the researcher determined a representative population of directors suitable to elaborate a theory about strategic decision-making behaviour and the associated dynamic required. Therefore, the questions posed could best be answered by multiple cases to allow a comparison of approaches and behaviours of several directors. The multiple case methodology (Baxter & Jack 2008; Yin 2014) allowed the
researcher to go back and forth between the 15 decision cases, select categories or dimensions and to look for within-group similarities and intergroup differences, thus, strengthening the constructs for potential theory building. This approach is consistent with Eisenhardt (1989, p. 541), who suggests that:

the juxtaposition of seemingly similar cases by a researcher looking for differences can break simplistic frames. In the same way, the search for similarity in a seemingly different pair also can lead to a more sophisticated understanding.

Therefore, we may conclude that a multiple case method, if conducted using robust inductive approaches, carries less bias. Further, Yin (2014) suggests that multiple cases can improve the generality of findings.

Finally, to test the research design, the study also drew on the five organising principles set out by process research pioneer Pettigrew (1992). First, decisions-makers are embedded in a context that may determine or shape the sector-level internationalisation that was taking place. The external context may have a bearing on how a decision-making group (in this case, a board) decides on its own plans to pursue internationalisation. Therefore, this study acknowledged these influences in its inquiry. Second, the temporal connected principle suggests that prior experiences of a board or individual director are likely to have an invisible hand in how current and future experiences transpire. Hence, to address these issues, a questioning style for directors had to be found that necessarily tapped into what they were thinking at the time and how they perceived the attitude of a board towards a decision, given their own and board experience. Third, the intertwined nature of context and action, such as deteriorating shareholder value or company performance (that is, the subject of a case), may not always be separable from actions taken by its stewards to facilitate or create value. This factor also required careful thought in determining the research design. It required the researcher to limit environmental variations by selecting a single decision as the instrument illuminating how directors may behave when making similarly large decisions. Fourth, the search for holistic rather than linear explanations of process must lead the study to ask what explanations may be perceived across all 15 decision stories. Further, what bigger story might it tell about how directors involve themselves in shaping strategic decisions? This holistic objective required the multiple case method employed in this study (Yin 2014) and enabled cross-case comparisons to represent a major part of the approach to analysis. Finally, the link between the analysis of process and outcome was noted. As processes in this area of study are
complex, consideration was given to the importance of multiple cases as the focal point to help generate a deeper and more thorough understanding of why the same kinds of decisions might result in different decision processes on different boards.

3.2.4 Research Design

The multistaged approach to data collection was a unique feature of the study. Table 3.3 sets out the stages.

**Table 3.3:**

<table>
<thead>
<tr>
<th>Five-stage Research Design</th>
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<tr>
<td><strong>Stage 1</strong></td>
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<tr>
<td>Case selection</td>
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<tr>
<td>Developing selection criteria; identification of companies; identification of NEDs; approach to NEDs</td>
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The design was unique in its ability to engage participating NEDs in what they considered to be an important investigation. For example, the pre-meetings (stage 2), in most cases, resulted in engendering interest in this under-researched aspect of corporate governance and allowed NEDs to share their insights and perspectives on the role and behaviours of a board in shaping strategy. In turn, this assisted further refinement of the interview questions (stage 3) and, simultaneously, allowed the researcher to provide participating NEDs with a more comprehensive briefing on the selection of the most appropriate decision case: the subsequent
interview stage. The pre-interview (stage 2) and post-interview validation meetings (stage 4) in an informal setting used note-taking instead of an audio recorder. This allowed individuals to speak more candidly about board life and provided the researcher with valuable contextual insights.

The validation meetings (stage 4) served the purpose of confirming identified themes but, more importantly, added subtler nuances and surfaced additional themes not covered during the audio-recorded interview. The validation meetings also had an unexpected benefit in that they raised genuine excitement among participating NEDs about potential findings of the study and its relevance for director learning and self-development. Several NEDs also shared their opinions concerning current board reviews they had experienced. A number indicated that the reviews were somewhat superficial and suggested that studies (such as the one presented in this thesis) could contribute to the quality of board reviews.

3.2.5 Case Selection

As noted, there is a tendency for case study selection to be too broad for meaningful conclusions to be inducted (Gummesson 1991). Therefore, placing boundaries on the case, even before considering the sample, was a critical step defining what is in and out of the scope of this study. These boundaries are described in this section.

First, consideration was given to the number of cases. Case study iteration shows that there is no ideal number of cases: ‘a number between four and 10 cases usually works well. With fewer than four cases, it is often difficult to generate theory with much complexity’ (Eisenhardt 1989, p. 545).

Second, the choice of public companies (as opposed to private companies) was driven by the researcher’s access to public company directors and her established reputation of working with boards and directors. Further, public companies allowed access to important contextual information in the form of public documents on corporate strategy, growth plans, stock exchange announcements, annual reports, analyst briefings and historical information about strategy, including press reports on the history of director appointments and departures on previous boards. Although this secondary data was not part of the analysis, it provided useful contextual information for the researcher.
Third, limiting the type of decision to one large transformative type, such as internationalisation, allowed the researcher to control variations in the decision context that may have influenced the decision dynamic or process. Fourth, in studying the dynamic surrounding board involvement in strategy, it was necessary to limit this study to a single governance jurisdiction—in this case, Australia. Nevertheless, this study may have wider applicability because of the similarities of public company jurisdiction in Australia with other Anglo-Saxon countries such as the UK, Canada, US and New Zealand.

While this study focused on the internationalisation decision scenario and the strategy-shaping behaviour of individual directors, where practicable, the researcher approached NEDs representing companies from diverse sectors to obtain additional insights into the phenomenon under study. As noted, while it was clear that it would be neither practical nor possible to negotiate direct access to board meetings relating to such a commercially sensitive decision, the researcher took the approach of case reconstruction through interviewing NEDs after the event.

A total of 15 companies were selected using the above criteria. A scan of the boards of these companies (on their company website) was undertaken to determine the make-up of a board to identify NEDs most likely to support the research. The NED selection process is described in Section 3.2.6.

**3.2.6 Enlisting NED Participation, Snowballing and Pre-understanding**

Following the selection of companies that met the decision-case criteria, a scan of NEDs was conducted to determine those within the researcher’s professional networks or known to those within those networks. The researcher initially identified four NEDs within the network who were known to her as having strong personal standing among their peer directors or who held multiple directorships. Once the support of the four NEDs was enlisted, the researcher relied on their personal advocacy with other NEDs of the identified companies. Using this ‘snowballing’ approach, the remaining 11 NEDs were enlisted, either through the enlisted director contacting other director candidates personally or by sending an email.

Initial pre-meetings were then arranged through an introduction to explore the candidates’ interests in participating in the study. The research aim was described in an email, together with general information about the approach to conducting the research. All except one NED
approached in this way accepted the email invitation for a preliminary meeting without obligation to participate in a subsequent and more formal audio-recorded interview.

The pre-meetings were mostly conducted face to face with only three conducted by phone. While the purpose of the meeting was to secure the NEDs’ participation and allow them to feel comfortable about the research and the researcher, pre-meetings had the added value of deepening the pre-understanding of the researcher, as well as piquing the interest of the NED. The NEDs who had been recommended by the original four directors, and not previously met the researcher, were keen to understand the researcher’s grasp of board life and governance challenges. It was clear that NEDs who did not personally know the researcher were keen to establish her credibility. The credibility of the researcher and the importance of building trust while negotiating consent to conduct qualitative research is supported by Gummesson (1991); the pre-meeting offered that opportunity.

During the pre-meeting, the purpose of the research and required time commitment were described. Matters relating to confidentiality and how this would be secured were also discussed. Confidentiality was anticipated as a key consideration for all the NEDs and examples of how the profile of the decision cases would be depicted in any future reports were mocked up and presented. The researcher also used the meeting to clarify some general points about participant backgrounds, ask questions about how directors saw their role in strategy and to share their insights about the differences between different boards, where applicable.

Most NEDs were very open with the researcher in sharing examples of what, in their experience, had and had not worked well in shaping strategy. Several NEDs indicated that the human aspects of governance were important to accurately reflect the challenges they faced. Several made encouraging comments about the focus on the human side of governance; they also indicated that the focus on the quality of board engagement concerning strategy was an important subject of governance research.

Once they had verbally agreed to participate, the NEDs were asked to reflect on an example of a decision episode that met the case criteria—a transformative decision such as internalisation or equivalent considered to be of great strategic importance to the company. Johnson and Scholes’s (2002) definition of strategy was used in the pre-meetings to focus on a strategic decision as one that could potentially and profoundly change the direction and
scope of a company over the long term. Boards are faced with many types of strategic decisions. As such, an important consideration was how the researcher might limit decision variability. Therefore, the researcher requested the participating NEDs to limit the decision case they selected to a transformative decision such as a major international market-entry investment, merger or acquisition, or a divestment decision with:

1. significant financial and reputational risk to the company
2. extreme complexity in the number of moving parts in the decision
3. great uncertainty with few precedents for the company to rely on, such as the case of an international transaction
4. potentially multiple and conflicting stakeholder interests that needed to be resolved satisfactorily
5. involvement from the entire board over an extended period, during which critical variables were constantly changing.

Since this discussion occurred during the pre-meetings, it gave the NED the opportunity to consider their selection of the decision before the recorded interview occurred. If they agreed to be interviewed, a formal invitation letter was provided and they were advised that a consent form would be brought to the interview for signature. A date, time and place were set for the interview. All NEDs were agreeable to a 60–90-minute audio-recorded interview. None objected to being audio-recorded on the basis that the reports would not contain any identifiable data and could be inspected on request.

On reflection, the pre-meetings achieved an important and unexpected outcome. NEDs had time to ponder the chosen decision case. Several indicated—both on the day of the interview and before the interview commenced—that they had spent time picking a decision case that, in their view, conveyed many of the challenges associated with board involvement in shaping strategy. Additionally, as the method used was case reconstruction, it was important to flag, ahead of time, the level of detail required to facilitate a director’s recollection. The pre-meetings also deepened the researcher’s pre-understanding of the issues and helped to refine the interview questions and the interviewing style (Gummesson 1991).

The ‘snowballing’ approach to enlist support for this study was critical and relied on the existence of strong networks in the NED community. The level of perceived experience and credibility of the researcher in these circles was a necessary part in generating the required
level of trust. The researcher is a corporate consultant with expertise in organisational change and team effectiveness, who regularly provides services to board-level directors and TMTs. This allowed her to establish rapport and credibility with participating directors relatively quickly. Based on this experience, the researcher argues that partnerships between scholars and practitioners may be a critical part of future research design to secure the personal involvement of NEDs in large public companies.

3.2.7 Profile of Participating Directors

The 15 NEDs interviewed were engaged in a range of industry sectors: retail (2), telco (3), industrial (3), banking or financial services (3), insurance (1), infrastructure (2) and property (1). The transformative decisions the NEDs recalled were major international business acquisitions or divestments made by Australian public companies across Europe, Asia, Africa and the US.

The business background of the NEDs spanned a range of functions. Nine had a general management background combined with other functional expertise in areas such as engineering, financial services and logistics. Three NEDs had backgrounds in banking combined with economics, law or finance, while a further three NEDs had a legal background, two of whom were in professional services. One NED had a background in the resources sector combined with finance.

Tenure on the board (from which the decision case was taken) ranged from one to 12 years with the weighted average being five years at the time of the study. The overall length of experience of the NED sample, as measured by year of initial directorship appointment, ranged from 2000–2011. Ages ranged from 53–70 years with the weighted average being 61 at the time of the study.

All 15 NEDs held multiple directorships ranging from one to three public companies (not including the board from which the decision case was drawn) and most also held the same number on private companies, not-for-profits and statutory boards. This profile is typical of most directors of the largest ASX public companies in Australia. All NEDs (except one) reported past internationalisation experience. Of the 14 NEDs with internationalisation experience, three gained their experience with consulting firms advising on mergers and acquisitions (M&As). The profile of director participants is provided in Appendix 2.
3.2.8 NED Interviews

NEDs agreed to participate in post-event reconstructed stories by recorded interview, provided confidentiality terms were negotiated up-front. The formal process also involved obtaining ethics approval from RMIT University (approval number 18858) before any NED contact was made or interviews conducted.

Stories contain knowledge different from what is revealed by surveys, reading texts or interviews that do not explicitly elicit stories from expert informants, such as the directors in this study (Ospina & Dodge 2005; Weick 2007). Narratives offer researchers into social life the chance to explore issues such as social identity, intention, influence, control, power or change. Despite this, stories have been under-utilised as a data source to uncover and explore meaning (Ospina & Dodge 2005).

The interview questions (contained in Appendix 1) captured post-event accounts of decision experiences in response to open-ended questions posed by the interviewer and reflected the NEDs’ retrospective and prospective sensemaking—that is, how a NED made sense of the decision they were called on to make, the sense they made of their role in influencing the decision outcomes and their interpretations of the interpersonal interactions surrounding the decisions. In their narratives, NEDs located themselves and others in various roles through the stories they told, implying a variety of power and knowledge positions. Through these narratives, they framed their roles to present themselves as competent and wise, legitimised their actions, reaffirmed their own strategic identities and demonstrated how they engaged in strategic activities and what they had learned (Brown & Thompson 2013).

Through the audio recordings of the NEDs’ reconstructions of their decision-related interactions, this study attempted to explore how they established meanings, expressed cognition and articulated their perceptions of the environment, and (from this basis) how they legitimised their individual and collective judgements in their strategy-shaping role. In drawing on the principles of narrative analysis, the interviews were analysed as ‘meaning making events’ interpreted by the narrator and then the researcher (Brown & Thompson 2013; Huff 1990). This approach sought to reveal the reconstruction of meaning in micro-level strategic practices, rather than any kind of objective truth, and then reinterpret this meaning theoretically.
The case study approach recognises the importance of the subjective human creation of meaning—that is, truth is relative and depends largely on the perception of the actor(s) (Eisenhardt 1989). Each case study is built on the premise that when actors tell their story, they describe their views of reality to explain to themselves and to others the reasons for their actions—in this case, the reasons they give for adopting certain (decision) practices and how a group influenced their strategic input.

To optimise the potential of conversational recall, the researcher requested a NED to limit cases to those that occurred within the last two years and, therefore, contribute to the richness of their recollections through the recency effect. However, this was not the only way in which the researcher sought to optimise conversational recall. The interview was generally held a week after the pre-interview meeting, during which a NED was briefed about the kind of decision the researcher was seeking. Additionally, the questions were designed in a way that assisted recall, starting with a NED’s general recollection of a decision and progressively moving the questioning to more detailed interactions as the decision process unfolded.

In conducting the interview process, the study adopted the behavioural event interviewing (BEI) method (Boyatzis 1998; McClelland 1998). The researcher was formally accredited in the BEI methodology and has had experience using this methodology in Australia and internationally. This semi-structured interview process focuses on thoughts, feelings, behaviours and outcomes. It requires a high degree of rigour from the interviewer in complying with the interview protocol to reveal patterns of intentional behaviour. To understand what makes the best people successful, McClelland (1998) sought to understand not just what they do, but the thoughts and feelings that generate actions. The BEI method identifies deep-rooted thoughts and behaviour patterns of people to reveal what would otherwise be hidden characteristics that significantly influence behaviour.

The methodology requires an interview subject to recount an experience they have previously encountered in vivid behavioural detail (in this case an acquisition decision) with the interviewer walking by the side of the interview subject, as it were, while they recount their experience (McClelland 1998). The strength of the BEI approach is that the interview subject is not able to produce rehearsed answers that are hypothetical. The underpinning principle in BEI as a methodology is that it assumes how an interview subject behaved in the past can predict how they will behave in the future when faced with similar experiences. Each question was explored using BEI interrogative probes such as, ‘what did you do’, ‘what did
you say’, ‘how did you react’, ‘what crossed your mind then’ and ‘what was your thinking behind what you said’, thus, allowing the interviewer to surface tacit knowledge of recollections. As noted, applied to a decision case, the method required a participating NED to consider pivotal events during what is typically a 12–18-month period of intense board interactions and recount these in the interview. While not as effective as ‘catching reality in flight’, as if the researcher had sat through meetings over that duration, the process was as close to board access that commercially sensitive considerations would allow (Boyatzis 1998; McClelland 1975, 1985, 1998).

The research interviews were up to 90 minutes in duration and commenced with overview questions that took between 8–10 minutes. These questions related to how NEDs joined a board, what attracted them and the beliefs and values that underpinned their board work. This was followed up by semi-structured questions pertaining to the selected decision case. As the decision case played out over an extended period comprising a series of formal and informal meetings, NEDs were asked to recollect interactions they perceived as major or pivotal points during the decision-making process.

The interview questions were explicitly derived from the research questions described in Section 3.1 and framed to elicit responses that were reconstructions of actual behaviour. Some questions were particularly powerful in this regard, generating valuable narratives about a NED’s cognitive approach, the importance they placed on certain kinds of boardroom interactions and how they perceived what was going on in a boardroom. However, the researcher allowed a NED to take the interview into areas that appeared to contain relevant and additional value to the research, including contextual value. NEDs spoke openly and frankly about their recollections including their private reflections as decision interactions progressed.

At the end of the interview, a ‘catch all’ question was posed asking if a NED had any further comments to make about desired and non-desired behaviours they wanted to see in relation to NEDs’ involvement in strategy. Following the interviews, a ‘decision story’ or profile of each decision case was prepared to synthesise the data into a non-identifiable summary table of the 15 cases studied. This is shown in Appendix 2. This profile was undertaken using information from company and stock exchange websites, and public domain information on the decision, if it had proceeded. A ‘file’ was created for each case, providing the researcher
with a deeper understanding of the external context of the decision cases studied. Some data not available in the public domain were later clarified with respective NEDs.

Where necessary, follow-up interviews of approximately 30 minutes were conducted with six NEDs to clarify audio-recorded interview responses. Field notes were also taken during all face-to-face interactions and supplemented the audio recording as well as the pre-understanding phase. Field notes also recorded the researcher’s impressions, ongoing reflections and thoughts as the study progressed.

There are some potential concerns with post-event reconstructions. Foremost is the concern that it may not accurately reflect practices in the past. In addition to recollection issues, there may also be the influence of hindsight bias and good impression efforts on the part of the interview subject.

This is a challenge that most qualitative researchers face. Golden (1992) found evidence that executives’ recollections of their past strategies are often biased. Executives recall past strategies that are more rational and consistent with current strategies. Therefore, Golden (1992) cautions against the use of retrospective accounts. However, the position taken by this researcher is that the accuracy of recall is not critical because the aim of this inductive exploratory inquiry is to understand a NED’s construal of their decision experiences, to explore the meanings they personally attached to those experiences and their responses to these interpretations.

### 3.2.9 Summary

To improve the trustworthiness of this overall study, the researcher sought to design the research approach carefully. This was done by ensuring the issue questions (Stake 1995) were well crafted and clearly written, the ontological and epistemological underpinnings were considered, the case design (including its bounded context) was appropriate for the research questions posed and the data were collected and managed systematically.

One of the challenges associated with the study of complex phenomena, such as this study, is the challenge of putting the large volume of data collected into a format that is readily understood by readers. Miles and Huberman (1994, p. 18) referred to this as creating tidy ‘intellectual bins’. To this end, Figure 2.1 was extremely useful in that it helped to create three tidy bins into which to organise the large quantity of data collected. Data organisation
was also facilitated during the coding of influence attempts (either those witnessed by the participating director or personally mounted by them) and using narrative analysis to distil the phenomenon of boardroom influence into data maps. One danger of this approach is a potential fragmentation of the story of influence resulting from treating each data map independently from the context in which that influence occurs. Essentially, the organising framework shown in Figure 2.1 provided a ‘meta-structure’ ensuring that the totality of the case was neither lost nor was the phenomenon simply viewed through the eyes of the participating directors. The approach to this dual challenge of not fragmenting the bigger story (Eisenhardt 1989; Pettigrew 1992) while organising the data into digestible chunks is described in Section 3.3.

3.3 Approach to Analysis

The function of research is not necessarily to map and conquer the world but to sophisticate the beholding of it. (Stake 1995, p. 43)

Miles and Huberman (1994, p. 91) describe the process of qualitative analysis as climbing a ‘ladder of abstraction’ by which:

- you begin with a text, trying out coding categories on it, then moving to identify themes and trends, and then to testing hunches and findings, aiming first to delineate the ‘deep structure’ and then to integrate the data into an explanatory framework.

As noted, the approach taken by this inductive study is unique in that it uses NEDs’ interpretations of their decision experiences to analyse not only their cognitive and affective orientations to the strategic task at hand but also ‘to walk with them’ as they recount how they acted on those interpretations. ‘Inductively rich’ sensemaking data were embedded in narratives, stories, anecdotes and historical accounts provided by a participating NED to the semi-structured questions posed by the researcher.

Process research, such as this study, is concerned with understanding how events evolve over time and why they evolve in that way. Process data consists of stories about what happened and who did what and when, and, thus, can be messy (Langley 1999). Therefore, it requires a means of conceptualising events and detecting patterns.
This section proceeds with an overview of the data analysis process followed by a discussion of issues relating to an analysis of the interviews. These include Section 3.3.1, how ‘codable moments’ (as influence attempts) were identified; Section 3.3.2, data mapping; Section 3.3.3, the relation between issue domains, influence attempts and behavioural codes; Section 3.3.4, theme validations; Section 3.3.5, cross-case comparisons and Section 3.3.6, the process of theory development.

In analysing the data, the aim was to understand intention and action, rather than just explaining behaviour. The researcher was keen to explore the delicate role that behavioural interactions played in the shaping of strategy, rather than the mere process or procedural aspects of strategic oversight. Transcripts from the recorded interviews and notes taken at the pre-, post- and validation meetings offered a significant volume of data in this regard.

Each decision case was analysed to generate issue domains and behavioural constructs. These were used to confirm, modify or extend theory. The process approach taken did not just result in a compilation of a variety of actor-based perspectives. Instead, it allowed for innovative and creative interpretation and theory development by deconstructing, categorising and reconstructing data to develop, redefine and create new accounts of what occurred in these 15 decision cases, as conceived by the respective NEDs. An open-ended process of inductive reasoning and pattern recognition was used. This resembled a constantly iterating cycle of deduction and induction, as shown in Figure 3.1.

![Figure 3.1. The data analysis process.](source: Author)
At all times, the organising framework (Figure 2.1) was used to guide the iterating cycles of analysis, which sought to reveal how the effects of power and social identity were evidenced in the way influence attempts were mounted and how such attempts were responded. Particularly, the framework focused on the collection of data relating to the three research questions: What are the origins of power and how do differentials in power between board directors emerge? How does the strength of identity of an individual director and their sense of shared identity with a group construct a power dynamic that influences decision-making? How do the effects of group membership or identification and power differentials interact to create a unique ‘social reality’ and how does the ‘social reality’ moderate the use of influence in and around a boardroom? The analysis results are presented in Sections 4.1.2, 4.1.3 and 4.1.4 respectively.

3.3.1 Identifying ‘Codable Moments’

Interview transcripts were ‘chunked’ to select what the researcher judged as ‘codable moments’ during which influence attempts were mounted or responded to by NEDs. Codable moments were simply passages in the transcript that appeared to depict influencing behaviour, both in thought and action. Once these codable moments, rich in NED interpretations, were identified and marked through a given NED transcript, they were analysed using Huff’s (1990) narrative analysis structure, as shown in Figure 3.2.

*Figure 3.2. Four-level narrative analysis used to code each influence attempt.*

Source: Huff (1990)

Huff’s (1990) approach, later expanded as mapping strategic knowledge (Huff & Jenkins 2002) and sometimes referred to as ‘cognitive mapping’, is used extensively in social psychology and management science to structure large volumes of data. It is a visual way of
mapping the process cognition and allows complex thoughts that emerge during the strategy process to be mapped simply (Eden 1992; Hodgkinson & Maule 2002). Huff’s (1990) narrative analysis structure allowed the researcher to move from raw data to behavioural codes and themes.

Applying these four levels of narrative analysis allowed the researcher to produce data maps from codable moments. This was done by first considering what passage in an interview a subject emphasised, second, what associations they made and third, the importance they attributed to those associations. The third level leads to a final but critical level of analysis as the beliefs, norms and cognitive frames that underpin NED responses to a strategic task at hand, which may be somewhat more resistant to change through dialogue. For example, if a codable moment referred to NEDs voicing a concern during a boardroom debate about an aspect of a decision, it was analysed in terms of what they paid attention to, what associations they were making, what importance they were attaching to those associations and what cognitive frames or beliefs it represented in relation to strategy shaping. Even when NEDs reported a thought they chose not to voice, a similar approach was taken. Table 3.4 shows an example of the narrative analysis applied to a single codable moment in one of the 15 transcripts using data mapping, which is further described in Section 3.3.2.

Table 3.4:

| Attention | ‘You did not get the full picture of what each one was thinking until this one meeting I remember … and end-of-meeting offline discussion between four NEDs (while packing up) about the issues of taking too conservative a position on value’ |
| Associations | ‘It was remarkable that this group had the same thoughts as I had. I had assumed I was the only one thinking this way. I had assumed as financial or CFO types, a cabal, they would think in a particular way—CFOs often can’t see past the numbers and do not understand strategy’ |
| Importance | ‘This was a pivotal moment for me where the experience of the people in the room and the extent of their views became clear to me. We [referring to the four] decided we would not be pushed into this and take control of the situation … [Y]ou see boards have a high degree of formality and |

The **Table 3.4:**

**Analysing NED Behaviour: Moving from Rich ‘Codable Moments’ to ‘Influence Attempt’ Themes Using Data Mapping**
reserve—what you need is that magic in the interaction to create real pivotal moments for the board-decision turning points’

| Systems of meaning | ‘Offline discussions can be powerful in calibrating views, testing the assumptions we make about others’ opinions around the table and solidifying a position’ |

Source: Excerpt from NED G’s data map showing a single influence attempt using Huff’s (1990) narrative analysis framework

This codable moment illustrates how a casual offline interaction between a small group of NEDs following the end of a formal board meeting can represent important influence attempts with the potential (as it did in this case) to change the course of a strategy. For the purposes of this study, an influence attempt was defined as a specific intervention initiated by one or more NEDs designed to make an effective contribution to the direction and nature of a decision debate.

### 3.3.2 Data Mapping

Given the volume of data collected, a sensemaking strategy had to be devised (Langley 1999). Data maps were adopted as the best way to make sense of the data. Each interview was distilled into a single data map. Each data map contained multiple ‘codable moments’ (influence attempts) for each interview, sweeping up within them a range of behavioural codes (refer to Section 3.3.3). The 15 data maps were valuable in that they facilitated the process of cross-case comparisons and helped identify patterns of influence common or unique across decision cases. ‘Data maps’ generated from this process resembled a table with 10–12 influence attempts running horizontally across a page and Huff’s (1990) levels of narrative analysis running vertically down a page. The ‘in your own words’ data maps (showing unedited passages from the interview transcript) were produced for each of the 15 decision cases.

In the excerpt from NED G’s data map shown in Table 3.4, his description shows how a subgroup of NEDs came to a decision outside the confines of a board meeting, unbeknown to the Chair or the other directors. They then agreed to exert collective influence in a subsequent board meeting. The excerpt also reflects the assumptions NEDs make about the thinking or attitudes of others (in this case, relating to the conservatism on value creation) using a ‘like me’ or ‘unlike me’ lens. While the decision story that NED G narrated was a very casual encounter, it set up a situation in which, at the next board meeting, the four directors were
united in their concerns about the deal and were clear about a counter-position they would put to the board. As a minority group, the ‘pooling’ of their influence in this story excerpt reversed the direction of the decision.

Data mapping provided inductively rich sensemaking data on which the findings in this study were developed. The findings from the data mapping process (presented in Chapter 4) provide sufficient interpretation of the data, but care was taken to ensure readers can draw their own conclusions. It is important in qualitative research to allow readers the opportunity to gain their own experiential understanding of the case and stimulate alternative reflections about what is occurring. In the constructivist tradition of case study investigations, researchers are justified in using many narrative descriptions in their reports (Stake 1995).

### 3.3.3 Issue Domains, Influence Attempts and Behavioural Codes

While a small number of a priori codes or categories of code were derived from the extensive literature review, the data maps were generated around identified influence attempts, which, in turn, generated larger numbers of behavioural codes or themes relating to strategy-shaping behaviours contained in the interviewed NED narratives. In this study, a distinction was made between an issue domain and a code. For purposes of this analysis, issue domains were treated as ‘what’ the influence attempt focused on and a code was treated as the ‘how’. That is, an issue domain was not a behaviour, but an influencing attempt, while a code related to actual NED behaviour in achieving that influence attempt. To illustrate this distinction using the data mapping shown in Table 3.4, the issue domain was an offline influence attempt while the behavioural codes included ‘this one meeting I remember’ (attention), ‘I had assumed I was the only one’ (association), ‘CFOs often can’t see past the numbers and do not understand strategy’ (association), ‘pivotal moment for me’ (importance), ‘not being pushed into this’ and ‘magic in the interaction’ (importance), and ‘offline discussions can be powerful in calibrating views … testing the assumptions … solidifying a position’ (systems of meaning).

### 3.3.4 Validating Data Maps, Issue Domains, Influence Attempts and Behavioural Codes

Stage 4 of the research methodology (Table 3.3) was theme validation; that is, it concerned the validation of the researcher’s interpretation of the interview data and, hence, the potential to strengthen the research findings (Baxter & Jack 2008; Eisenhardt 1989). Qualitative research is often perceived as being less able to ensure validity than quantitative research
(Bansal 2013). To deal with these concerns, a step was inserted into this analysis that involved taking the data map back to a NED for validation. All 15 validation meetings (which lasted on average 60 minutes) involved showing a data map to a NED and working through the detail of the maps, including issue domains and the behavioural themes. The ‘systems of meaning’ conclusions drawn by the researcher were also tested with NEDs, asking if, in fact, it reflected the cognitive frames, belief or values underpinning their approach to the task at hand. The validation step proved useful for several reasons. First, it provided some validation for the quality and integrity of the analysis and the researcher’s conclusions about the codable moments. Second, it allowed NEDs the opportunity to add nuance, which had the effect, in some cases, of adding more clarity to the theme and, in other cases, materially changing the emphasis of a given theme. Third, in some cases, viewing the data maps triggered a new theme in a NED, which they thought was important to add.

All the issue domains and behavioural codes were confirmed with some minor refinements. Validation meetings were held with all 15 directors, 12 of which were conducted face to face while the meetings with the remaining NEDs were conducted by phone because of their overseas travel and other commitments. Detailed field notes were taken of all meetings with directors at all stages of the data collecting process.

3.3.5 Within-case and Cross-case Comparisons

As part of the validation process (stage 4), and following the within-case analysis using the data mapping technique, a cross-case search for patterns was undertaken. Cross-case comparisons are critical in ensuring the researcher does not prematurely or even falsely draw conclusions due to information processing biases (Eisenhardt 1989; Kahneman & Tversky 1973; Miles & Huberman 1984).

Eisenhardt’s (1989) technique of selecting pairs of cases and listing the similarities and differences between each pair was employed to undertake cross-case comparisons. This forced the researcher to look for subtle similarities and differences: differences found in seemingly similar cases and similarities found in seemingly different cases. Additionally, comparisons were also made between cases in which a decision was made and cases in which it was shelved. Four criteria were applied in this process:

1. Recurring patterns that appeared in more than one transcript could be sensibly labelled as an issue domain.
2. Each issue domain was supported by multiple sources of data such as numerous narratives of unfolding conversations or debates across several cases.

3. Concepts, themes or effects not anticipated when the study was embarked upon were noted.

4. Links could be made to existing theories of group behaviour and dynamics. When linkages were not evident, consideration was given to what other theories may offer a full or partial explanation.

5. The NEDs themselves confirmed these themes as issues of significance at the validation meetings.

This approach to cross-case comparison increased the possibility that this study would capture novel findings and improved the likelihood of an accurate and reliable theory; essentially, the theory would have a closer fit with the data (Eisenhardt 1989).

3.3.6 Theory Development

Stage 5 of the research design, theory development, elaboration and extension involved shaping the emerging themes, returning to the research questions and asking how the data might answer the questions posed. This stage also involved going back to the literature review and the theories considered there to ascertain two things: if and how the data supported or elaborated a current theory or whether it were not reflected by any current theory. A model capturing the psychosocial effects within the decision story told by a NED was then taken back to all participating NEDs to surface alternative interpretations or rival perspectives. As field research on boards is continually evolving—particularly the emergence of new inductive studies—one objective of stage 5 was to continue to review recent and emerging studies to determine if there were contradictory findings and their significance. The model was received well by respondents and, apart from minor adaptations in form rather than content, was confirmed as an accurate encapsulation of the NEDs’ experience of the social reality of their board and social influence in and around a boardroom.

In addition to developing the data maps, key quotes that captured the essence of a director’s contribution to strategic decision-making were extracted from the transcripts for use in the case write-up to allow readers to make their own alternative interpretations (Cousin 2005). Following Eisenhardt’s (1989) prescription, the 15 decision cases produced more than enough data saturation sufficient to elaborate a theory with a degree of complexity and a
convincing empirical grounding for those theoretical conclusions. Particularly, the analysis focused on ascertaining the degree to which differences existed in NED strategy involvement on three levels: distinctions between the sources from which different directors derived their power to influence, variations between directors in the use of power and the variations in the effect group membership (or ‘place in the group’) had on director behaviour. For example, it was interesting to note if and how group membership encouraged certain kinds of behaviours and inhibited others, which, in turn, created a unique ‘social reality’ that differed from NED exposure to other boards.

One of the big challenges facing case-study based theory development in the interpretive tradition is the subjective bias of the researcher. This is generally accepted as a given in case research (Cousin 2005). Cousin (2005) proposed six strategies for minimising ‘narrative fraud’ (Cousin p. 426): overstating results from flimsy evidence, ignoring local effects and opportunistically cherry picking the data. Bassey (1999) referred to this as the ethic of caution. Strategies to avoid this include triangulation when making contestable assertions and ensuring participant accounts provided ‘thick descriptions’ (Cousin 2005, p. 424). The aim is ‘to write up a case study capable of ‘giving readers the vicarious experience of being there so they can share in the interpretation of the case’ and adjudicating its worth alongside the researcher’ (Cousin 2005, p. 424; Stake 1995). Both these strategies were adopted to guard against ‘narrative fraud’ and overstate findings.

**3.4 Summary of Research Questions and Methodology**

In conclusion, the approach taken to the methodology and methods used in this study responds to calls by board researchers to humanise corporate governance by undertaking more inductive studies closer to the coalface, in which governance is practiced rather than offering ‘distant predictions’ of how boards behave (Ahrens, Filatotchev & Thomsen 2011; McNulty, Florackis & Ormrod 2013a; McNulty, Zattoni & Douglas 2013b; Petrovic 2008; Roberts, McNulty & Stiles 2005).

Influence attempts—behaviours recounted by NEDs to influence or be influenced by their board peers—was approached as relational and socially accomplished between members of the board group; therefore, a phenomenological approach was appropriate. The approach taken in this study (which uses a director as decision-maker as the unit of analysis) is unique in that it used the NEDs’ interpretations of their decision experiences to analyse their
cognitive and affective orientations to the strategic task at hand and ‘to walk with them’ as they recount how they acted on those interpretations. ‘Inductively rich’ sensemaking data was elicited from the narratives, stories, anecdotes and historical accounts provided by participating NEDs in response to the semi-structured questions posed by the researcher.

Data collection focused on the delicate role that behavioural interactions played in shaping strategy, rather than more process or procedural aspects of strategic oversight. The recorded interviews, pre- and post-meetings, validation meetings and field notes (which also captured non-verbal information) offered a significant volume of data to identify interaction patterns that illuminated ‘why’ and ‘how’ research questions.

The BEI method was used to surface both behavioural actions and participant thoughts and feelings. This method contrasts with the limitations of survey questionnaires or observational methods, which are better able to capture behavioural actions but not necessarily the thoughts and feelings underpinning those behaviours. The multiple case methodology (Yin 2014) was chosen for its ability to explore how different NEDs responded to their decision experiences and applied their influence variously across the 15 cases. The decision stories that the 15 NEDs recounted as a transformative decision were used as the instrument (Yin 2014). The constant juxtaposition of different social realities derived from each case allowed for comparative case analysis (Eisenhardt 1989; Stake 1995) and facilitated a greater level of quality in determining inductive themes. A multistage approach to collecting data from the individual directors was also employed to develop deeper insights into what was occurring in and around a boardroom.

Since it was neither practical nor possible to negotiate direct access to board meetings regarding a commercially sensitive decision, this study took the approach of case reconstruction through interviewing NEDs after an identified event occurred. The decision story they told was treated as instrumental of the decision dynamic, with directors as the actors in a case. This approach contrasts with other case studies in board governance in which the unit of analysis is a company or board. The overall design of the research study addressed some of the challenges often cited in the literature about gaining access to board directors and boards to study them more closely.

As noted, concerns have been raised in the past about retrospective accounts (Golden 1992; Huber & Power 1985; Schwenk 1995). Foremost is the concern that accuracy may be
effected by hindsight bias and good impression efforts on the part of an interview subject. Golden (1992) found evidence that executives’ recollections of their past strategies are often biased. Executives recall past strategies that are more rational and consistent with current strategies than they were at the time. In addressing these concerns, the position taken by this study is that the accuracy of recall is not critical. The aim of this inductive exploratory inquiry was to understand a director’s construal of their decision experiences, exploring the meanings that they attached to those experiences and how they acted on their interpretations of those experiences.

The collective case-study method (Stake 1995) also allowed this study to optimise its iterative nature—the ability to go back and forth between cases (Eisenhardt 1989). This iterative process allowed the data collected to be viewed from multiple perspectives, potentially strengthening the constructs and theoretical results and increasing the likelihood of generating a novel theory.
Chapter 4: Findings and Discussion

This chapter describes and discusses the findings from the data collected from each of the 15 NEDs (as expert informants) about their experiences in shaping strategy. The findings—which, as noted in Chapter 3, focused on the influence attempts of individual NEDs—reflect the interpretive approach taken by this study. They describe and discuss common behavioural themes and variations reported by the NEDs.

The findings reveal a complex social reality into which NEDs must fit and, consequently, the behaviours they demonstrated during the process of arriving at a decision with their board peers. Particularly, the findings reveal how social identity and power play a role in who chooses to influence whom and upon how such influence attempts are received and acted. These findings contrast with regulatory assumptions that assume a board’s decision-making processes are characterised by rational action alone. Rational action theories and theories spawned from the economic research tradition alone cannot explain the findings of this study.

Consistent with process-oriented research and inductive qualitative studies, this chapter takes a discursive approach to relate the findings to the three research questions posed by this study and the subsequent discussion of their implications. A discursive approach is required for three reasons. First, the findings overlap in that various data as codable moments can relate to several issues raised by each research question. Second, consistent with the iterative approach taken to data analysis, some interview questions, originally thought to be of less importance, elicited responses that were later found to be significant findings in determining themes relevant to the research questions. Third, it was important to contextualise the findings in relation to the research questions by describing the overall nature of the strategic decision-making process, as reported by participating NEDs.

Hence, this chapter proceeds as follows. Section 4.1 describes the four stages involved in a strategic episode and the opportunities each provides for potential NED influence. Section 4.2 addresses research question one: what are the origins of and differences in an individual NED’s power? More particularly, it introduces the concept of a NED’s cognitive history as the source of power to influence, which includes cognitive and social capital. This section also considers how differences in NED motivations for joining a board may affect the use of their cognitive history and, hence, how power differentials emerge on a board. Section 4.3
reports on findings relating to research question two: how does a NED’s sense of shared identity with the board group shape the process of decision-making? It describes themes arising from the data concerning the importance of the strength of group identification as one source of the power dynamic that influences a decision-making process and the importance of subjective validations in the receiving and granting of social support for influence attempts. Section 4.4 further reports on research question two by considering the behavioural variations in a NED’s use of influence. These are related to task and role tensions that arise in a board dynamic, as determined by the relational and dispositional themes observed by participating NEDs, which, in turn, determine how and why they choose to exercise their power to influence. This section also considers how relational and dispositional themes contribute to the moderating effects of the ‘social reality’ of a board and, thus, in part addresses research question three: how do the effects of group membership or identification and power differentials interact to create a unique ‘social reality’ that moderates the use of influence in and around a boardroom? In describing the unique ‘social reality’ that arises, in part, from a NED’s relational and dispositional skills, this section then describes nine types of multiple influencing NED personae. Section 4.5 continues a description of the findings in relation to research question three in terms of how the use of NED influence in decision-making is shaped by the ‘social reality’ of group identification and power distribution. Section 4.6 presents a discussion of the findings, including the triggers of influence attempts and their responses, the ‘hidden’ social hierarchy in which influence attempts occur, the social hierarchy and character of a board, and an emerging framework of social competence for director effectiveness. It also discusses inferences and insights into the practices of strategically active boards and the implications of the study for theory development, including a dynamic ‘psychosocial’ model of boardroom influence. Finally, discussion contextualises the findings and themes in terms of the relevant literature, although (where necessary) given the depth of the findings and their implications, the relevance of prior studies is also considered throughout this chapter.

In summary, by explicating the ‘experience of influence’ in a process sense, these findings shift the focus from structural notions of power and influence in a boardroom to the interpersonal interactions between decision-makers and the effects and consequences of invisible ‘psychosocial’ effects on decision-makers and a decision-making process. The term ‘psychosocial’ was coined by psychologist Erik Erikson (1959) to describe the interrelation between social factors and individual thoughts and behaviour. It considers an individual in
the context of the combined influence of psychological factors and their surrounding social environment.

4.1 Strategic ‘Episodes’ and Opportunities to Influence

Good process research considers embeddedness (Pettigrew 1992). Therefore, describing the strategy-shaping context was an important contextualisation for a deeper understanding of NED perceptions of their behaviour—the focus of the research questions. The strategy-shaping context explains strategic episodes the NEDs encountered, which provided them with opportunities to contribute.

The four stages of strategy shaping described in this section are not specifically related to any of the three research questions. Instead, strategy shaping shows that despite each participating NED selecting very different transformative decisions for purposes of this study, the strategy-shaping contexts in which NEDs were making decisions had similarities across the 15 NED cases.

For example, when a transformative decision was an international acquisition, it was observed that international growth was a strategic option raised by management and debated with a board over a considerable period. Formal consideration of an internationalisation strategy was then put on the agenda of the annual offsite strategy meeting. As Director I reported:

> generally, with these big investment decisions, there in a bucket of potential places we may go, grow and develop and they would have been shaken out during the strategy day, and so if it is on the list to be developed it is to be looked at, so there is not really anyone around the table that starts with the view that we should not do this.

As noted, the data reflected four stages in the strategy-shaping process, taking (on average) up to 12 months, given the size of some acquisitions. The NEDs did not appear to engage in the strategy-shaping process from a neutral position without any prehistory. This prehistory was twofold: NEDs experience this particular ‘board group at work’, which included knowledge of discursive practices and the ‘political positions’ of their peers in the group. That is, they all had a mutual understanding (as distinct from a shared understanding) of the decision logic that each of their peers was likely to adopt and use in influence attempts. Additionally, their different business and functional experiences may, for example, result in
their interpretation of internationalisation ambitions and transaction risks differently from one another. Such differences in interpretations can produce ‘incompatible discourses’, which, in some cases, resulted in unresolvable differences. For example, the ‘we need to be in Asia’ discourse was not shared by all NEDs on one board because some NEDs believed that domestic growth could be better leveraged than it was at the time. This resulted in different NED attitudes, viewpoints and narratives about acquisition ambition and plans.

It was difficult to determine the exact starting point of the decision stories covered by this study. NEDs reported that major transformative decisions often do not just become more formalised discussion points at offsite strategy meetings but germinate in the thinking of management through informal conversations CEOs may have with a Chair and other directors. These initial conversations sometimes occurred outside formal board meetings during which management sought to test board-thinking on a range of growth options. When they were convinced that the board would support growth options, management assumed they had agreement (tacit or otherwise) to bring an offshore investment proposal to the board. The following four decision stages were found in all 15 decision cases studied.

4.1.1 Stage 1: Judging Strategic Fit

The first stage was a director taking a personal position on whether a proposal could create value and the extent to which it was judged to fit the formally stated growth strategy of their company. In the case of the latter, this was not always a straightforward process. While some NEDs indicated that the quality of debate at the offsite strategy meeting was a major contribution to the quality of proposals received, others took a less sequential view. They pointed to the reality that a strategy session held 12 months prior may have little bearing on how a market may have turned or was disrupted by forces impossible to predict at the time. They recognised that a proposal may, at times, emerge opportunistically or that changing market dynamics made a proposed acquisition more interesting at this point in time rather than previously.

As noted, in all 15 decision cases, the opportunity to create value was judged by the directors on two levels: their perception of the strategic logic of a proposal (that is, ‘how does this deliver value’) and their perception of its strategic coherence with the broader growth strategy of a company (that is, ‘how does this fit’). Particularly, the latter question related to alignment with the outcomes of the annual strategy retreat that all NEDs attended. All except
one of the 15 boards represented by the NEDs had a regular annual strategy day during which they had a broad discussion and agreement about the overall strategic direction of a company. NEDs reported a range of experiences of an annual strategy day. Some NEDs narrated their experience of a heavily backgrounded day packed with presentation after presentation from divisional managing directors (MDs) with partly or fully formed strategies and business plans. Hence, there was little time for unstructured discussion, debate or contention about options facing a company. Other NEDs interviewed described a much-improved format for a strategy retreat that had evolved over time, which provided NEDs with an opportunity for robust debate and an emergent sense of the strategic options and choices facing a company.

Some boards invested time beforehand, discussing the specific conditions under which a transaction or acquisition would be considered (some NEDs referred to this as ‘go-no-go’ hurdles). However, in a majority of cases, this was not done until a transaction actually emerged and discussions were at a mature enough stage for management to feel comfortable in bringing a transaction to a board for discussion. Even then, formal decision ‘gates’ or ‘go-no-go’ criteria were not used universally to evaluate transactions. As Director B reported:

nothing formal … [I]t would generally be a conversation about the country being too heavily regulated or the costs of the acquisition being three or four times book or other reasons.

4.1.2 Stage 2: Judging the Opportunity to Shape Strategy

The second stage was the extent to which a director felt there was ‘room’ to shape a decision. This was contingent upon their evaluation of CEO openness to involve directors in a material way in shaping a proposal. In the case of a small number of directors, they perceived a proposal to be so well formed and developed that there was little opportunity for the participating NED to be involved. Director A narrated his experience of making three attempts before a CEO understood that a board was not just a rubber stamp. The director described his experience of the CEO’s unwillingness to engage with a board on matters of strategy to control the balance of power between the CEO and the board. This disengagement is consistent with research on ‘social distancing’ relating to the use of information asymmetry as a means of control by corporate elites (Westphal & Khanna 2005). Other directors also described their experience of the political behaviour of CEOs. This included subtle cooption by inquiring from one director (ahead of a board presentation) their opinion of another
director’s attitude to an already well-formed idea, and, therefore, secure an agreeable board when a proposal was finally tabled. For example, Director H reported:

while chatting, they may say ‘what do you think John might think of this’ or ‘how do you think Sue will react on this point’ … this way they know how to tackle John … This kind of socialising of the proposal beforehand is not helpful to having a really robust debate as a group. So, you have to be engaged with management but alert and indifferent at the same time.

This kind of political behaviour was regarded as neither constructive or conducive to creating an intra-boardroom trust nor helpful to a debate. It is further explored in Section 4.4.3.

However, not all ideas brought to a board were well formed beforehand. In the case of Director L, one proposal was so poorly developed and unformed that it created some confusion among the NEDs about what the board was being asked to agree on or what was intended as the preferred strategic option. Nevertheless, most NEDs felt that proposals brought to a board had the potential to be shaped.

Another factor influencing the ‘opportunity to shape’ was a NED’s perception, either caused by a CEO’s lack of awareness or disinterest in the skills available on a board, that their potential to contribute to a proposed strategy was ignored. The CEO’s interest in and recognition of NED skills and their potential contribution was, from the point of view of the participating NED, based on their observations of the steps the CEO took to proactively and constructively engage with their expertise.

In summary, both stages 1 and 2 were likely to generate ‘role tensions’. That is, at these two stages, NED contribution was shaped by their perceptions of the role of a director and board was vis-a-vis management. Further, NED narratives appeared to reflect a strong element of intuition in judging how ‘made up’ the mind of a CEO was, which, in turn, influenced the perceived strategy-shaping opportunity. The data from this study revealed both affective and dispositional explanations for the responses of NEDs when navigating these tensions, which are more fully described in Section 4.4.

4.1.3 Stage 3: Participating in Decision Deliberations

The third stage involved sufficient deliberation for a NED to feel comfortable with a proposal. In all cases, in making a decision at a personal level, a NED was motivated by reaching a decision with which they felt they could live. Their judgement on this point was
influenced by two motivations. The first regards the contribution a potential transaction would make either to the shareholder value or to strengthening a company’s strategic options (described in stage 1). Some NEDs described an internalised norm they apply to proposals or ideas to deal with the first of these motivations. As Director H reported:

> there are lots of good ideas … no shortage of those. But the only ideas that are good for this company are those that management is fired up to achieve and that the board is really comfortable with the idea. Ideas that don’t meet those two tests are worthless for this company. I know this is a bold statement … but if the management has a rollicking good idea but the board is not keen on it, and vice versa, then don’t do it.

The second motivation was the effect any decision could have on their relationship with other NEDs and management. This is consistent with research on group dynamics (Kets de Vries 1991, 2001; Turner 1987, 2005) and in previous board process studies noted in the literature review (Forbes & Milliken 1999; Minichilli et al. 2012; Pye 2002; Pye & Pettigrew 2005; Roberts 1991). Compounding this complex social reality were practical concerns about a CEO’s lack of confidence to successfully execute a strategy. As Director N reported:

> it was now no longer just our concerns with the strategy but in our lack of confidence in the CEO and his ability to deliver what he had promised to the board. He was pilloried every time he presented regular updates to the board. As things deteriorated, every meeting became more fractious, and he became increasingly more aggressive with the board, and he did not like some of the things the board was saying. We started seeing some character traits we had not seen before.

Regarding, the effect of the decision on an individual in terms of group dynamics, the transformative decision chosen by a NED for inclusion in the study had the potential of being perceived as a very large, discrete and anxiety-provoking event that required active coping mechanisms. As such decisions were generally complex (in that it reflected a web of interlocking choices) and time-bound, some NEDs reported that there was pressure on a board to work efficiently towards a final ‘go-no-go’ decision. As Director N reported, ‘everyone had reservations … some with deep reservations like me. No one felt confident … everyone was nervous about it’.

Moreover, as reported by Director B, some anxieties were not shared with a board as a whole:
One director shared with me their personal anxiety about the way in which the shareholder value rationale, often bandied around by directors, but regrettably in a very narrowly cast way ... because some strategic proposals may not have a compelling NPV [net present value] or in fact may not be EPS [earnings per share] accretive for some time yet ... but may still be critical for the company to pursue.

In two of the decision cases, there was a more process-driven board. In these cases, NEDs characterised the board decision culture as being more driven by good time-keeping rather than the quality of thinking or discussion. Moreover, in some cases, the culture revealed a greater reliance on how a board had solved similar problems in the past. NEDs reported that these practices led to less contention. They spoke of the dangers associated with racing to a consensus without fully exposing or exploring spoken or unspoken concerns along the way.

In summary, while stages 1 and 2 were likely to generate ‘role tensions’, stage 3 was likely to generate ‘task tensions’—that is, tensions associated with an actual decision task itself.

4.1.4 Stage 4: Reaching a Consensus

The final stage of the decisions related to securing a consensus. In several cases, a decision was not unanimous but NEDs made a call that it was one they were prepared to live with despite their concerns.

Concerning large transformative decisions, it was common for consensus to be built rather than a vote taken. NEDs reported that it was very rare that anyone pushed their point of view or request that their dissent recorded. Instead, focus was on robust debate to arrive at a consensus. If a small minority were not comfortable with a deal, they could decide whether they could live with a decision rather than record their formal dissent. Some NEDs reported being concerned about the effect that formal dissent would have on future board harmony.

Regarding the process of arriving at a consensus, decision-makers were less likely to engage in slow sequential or linear thinking than simultaneously integrating key choices and tactical plans as they proceeded through each stage of a decision-making process. NEDs reported that anxiety was a major component driving a single decision from a complex set of interdependent choices and this underpinned each influence attempt.

Each case resulted in a decision. In fact, there were four possible decision-process outcomes across all 15 stories:

1. A proposal was accepted without change (not evidenced by this study).
2. A proposal was revised after NED input and shaping.
3. A proposal was rejected.
4. A proposal was rejected in favour of a more attractive option; for example, replacing the outright acquisition of an entity with a proposal in which to buy a material stake.

The point at which a NED or board was ready to decide was described as intuitive, thus, suggesting that rational analysis was not the whole story. As Director B observed:

I think it was a bit intuitive … there comes a point that more data is [sic] not going to give you more insight. And you have got to jump. And that point comes when you feel you have enough mitigates in place to defray the risks and where you have convinced yourself that the worst of the risks are manageable and the size of the price is worth having.

Detailed explications of NED reported behaviour and patterns of behaviour in stages 3 and 4 of the strategy-shaping process are described in Section 4.4.3.

4.2. Origins of and Differentials in Power Between NEDs

To strengthen the oversight function, boards need to have a process for ensuring the optimal value is derived from the experience [or] skills that each director brings. (Director B)

This section describes the findings in relation to research question one concerning the origins of a NED’s power to influence: what are the origins of and differences in an individual NED’s power? NEDs are not responsible for the execution of strategy and their contribution in and around a boardroom is almost entirely cognitive (Forbes & Milliken 1999). Therefore, the ‘cognitive history’ that participating NEDs bring as input to a decision-making process is relevant. The sources of power as NED cognitive history were analysed both within and across the 15 cases to identify and explicate similarities and variations between participating NEDs.

Rindova’s (1999) elaboration of cognitive variety within a group (which she used as a group construct and as described in Chapter 2) offered a useful means to organise findings about the cognitive history of individual NEDs participating in this study. The cognitive history of directors varies in two ways. The first is the requisite variety derived from prior career experience and business reputations accumulated from that experience, for which the term
‘human capital’ is applied (Johnson, Schnatterly & Hill 2013). The second, an external variety (known as ‘social capital’) is derived from a NED’s connections and corporate networks, such as multiple directorships (Johnson, Schnatterly & Hill 2013). This combination of human and social capital represents a NED’s relative capacity to influence others. The relationships between cognitive history and relative power of the NEDs are shown in Figure 4.1.

**Figure 4.1. Cognitive history as a source of NED power as the capacity to influence.**

Source: Author.

Both human and social capital helped to define the sources of NED power. Further, in as much as each NED varied in the diversity of their respective cognitive history, this determined the extent of power differentials on a board.
4.2.1 Requisite Variety: NED Human Capital

As noted in Chapter 2, current research shows that the diversity of NED career experience and knowledge networks are likely to result in differences in how they perceive, process and respond to a task (Prahalad & Bettis 1995; Ruigrok, Peck & Keller 2006). The requisite variety of cognitive history (human capital) of NEDs in this study comprised a combination of complex and alternative interpretive frameworks and ‘cognitive givens’ or mental models gained through prior career experiences. These included knowledge or assumptions about future events (such as the forward revenue trajectory of a target business, supply–demand dynamics, commodity price fluctuations and changes in cost of capital), knowledge about alternatives (such as alternative deal structures or alternative targets or geographies) and knowledge about the consequences of those alternatives (such as how investors, analysts, regulators or competitors may react). This diversity of human capital that NEDs brought into a boardroom (as function of prior experience and associated reputations) included one or more of the following: experience as a CEO of a large company that had grown globally or had an acquisitive profile, specialisation in M&A economics, advisory or functional experience at top levels of advisory firms and public companies, an international career (either working in or running an international business), leading a functional team dispersed across multiple locations or direct experience in internationalising a business or company across multiple jurisdictions. These differences in NED human capital and how they were perceived were significant because, as shown by the theories of social identification and self-categorisation discussed in Chapter 2, they formed the basis of how strongly NEDs identified with each other and categorised or ranked their experience relative to their peers on a board.

Hence, the NEDs’ level of social identification and self-categorisation determined the relative value they placed on contributions of others and, in turn, the extent of the potential of others to influence. For example, NEDs in this study tended to place a higher value on their own type of career experiences. In particular, Directors N and M, who had previously held CEO roles, remarked on the rise of professional directors who ‘had not run a business before’. They believed a lack of experience could reduce the value of a NED’s contribution, including the ability to challenge assumptions, alternatives or consequences relating to an acquisition proposal. Since Directors N and M had served as CEOs, it was not surprising that they would value the experience of running a business ahead of, for example, functional expertise in an accounting or legal firm. As Director N observed:
I think operators who have spent their life battling in the trenches sometimes have a
different perspective of how easy it is to drive change or turn around a company …
as opposed to someone from the public sector or from an accounting firm where
some of those views [put forward by management] may seem logical … In this
case, I could hear all the theory, but it smells like this is too tough.

Director M held a similar view:

The legal person has had commercial experience but always from a legal point of
view. This is valuable, but you always have your legal glasses on. But someone who
has been a CEO of a business has had to deal with issues without a functional filter
and that changes the conversation … this is the challenge of getting the board
composition right.

However, other NEDs (mostly those who had not previously held CEO roles) disagreed.
They observed that when a NED had previous experience as a CEO, this challenged the
transition to a NED role because of a ‘healthy measure of arrogance’ that comes with ‘let me
show you how’. They also recalled that when things do not go well, there is a propensity for
ex-CEOs to jump into the details and try to run a company.

These differing perspectives reinforce the conclusion that NEDs tended to place a higher
value on their own career experiences and, therefore, valued the contribution of those who
were ‘like them’. The findings suggest that, at a subconscious level, NEDs were continually
assessing how the human capital of their peers was like their own. In effect, this laid the
foundation for how susceptible each NED was to the influence attempts of those most like
them and how, in turn, they exercised their capacity to assert their influence during a
strategy-shaping process. In fact, the findings suggest that power, as the capacity to influence,
worked through the processes of social identification, i.e., group membership itself can
become a source of power. The effects of social identification are discussed further in Section
4.3.

4.2.2 External Variety: NED Social Capital

In addition to similarities or differences in NED experiences, the diverse cognitive
communities from which NEDs were drawn were also relevant to an individual NED’s
capacity to influence. As Director I explained:

during the eighteen-month period of this deal here, my directorship with another
company was maturing … so I was learning some interesting things from that board
I was on, and they [the directors on this board] were looking to me as one of the people with expertise … so there was quite a bit of questioning of me outside the meetings about what was happening over there and how it was all going.

The external variety or ‘embeddedness’ of participating NEDs comprised their current and relevant connections and networks gained by association with and membership of diverse ‘cognitive communities’. Embeddedness is a social science construct described in a board context by Pettigrew (2001) to account for the dependence of a social phenomenon in the environment in which it occurs. That is, social action cannot be understood dissociated from the social world in which it is embedded. Memberships in cognitive communities expose NEDs to industry ‘macro-cognitions’ not acquired by career experience. These professional connections (which often include multiple directorships in completely different sectors) exposed NEDs to inter-industry perspectives, diverse business models, ‘industry outsider’ perspectives and diverse approaches to disruption in those sectors. Social capital also constituted an array of networks with corporate and proxy advisers, consultants and other ‘outsider’ groups, and, therefore, provided access to relevant, up-to-date knowledge, connections and information. The strength of a NED’s external networks provided them legitimacy in the eyes of their peers and, therefore, greater power to influence.

This study found that NEDs’ connections within the broader director community served four purposes: securing board appointments, access to knowledge that allowed them to cross-calibrate information from management, door-opening for management and access to resources for a company. Most participating NEDs recollected how they joined a board and reported that, although an appointment process was formalised through a search firm, initial contact was established through their personal networks. Hence, this study showed that a NED’s embeddedness in networks and connections were significant in securing other board roles. As Directors L and K explained:

I was invited to join by the chairman … to consider joining in and then went through the process of interviews … [E]ssentially, I was known to the CEO and Chair over a number of many years of interaction … the CEO for about 25 years as a peer and [in] various business relationships. (Director L)

the Chair and I were on the board of Company X [names the company] together … we had enjoyed … [and] had a good rapport there. So, when I came back [to Australia], he contacted me and said come in for an interview … and that’s how I came to be on this board. (Director K)
Previous research suggests that personal ties and NED embeddedness may result in strong identification with a group and, in turn, may be socialised into shared notions of accountability and normative expectations of how one behaves in a group (Westphal 1999). Based on these findings, questions may be raised about the effects of social ties and past associations. For example, it raises the question of how past associations generate an informal set of expectations, even if operating at a subconscious level, compared to no prior personal relationship. It also raises questions about the extent to which a degree of agreeableness may emerge during discourse through the norms of reciprocity that are created and, therefore, inhibit necessary boardroom contention (Westphal & Zajac 1997). Additionally, past personal associations and ties may lead to cognitive and behavioural convergence at a board level because of the narrowness of the cognitive pools from which NEDs are selected (Forbes & Milliken 1999; Geletkanycv & Black 2001; Hambrick 2007; Rindova 1999). These issues are discussed in Section 4.4.

Second, a NED’s embeddedness, characterised by inter-organisational and inter-sector links, facilitated information flow and knowledge exchange between directors and boards. In turn, this allowed NEDs to calibrate and verify market information provided by management with peers sitting on other boards and by tapping into a different network of advisers used by other boards. Research on industry macro-cognitions suggests that executives from outside the industry are more likely to challenge ‘industry recipes’ (Rindova 1999; Spender 1989). Moreover, provided it was accompanied by pattern recognition skills, the value of an ‘outsider’ view was supported by Director B, who held four ASX directorships:

I have particular and strong views about this. Sector should not matter as much it is how one thinks about the business that matters more. So, for example, with W and X [refers to two of his current directorships], despite being in very different sectors, are both large branch-based distributed businesses and highly technology driven … The same with Y and Z [refers to two of his other current directorships] … although they are both in different sectors, the issues relating to physical risk and the impact of environment issues are very similar … My cross-sector experience is useful because I am able to extrapolate. Valuable lessons can be taken from one sector into another. But it requires you to step back from the sector and consider what are the issues by thinking laterally and transformatively … [using] pattern recognition skills.

A well-cited study on multiple directorships by Mizruchi (1996) reviewed the inconclusive data relating to the behavioural consequences of multiple directorships; many studies both confirmed and disconfirmed these effects. The study found that previous, predominately
quantitative, studies of multiple directorships did not capture the richness and complexity of behavioural dynamics and inter-firm relationships—something this current study seeks to address.

Finally, this study found the extent of a NED’s social capital served the purpose of both door-opening for management and access to relevant resources when a company is acquisitive. As Directors C and M observed:

someone has information that has subsequently come to the attention of the NED and may be relevant … it happens in big M&A scenarios because there are always people wanting to talk to you … [Y]ou are besieged from everywhere. (Director C)

we [referring to himself and one other NED on a risk committee] had connections with people in regulatory agencies, government and so on … [W]e were able to talk to them and open the door to having a discussion with management about this issue … Sometimes it is difficult [for management] to make a cold-call on something a bit out of the box [referring to a unique restructuring of assets that had no prior precedence and would have needed regulatory approval]. (Director M)

In summary, the findings showed that a director’s cognitive history comprised human and social capital. This is significant because previous board studies reviewed in Chapter 2 (Bailey & Peck 2013; Finkelstein 1992; Hambrick 2007; McNulty et al. 2011) did not describe the effects of variations in NED cognitive history. Particularly, how such personal construals derived from self-categorisation and social identity may explain how NEDs behave and why they differed in their behaviours when enacting their strategy-shaping responsibilities. That is, cognitive history is an important differentiator between NEDs’ sources of power. Further, understanding how NEDs interpreted the diversity of these power sources and the differentials they represented is an important consideration largely ignored by the current literature. This study found further evidence for what NEDs themselves made of the distinctiveness of their experiences. These NED construals are described in Section 4.3. Prior to reviewing these construals in Section 4.3, the data also revealed another interesting element relating to personal motivations of NEDs, which may provide a deeper understanding of how these construals are formed in the first place. NED motivations are also largely ignored by current board literature.
4.2.3 Differences in Director Motivations: ‘Why I Joined’

This section reports on findings relating to the motivations of participating NEDs in joining their boards. This question was incidental to the main interview in that it was simply a ‘warm-up’ introductory question posed at the start of the semi-structured interviews in stage 2 of the data gathering process. However, despite this, the question elicited rich insights into how NEDs defined their distinctiveness with respect to their peers. That is, while cognitive history provided a basis for understanding power differentials, these findings (concerning motivations) provided a glimpse into how individual NEDs construed the distinctiveness of both their human and social capital; this, in turn, deepens our understanding of NEDs’ behaviour.

Motivations for joining a board appeared to fall into four categories, although NEDs often cited more than reason: an opportunity to add value, an opportunity to belong to a successful company, an opportunity to join a board that was respected and an opportunity to work with great people and culture. It is important to note that while some of these motivations may be viewed as adding significant cognitive diversity to a group, in other cases they may contribute to narrowing cognitive horizons and potentially driving strategic persistence (Sundaramurthy & Lewis 2003; Westphal 1999). The notion of ‘cognitive pluralism’ was explored previously in a normative study by Hambrick (1994) and refers to the degree of diversity in the schema or cognitive frames employed by members of a given group. Cognitive pluralism fosters good debate up to a point until a divergence of views can be unproductive and detrimental to collaboration (Sundaramurthy & Lewis 2003). This section explicates these four motivational themes, theorises what they say about NEDs’ construals of what they bring to their boards and how these construals affected the mounting and receiving of influence attempts.

4.2.4 Opportunity to Add Value

For those NEDs who spoke about their excitement in joining a board and the value they could add, a board represented an opportunity to, in their view, engage in decision-making in a meaningful and unique way. In several cases, NEDs identified unique expertise that they could bring to a board. This included regional, M&A or start-up experience and was not unexpected, as the decision scenario selected for study was a transformative decision. Where a NED was hired expressly for the unique experience they could add to a board, there was
evidence that that experience was being used to challenge board-thinking. For example, Director C had previously run large-scale technology change programs. He reported that this board viewed him as uniquely placed to guide their thinking on a major technology investment:

It is one of Australia’s largest iconic companies. It is very complex and does a whole range of very different things … and also [sic], it is global. It has operations all over the world … and had been reasonably successful overseas … but not as successful in Asia. This was one of the reasons they were attracted to me, and I was attracted to this particular company. They were looking at doing significant expansion in Asia … they had done a few stop-start attempts. This is where my experience lies in this particular part of Asia. (Director C)

Directors L and D also reported they brought unique expertise to a board:

I was a CEO previously of a company and I know what it is like to operate from zero market and zero revenue and go from that to something big … [W]hen everyone said it could not be done … but I have lived it … and not afraid of it and that in a sense is what I bring to this board. (Director L)

The role they expect from me is a heavy engineering operational guy running big businesses … as well as my Asian experience and US experience for that matter. Most [other directors] had been involved in M&A, but I had this heavy plant experience also. (Director D)

However, two NEDs also raised anxiety about whether they were adding value by their appointment, thus, suggesting that it is only in times of crises that a board adds real value. This may suggest that the environmental context matters in terms of the perceived value that NEDs believe they are bringing to a board and, consequently, the degree of influence NEDs feel they can wield in and around a boardroom, especially when a company faces significant challenges. Directors P and N both expressed these reservations:

It worried me greatly that in my first couple of years … [I] was not contributing … but in a sense that I was saying I could not see how I was adding value. It worried me greatly … all the time examining your own performance. In smaller companies or medium-sized companies … when you sit around the table, they really need you. They can’t afford to bring in specific skills they need into the exec ranks across the board, so they rely on board directors much more … So let’s contrast this with this [a] large company where you have [a] highly paid, highly skilled executive team … where if you have a gap you simply hire it in, so they don’t rely in a business sense or an everyday sense on the board. And when things are going swimmingly well,
you sit back and wonder what value am I really adding when you sit on bigger boards? (Director P)

I don’t know how much we add as a board to strategy from a forward-thinking sense. Where we add value is when management brings a whole bunch of strategic decisions to us … we play the role of filtering them out and add value to holding management accountable to driving what they said the strategy will deliver … Additionally, the board really comes into its own when management has failed, or there is a big change or something like that … When a company is going well, a board does not add value at all. Management says we are going to do this and do that and we say it sounds all right, and we double-check and then go away again. But when a company is in trouble or has to change the CEO or make decisions for the next generation, those are the times when a board really comes into its own. (Director N)

As noted, some directors who were new to board life and had recently transitioned from executive to non-executive roles spoke about their attraction to a board because of the perceived ability to add immediate value. However, others felt more comfortable on the boards they had been on the longest. They cited the time it took to understand a business, get to know its different personalities—executives, shareholders and customers—and what their issues were. As Directors M, A, and E respectively reported:

I thought given my background … I was a good match … I could see this is somewhere I could add immediate value. When you are a NED, you have to believe you can add value. So, it was a large cap, capital-intensive, Australian-based, but international and, therefore, fitted the profile where I thought I could add value … and they were looking for someone with a finance background and skills, which I think I bring. (Director M)

in my case, I had an understanding of strategy at a major company … so I brought a way of thinking about how you build sustainable companies. It is always attractive for someone like me with my financial background to be part of an audit committee for instance. But once you are on that board, then other dimensions come into play in addition to the initial dimensions that may have made you attractive to that board. This becomes evident through early board interactions. (Director A)

I wanted a diverse range of boards … while at that time [I] had no experience in this sector, I had enough different experience to be of value … and at that time there were some people on this board with sector expertise, so my general business experience and CEO experience was seen as a complement to those people with sector experience. (Director E)
In summary, it appeared that the way in which a NED construed their opportunity to add value to a board in a business, functional or process sense might affect how they perceived they could contribute, interpret the influence attempts of others and respond to those interpretations in their own influence attempts.

4.2.5 Opportunity to Belong to a Successful Company, Challenging Business and Vital Sector

The lure of a particular sector or industry, a company experiencing change or one of vital importance to society were other motivations cited by NEDs. The excitement they felt (in some cases, evident in their voices) was described in several ways. First, a company was perceived to have a profound effect on day-to-day life or materiality to society more generally. Second, they perceived business as undergoing major disruption or facing major consolidation or disintermediation. The third concerned the profile of a company and its success to date. As the research shows, NEDs are concerned with protecting their reputations as expert decision-makers and, thus, would avoid serving on boards of lower-quality firms (Certo, Daily & Dalton 2001). As Directors H, N, K and D reported:

what set this company apart was the style of the business they did, and some companies did not have businesses that were strategically sustainable ... [T]his one did. It had a reputation for honesty and probity and decent all around humanity. I don’t mean sustainably in a green sense. What I mean by strategically sustainable is that they have got a business model that is going to work and does not have strategic weaknesses ... [I]t is not single-person sensitive and a business you would like to invest in. (Director H)

it was a large, blue-chip successful company but had considerable challenges, and so the board had a real role to do to change the culture and the direction of the company. It was a meaty role ... in terms of it had pretty well everything you could want ahead of it ... big strategic decisions had to be made but also a lot of short-term tactical decisions had to be made ... fast-changing space where no two quarters were ever the same ... very evolving environment ... so it was an extremely interesting board to me and remains a really interesting board to me. (Director N)

I was excited by this opportunity because of my scientific ... materials engineering background ... I understood the language, and I could walk around plants and understood it and was interested in it ... There were several things I wanted ... global reach in the US and here ... it was a leading player in this marketplace, and you get to deal with a particular level of problems. It felt as though there was some substance. (Director K)
so, when I returned to Australia to pursue a non-executive career, I was approached … and it exactly fitted my background in heavy industry … and of course, it was an iconic company in that space. (Director D)

Several NEDs cited the inherent complexity of the challenges facing the sector as being an important motivation. While these responses could be part of a post-rationalisation of the reasons for joining, the espoused explanations were, nevertheless, meaningful to them. As Directors G and O observed:

I did not believe in doing turgid analysis about what boards I should join. It seemed to me that the business this company was involved in was a feature of the modern world. But, in the end, it is also about sociability … how you are likely to get on with the people you work with. (Director G)

It is a vitally important sector … one that was important in all of our lives, impacting us all … [I]t was strong in terms of its market position and its capacity to grow. (Director O)

4.2.6 Opportunity to Join a Respected Board

Several NEDs pointed to the due diligence they undertook in relation to a board they were invited to join. Others spoke about a strong Chair and, by implication, preferred to join a board that had effect, that could make a material difference in strategic decisions facing a company and had influence over management. Several NEDs indicated that they would never join a board without first meeting its CEO and working out the nature of the dynamic between the Chair and CEO. One NED spoke about deciding not to accept a high-profile board appointment because of a Chair who was regarded by peers as a bully. It is possible that if a NED’s view of a board before joining was positive, they might be more positively disposed to decision processes that a board employs and, hence, question it less. In this respect, comments made by Directors J, I, D and K were revealing:

It clearly was a company that was performing very strongly … quite a unique culture, the board was a very strong board. It had a significant international side to the business, and in a sector I did not know a huge amount about … and so [I] thought I would learn a lot … The people on the board were highly respected for their achievements, and it also had several members of the board who were from overseas, and this attracted me. (Director J)

The type of work that this board did was weighty and material enough to feel I was still meaningfully involved … [I]t had values that were very much aligned with my
own … I was attracted by the people I was going to be sitting around the table with and the way the Chair brings that group together. (Director I)

A weak chairman and passive board … this is a frequent problem … You see papers not prepared on time because it is a low priority for the CEO … making decisions and then validating it with the board … but not on this board. (Director D)

I like boards where my fellow directors are engaged. Someone who has sleep apnoea and falls asleep at board meetings … I have great difficulty with that. If you want to be around that table … please be engaged … The most important thing for me is the people on the board … it makes a huge difference. When I say the people … I have enjoyed working on boards when people are clear about their intent … they want to build a winning company … to compete … to make things better … I like boards where my fellow directors are engaged. (Director K)

4.2.7 The Opportunity to Work with Great People and Great Culture

Directors spoke warmly about the associations, positive assessment and their belief in the people they would become involved with on a board. These motivations are significant because a NED’s positive perceptions of other board members are likely to contribute to greater cohesiveness and collaboration through the attribution of common understandings and shared values. This finding is consistent with the similarity-attraction syndrome known to define board ties, which is extensively researched in social psychology (Westphal & Zajac 1997). It is also consistent with other studies (Forbes & Milliken 1999; Sundaramurthy & Lewis 2003). However, NEDs who identify with each other are likely to share common ways of thinking and a cognitive schema that could lead to less robust challenging of each other in decision-making. As Director H observed:

the matters that the board considers are intellectually stimulating and interesting and opinions you offer of decisions you are part of are implemented … and colleagues around the table are good to work with … no smarty pants or put-down people … [B]ut that is not to say they are in anyone’s pockets, but everyone on this board are [sic] respectful of other people’s knowledge and experience.

In summary, it seems that NEDs want to join a reputable board or company that offers some interesting challenges in which they might engage and use their skills and experience, and benefit from some intellectual and collegial stimulation. The reasons directors join boards and their keenness in describing the distinctiveness of their cognitive history was relevant in understanding the ways they categorised themselves relative to others on a board and construed their relative position in a social hierarchy. NED self-construals of their unique
cognitive history and the diversity it represented was found to influence their notions of what was expected of them and how they settled into effort norms and interaction patterns. NED motivations also potentially explain how the cognitive diversity they bring shapes the strength of group identification and ultimately the nature of their decision interactions. The effects of group identification are discussed further in Section 4.3. However, the data also showed that motivations were significant in understanding potential allegiances that may develop on boards. NEDs’ positive descriptions of a board they were invited to join implied they may be more positively disposed to decision processes that it employs and, therefore, question it less. Finally, NEDs rely heavily on their networks and connections to obtain subsequent board appointments. This may affect how strongly they argue a point or adopt a minority position while shaping strategy.

It may be concluded that in response to the first of the three research questions (what are the origins of and differences in an individual NEDs power?), themes that emerged from the data that determine a NED’s potential power to influence include those related to their cognitive history and the various motivating factors that drive NEDs to join the board of a company. It is now important to consider why and how NEDs choose to use that power and how power differentials function to create a group dynamic that influences a strategic decision-making process.

4.3 Group Identification

The findings reported in this section relate to the second research question regarding the strength of group identification: how does the NED’s sense of shared identity with the board group shape the process of decision-making? As noted in Chapter 2 concerning SIT, group membership assists people to define themselves. Hence, this section describes the findings relevant to the salience of the social context in which a NED must perform their duties and describes two group-identity related processes that contribute to the strength of group identification: first, through a process of ‘like me’ and ‘not like me’ self-categorisation and second, through a subjective validation of one’s own and others’ legitimacy to mount influence attempts. As stated in Chapter 3, for the purposes of this study, an influence attempt is defined as a specific intervention initiated by one or more NEDs designed to make an effective contribution to the direction and nature of a decision debate. This section proceeds by describing the data as themes that emerged from each of these two identity-related processes.
4.3.1 Themes Relating to ‘Like Me’ and ‘Not Like Me’ Categorisations

There were three themes associated with the subjective judgement a NED made about who they most associated or affiliated with in a group. These themes related to past associations and personal ties, common cognitive histories and shared values and implicit beliefs.

4.3.1.1 Theme 1: Past Associations and Personal Ties

As noted in Chapter 2, the power of informal structures to regulate social behaviour was observed by Pick (2007). Personal ties are important, as they imply an informal set of expectations about what a director will bring or how they are likely to contribute, not otherwise available. Although NEDs in this current study considered personal ties to have precipitated their board membership by lending legitimacy to their appointments, the NEDs in this study did not claim pre-existing ties were more than an introduction to a board. However, despite this, some quotes suggested that NEDs looked at these relationships positively, thus, reflecting the continuing rapport they valued. Further, NEDs were generally more open to interacting and exchanging viewpoints with these peers outside formal board meetings. As Directors G, J and K observed:

the CEO of the investment bank that had been involved in advising on the recapitalisation of the business approached me (I had known him previously). I also knew the incoming CEO whom [sic] I thought was a good guy … competent. (Director G)

I was approached by the chairman of the board to see if I would be interested in speaking to him and to the CEO about becoming a director … I knew some of the other directors as part of my professional personal network. Obviously, I don’t know how this actually came about as I was not there, and there is a nominations committee meeting … but they were looking for skills I had, and I was known to other board directors. (Director J)

the Chair and I were on the board of Co X together … we had enjoyed … had a good rapport there. (Director K)

4.3.1.2 Theme 2: Common Cognitive Histories

Director comparisons related to both requisite and external varieties of cognitive history. In the case of the requisite variety (human capital), comparisons were made in relation to experience in terms of role, function, sector or industry. As shown in Section 4.2.1, NEDs
were attracted to those who had a similar experience. Moreover, NEDs with different cognitive histories were not always regarded positively. Comparisons were not only used as guides to determine whom to pay attention to, but also the reverse. As Director G reported:

I had assumed they were all CFO types ... a cabal ... who thought in a particular way, but in fact, they also had reached the same conclusion as I had. I have my prejudices about CFO types ... [T]hat they are unable to see past the numbers and do not understand strategy.

Director G continued to recount his experience by naming another board of which he had previously been a member. There, his view about ‘CFO types’ was shared by other directors like him who had previously run businesses.

4.3.1.3 Theme 3: Shared Values and Implicit Beliefs

Support for shared values and beliefs appeared to be important to some participating NEDs generating a greater sense of ‘we’ and ‘us’ collectivism. This was evidenced in some of the decision stories in which NEDs expressed confidence in the contributions of board members, as they perceive them to have shared values.

How threats to implicit beliefs were responded to was identified in the interview transcripts at both individual and subgroup levels. For example, identification acted as a form of group control and the sanctioning of a member deemed to be ‘unlike’ the majority. These findings confirm other board research (Westphal & Bednar 2005; Westphal & Khanna 2003). This study also found evidence for new-to-the-board directors and others who were more likely to be socially sanctioned (often in private) when perceived by others to violate in-group values or beliefs in seeking to exercise influence in a decision debate. This was evidenced by Director A, who, after her initial board meetings, was sanctioned:

The chairman was very alpha-dog (he has now moved on). It was very polite ... in fact, a board member after the first few board meetings took me aside and said, ‘you can be awfully blunt’. They were old-fashioned and very polite, and I had come from an organisation that was hard-headed and where the motto was ‘think straight talk straight’ ... [O]nce he [the Chair] pronounced, it was difficult to disagree with anything he raised ... he was very much the man in charge ... [O]nce he said what he thought, there was very little further discussion.

While board cohesion was important for process effectiveness, it also had the potential of creating self-censorship and acting as ‘mind guards’ by creating and subtly enforcing social
norms that can pressure deviant thinkers, as evidenced in both the analysis of Director A and Director B’s transcript. In at least one decision story recounted by Director O, threats to implicit beliefs and values of two subgroups (one that supported the internationalisation transaction going ahead and another that was strongly against it) resulted in a split board. In another decision story recounted by Director G, the eventual departure of a Chair and CEO were the result of their fundamental disagreements. Essentially, the basis of these divided boards were differences in beliefs about the importance of value creation (not just value preservation), notions of risk and the relevance of acquisitive activity. Based on these two case study examples, it may be suggested that shared values and beliefs may not only be important for the functioning of a board but may act as a source of power. Differences on such fundamental matters, such as values and beliefs, may result in a loss of confidence and cohesion. Internally posed threats to shared values may also evoke swift action by an in-group (like-minded directors) to close down contention or disagreement, as illustrated by the two cases mentioned above. Board factions emerged as a result, breaking down trust and leaving a board divided, as described by Directors G and O.

Regarding the significance of shared values and implicit beliefs, the data reflected a clear tendency of NEDs to value their own experience and to attach a higher relative value to the ‘cognitive communities’ from which they came (and the implication it had for shared values and beliefs) above that of others. This ‘like me’ tendency was important in terms of this study, as it may have implications for the attention participating NEDs pay to the perspectives of others or the weight they give to contributions of others ‘unlike me’, even discounting those contributions, as observed by some NEDs in this study. It also follows that cognitive similarities may create ‘people like me’ groupings and result in tensions when issues of role, ideology, beliefs and values were perceived to be at stake during a decision-making process. These findings reveal the notion of social comparison derived from construed identities and provide confirmation of Magee and Smith’s (2013) recent work on the social distance theory, which articulates predictions about how power affects social comparison, susceptibility to influence, mental state inference and responsiveness, and emotions.

In summary, as can be seen from the three themes reported, participating NEDs tended to first determine how similar or different they were from their peer directors in terms of their own cognitive histories—that is, the requisite and external varieties they bring as their source
of power to influence in terms of human and social capital. This self-categorisation created an internalised personal guide by which a NED sought to fit behaviourally within the ‘social reality’ they encountered and how they navigated this reality within a board. These processes determined the degree of comfort and confidence a NED felt in a group and laid the foundations for the confidence they personally felt in their discursive practices in and around a boardroom.

These themes relating to self-categorisation examined here have important implications for the research question posed about why, when and how NEDs mount influence attempts and how they respond to the influence of others. These implications will be addressed in Section 4.6.

4.3.2 Subjective Validations and the Receiving and Granting of Social Support

Section 4.3.1 described how NEDs identify with those they perceive to be most like. This section describes the second process of identification in which a NED subjectively validates their own legitimacy to influence and, in turn, empowers the legitimacy of others to enact influence. The first part of this section examines the former, that is, data associated with seeking social support for a NED’s own influence attempts. The second examines the latter, that is, data associated with a decision to grant or withhold social support for influence attempts of others.

4.3.2.1 Seeking Social Support from Others for NED Influence Attempts

As discussed in Chapter 2, how a NED construes their role on a board shapes the contribution they make, influences how they view the contributions of others and ultimately affects a board dynamic (Hillman, Nicholson & Shropshire 2008). For example, when a NED contributes by drawing on their business, functional or process skills, the way in which that contribution is responded to by other NEDs feeds back into self-construal and self-validation (Hillman, Nicholson & Shropshire 2008; Pick 2007). Therefore, how convinced others are of this uniqueness may, in some cases, result in a contribution viewed as either disruptive and annoying or helpful and illuminating. The findings of this study were consistent with this research and showed several ways in which directors responded if their contribution was not perceived to be positively received. Some concluded that their contribution was not understood or valued and this caused a NED to reassess the specific contribution they made or influenced their future contributions. In some cases, this resulted in a NED determining
that a point was not worth pursuing or that their influence on that or related points were limited. As Director N reported:

you don’t want to be a pain in the bum. Also, your fellow directors all seemed reasonably relaxed about it, and you start to think that maybe I am wrong and I don’t feel that confident that I have some divine inspiration that they don’t have.

When a NED had no social support from other board members for their view, it was likely that, if they identified strongly with the group, they were more likely to adopt, reflect or mirror the views of in-group or self-censure their own reservations. The strength of numbers tended to be felt most acutely by new directors. This was reflected in the above quote from Director N who was new to a board despite having considerable global experience as a CEO on acquisitions and divestments. His self-construal of his newness played a part in his reluctance to challenge robustly or hold firm on his divergent views.

On larger boards, strength derived from numbers can also result in ‘offline huddles’, usually after a formal board meeting has ended, such as packing up, during walks from or to a venue or by phone between board meetings—all intended to build informal ‘coalitions’ on a large board. As Director G explained:

it just emerged from this discussion [referring to a discussion that took place between four of the most senior NEDs of a large board while packing up to leave after a board meeting had concluded] someone said something and then someone else said something else and so on and suddenly it was clear to us what needed to be done. That we would not be pushed into this … that we would take control of this conversation … which we did at the subsequent board meeting.

In this case, the formation of an ‘offline coalition’ was precipitated by shared views between a subgroup of the NEDs about a board’s responsibility, as well as beliefs about value creation. This subgroup appeared less prepared to voice their opinion until they felt they ‘had the numbers’. In this and other similar narratives of participating NEDs, it was evident that subgroup influence attempts may be more salient than those of others on a board because of the construed importance or status accorded to their long- and well-established cognitive histories.

It was also evident from this study that some NEDs used their identity as a source of self-definition and were motivated to maintain and promote a positive self-concept. The skills associated with seeking to maintain and promote a positive self-concept are detailed in
Section 4.4. Conversely, there was evidence that the contributions from ‘people not like me’ was subject to some ‘discounting’ during decision interactions—that is, attaching lesser importance to what ‘people not like me’ said. For example, Director C stated that ‘I don’t want to be one of those directors who just ask incessant questions without having a strategic intent’. Granting or withholding social support for others’ influence attempts was also evident. Director O observed that ‘the perceived credibility of a director [in the eyes of their peers] determines the weight that will be given to their input’.

As described in Section 4.2, the comparative uniqueness of a NED’s cognitive history acted as a form of personal validation of their purpose and role, which, in turn, resulted in their confident contributions to discourse and the openness of others to their influence attempts. However, in addition to mounting influence attempts, the findings also revealed when and how participating NEDs granted or withheld social support for others’ influence attempts.

4.3.3 Granting or Withholding Social Support for Others’ Influence Attempts

After engaging in a process of ‘invisible’ self-categorisation, participating NEDs described a process by which they subjectively validated the cognitive history of others to determine their legitimacy to influence a given issue. This subjective validation determined if a NED would give or withhold support for the influence attempts of their peers. There were three perceptual themes that emerged from the data characterising the determination the NEDs made: the competence and professional credibility of an influencer, the perception of a shared view of the work of a board (especially the role of the NED in strategy) and the perceived diversity of cognitive communities from which an influencer was embedded in or to which they were exposed. The themes were described as follows.

4.3.3.1 Theme 1: Perceptions of Competence and Professional Credibility of an Influencer

NEDs appeared to be continually making judgements about the competence of their board peers. Every contribution was used to either confirm or disconfirm the competence of an individual director. NEDs who were new to directing or a board were particularly anxious to make a good impression with their peers as being perceived as competent and wise; at times, they self-censured their own contributions in case it may be viewed as ill-judged or ill-informed. For example, referring to a proposal under consideration when he joined a board, Director G was keen to create the right impression with his peers, withholding any potential
influence attempt and, instead, was receptive to the influence attempt of others based on their perceived competence and professional credibility. As he reported:

I was new and was sitting back learning the competence of the individuals … I did not have the confidence to say this [referring to a challenge about who would be the better owner of the business] at the time. It took me two to three meetings to notice particular individuals whose opinions you should pay attention to. (Director G)

However, once a NED had established themselves, their response to influence attempts of others was motivated by a need to maintain a positive self-concept, such that they would be perceived as balanced, rational and wise. These social effects seemed to be subtle, unconscious and likely to be invisible to those outside a boardroom. As reported, ‘you should not be seen to blow with the wind or be stubborn or come to a meeting with what seems like a closed mind’ (Director O) and ‘if you say something often enough, it eventually washed over other people … one must not appear to be too desperate’ (Director D).

4.3.3.2 Theme 2: Shared View About the Work of the Board and the Role in Strategy

Participating NEDs reported that there was often not a shared view among NEDs about their role in strategy. Some NEDs were perceived by their peers as too involved in strategy, giving rise to unproductive interpersonal tension with management, while others were perceived as standing too much on the sidelines. NEDs continually made references to their observations about the convergence or divergence of their peers’ view on the role of a board in strategy. For example, Director G stated:

you see boards don’t really understand their roles. There are only two critical roles they play: CEO succession and as an arbiter of strategy. The rest is really routine, for example, determining risks etcetera [sic] are all about how to achieve these two key things. The key issue for boards is to lock on to these two things. However, most CEO and directors don’t understand strategy. What they think is strategy is simply tactical planning and budgeting.

The cross-case comparisons showed some variation in when and how involved a NED was in strategy episodes. For example, Director G identified the failure to actively engage in strategy as a major ongoing issue in corporate Australia. As a current member of several boards, he described some NEDs who, in his experience, still believed they were there to ‘endorse’ strategy rather than ‘determine’ it in collaboration with management. As noted, he cited the
determination of strategy and the selection of a CEO as being the two most critical aspects of board accountability.

Conversely, Director N observed that some director motivation was not always well placed:

In these days with liabilities and things … more and more of what the director is saying is how do we cover our backsides in case it goes wrong and we are sued … Instead, we should be saying [sic], ‘what is the best decision for the company’ and then after that step back and consider the risks and liabilities.

Other NEDs described receiving limited background, incomplete information, experiencing a ‘highly choreographed’ strategy day or board papers that were late, as a reflection of a CEO’s attitude to a board’s role in strategy. While these findings support the recent research of Simoes, Kakabadse and Ramos (2013), who suggest that ambiguity continues to surround the board role in strategy, this study further suggests that behaviours associated with avoidance, opinion conformity or deference can result when board members have divergent views on responsibilities for strategy.

4.3.3.3 Theme 3: Diversity of Cognitive Communities of Influence

In addition to common histories that NEDs shared, they also had access to diverse cognitive communities, for example, by sitting on other boards together and having similar exposure to common external stakeholder groups. As Director I noted:

multiple directorships (even across different sectors) can be useful because of the potential value of translating lessons and insights from one sector to another, in turn, strengthening [sic] the quality of oversight.

Directors who sat on multiple boards expressed the view that directorships with experience in a sector were useful in a control role, whereas experience drawn from diverse sectors was more useful to an advisory role because of the value exposure to different business models, platforms and ways of creating added to a debate. That is, there appeared to be a subtle but important distinction NEDs made between common and diverse cognitive histories.

Director M, who was the Chair of a Finance, Risk and Audit Committee, felt he was the most exposed should a transaction not go well. He recounted how he led discussions and involved himself with the regulators who were keen to know how the impairing of assets would be undertaken in a transaction. Significantly, he recounted that he had considerable experience
with regulators from another period in his career. In his opinion, this made him the best-placed director to be involved in steering the conversations with both regulators and the banks involved in a decision to free cash and continue as a viable entity by selling assets to a foreign joint-venture partner.

Director N, who recounted how his relationship with an institutional investor helped shape his thinking and subsequent pessimism towards the transformative decision management had put forward to the board

I recall … one of our institutional investors whom I knew … a very smart guy predicted this completely … he had said to me, ‘I predict if you don’t sell it now you will be standing in front of us in a number of years’ time, and you will be writing off shareholder value’, and that’s exactly what happened.

Although, in this case, while Director N recounted that the divestment had proceeded much later than it should have, links with external communities (as in this example) were viewed by NEDs as useful in calibrating their judgements and solidifying positions. In summary, these findings reaffirm the social reality of boards as cognitive groups faced with what are essentially cognitive tasks. They are not accountable for implementing or executing strategy but rather for directing strategy. In directing management, they are called upon to apply their cognitions and judgements drawn from their considerable experience and expertise (that is, their diverse cognitive history) to influence executives charged with management of the companies they direct.

As seen in this section concerning the power of group identification, power differentials based on relativities between individual cognitive histories emerge in a board group whenever it is faced with a cognitive task. As shown in Section 4.2, these differentials exist across two dimensions: the requisite variety (representing experience and reputations) and the external variety (representing connections and networks). Particularly, differentials emerge from the depth, breadth and diversity of individual cognitive histories.

Power differentials existed in each of the boards the 15 NEDs represented, but only became salient under certain conditions—for example, when a task required discernment, judgement and practical wisdom. These differences and resulting divergent viewpoints in some cases translated into tensions and conflicts between board members while solving these cognitive tasks.
The processes of identification found in this study, which moderate potential power tensions, are shown in Figure 4.2. The figure summarises the themes that emerged from the data concerning research question two: how does the NED’s sense of shared identity with the board group shape the process of decision-making?

**Figure 4.2. How self-categorisation and validation of others’ power to influence occur in NED decision-making processes.**

Source: Author.

Figure 4.2 demonstrates how, in the first instance, (step 1) ‘like me’ and ‘not like me’ identification—in which a group derives comfort and confidence from associating with people most like them—results in affiliations in which subgroups may be more open to the views of people they perceive have common experiences. These affiliations are loose and exist as part of a social reality that provides a board member with a guide about where they fit into a board group. While this process of self-categorisation (as step 1) might determine feelings of affiliation, similarity and attraction, and the degree of openness to others’
viewpoints, it does not necessarily affect the strength or direction of a director’s influence attempts. As reported by the experiences of participating NEDs, it is the second process of identification (step 2) that shapes the strength and direction of NED responses during an influencing process. In this second process of identification, a director pre-judges and validates the legitimacy of others to influence, and relies on their sensemaking of that legitimacy to influence, as based on the three themes revealed in the data. More specifically, this regards the competence and professional credibility of an influencer, the diversity of cognitive communities an influencer is connected to or embedded in and shared perceptions of board work, particularly a NED’s role in strategy. Therefore, this validation will determine the importance that a NED attaches to the influence attempts of other NEDs.

4.4 Behavioural Variations in NED Uses of Influence

In section 4.3 it was found that the importance a NED attributes to influencing decisions is affected by his/her sense of shared identity with the board group (i.e. they self-categorise). Whether the NED exercises power to influence is the focus of this section.

This section reports on findings related to that power to influence. Particularly, it reports on findings relating to differences between NED relational skills and dispositions required to deal with the task and role tensions that arise in the various stages of a strategy-shaping process, as described in Section 4.1. The issues discussed here specifically concern task and role tensions and the relational and dispositional themes that emerged from the data. The term ‘relational theme’ refers to interpersonal behaviour that emerged between NEDs when dealing with task tensions and a ‘dispositional theme’ refers to NEDs propensities evident when NEDs are confronted with role tensions.

Task and role tensions occur during interpersonal interactions as experiences described by a narrating NED or by those observed in others. The first part of this section describes relational themes found in NED narratives concerning their decision experiences. The second relates to the dispositional themes reflected in the NED narratives. However, prior to a discussion of those themes, some context concerning the power dynamic in relation to task and role tensions is required.

For example, despite NEDs having the power to influence discussion and debate, it is clear from the foregoing sections that they did not always choose to exercise it—a key issue for
this study. Particularly, how were divergent views and associated tensions resolved? Were there variations in how some directors managed these tensions? How did power differentials affect the actual enactment of influence attempts and what explanations might there be for behavioural variation?

Hence, the findings in this section present the NEDs’ ‘experience of power’, including behavioural effects and consequences when debating a complex and potentially value-creating proposal. As noted, a NED’s cognitive history did not completely determine their power to influence. Importantly, the sense NEDs made of the ‘social reality’ of a board and the choices they made to use their cognitive and social competence were also important. The moderating effects of that social reality are discussed in detail in Section 4.5 in response to research question three: how is the use of NED influence in decision-making shaped by the ‘social reality’ of group identification and power distribution?

4.4.1 Task and Role Tensions

For the 15 NEDs contemplating acquisitions in new markets, there was significant complexity and uncertainty concerning the decision and, therefore, conflicting views were likely to emerge, particularly between TMTs and NEDs. This is particularly so when management fail to fully acknowledge, recognise or actively utilise the depth and breadth of knowledge, expertise and networks that NEDs cumulatively provide. Participating NEDs also recounted conflicting perspectives and differences among their NED board peers—a consequence of cognitive or ideological differences within a board group.

All 15 decision narratives evidenced competing or paradoxical demands NEDs needed to resolve by influencing others and remaining open to influence—that is, by supporting or challenging a proposal. Both task and role tensions emerged in this process, the former depicted by four relational themes and the latter by three dispositional themes. These themes concerning NEDs’ relational and dispositional propensities required for decision-making effectiveness found in the data are discussed in Sections 4.4.2 and 4.4.3 and are summarised in Figure 4.3.
4.4.2 Relational Themes

The existence of cognitively diverse views had the effect of NEDs having to entertain alternative perspectives and courses of action and to engage in a careful examination of those identified alternatives. This was evidenced by contentions contained in director-recounted experiences. It was reported that this debate required NEDs to simultaneously challenge assumptions made and to argue for alternatives without fearing loss of acceptance or damaging existing board relationships.

In the face of the uncertainty and complexity associated with transformative decisions, NEDs were required to uncompromisingly and unapologetically seek out the answers they needed to satisfy themselves on the strategic logic of a proposal. In the minds of several NEDs, this

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**Figure 4.3. NEDs’ use of influence; relational and dispositional themes found in the data relating to influence attempts.**

Source: Author.
logic related to both return on capital and management capacity, as new acquisitions can compete with domestic business. NEDs reported this aspect was often underestimated. For example, Directors B and I noted that ‘management overreach’ was common in their experiences and NEDs had to vigilant concerning its propensity in both TMTs and NEDs with limited experience. What made this task more challenging was the information asymmetry with which NEDs had to contend, given their limited involvement between board meetings that resulted in less continuity and depth of information. Concerning large transformative decisions, it was reported that levels of uncertainty and incomplete information could further compound information asymmetry issues. NEDs reported having to build trust with management to ascertain all the information they required to make a sound decision during the entire period of a ‘live’ deal. NEDs reported variations in the levels of trust they experienced on a board between an executive and non-executive members, a Chair and with each other.

Anxiety was particularly heightened when it related to what was perceived as a groundbreaking transaction that did not conform to the normal investment metrics used by a company. Typically, the participating NEDs reported that at the early stages, some peer NEDs were in favour of a deal, others not and some neutral. For those reporting their position as sceptical at this early stage, there was a level of anxiety about the likelihood of others being captured by ‘deal fever’ often associated with high-profile acquisitions. For those reporting that they felt positively disposed to such a deal pending further debate, they reported concern that some peer NEDs were too conservative and risk-averse. These themes further supported the evidence that director work is filled with cognitive paradoxes and group-related tensions that need resolution.

The rest of this section describes what the thematic analysis of the data revealed about four relational themes reflecting the ‘social competence’ required to successfully mount influence attempts reported by NEDs while enacting their strategy-shaping accountabilities. These influence attempts solved the twin challenges of needing to reduce the perceived uncertainty associated with a deal decision and, simultaneously, demonstrating trust in the judgements and expertise of others.
4.4.2.1 Theme 1: How Influence was Gained through Questioning and Contention

NEDs reported acute interest in whether assumptions stacked up in the first place. This was achieved through questioning and contention. As Director I reported, what was perceived to be in contention and how it was questioned were both important:

The things that were of most interest to me was whether we hadn’t allowed hubris to overtake us in terms of what we thought the forward trajectory of the target business would be. That we did not necessarily assume that our sales projections were going to come to fruition and not recognise that more supply will be coming into the market and the owners of that supply may be as successful as we would be in forming those relationships … [I]t is a problem when directors become too in love with the ethos … [T]hey have to be able to detach themselves from sacred cows … and be prepared to challenge and be challenged.

Directors indicated that a tactic they often used during a debate was to ascertain for themselves how much contention there was among a management team. This evidence was often used as a litmus test for how well reasoned a proposal was in the first place. As Directors L and I observed:

I was concerned also about the misalignment amongst [sic] management in their conversations with us. It concerned me … [A]re you guys on the same page?… Do you all agree the price is right? Are you all supportive of doing this? I wanted to know that there was good contention within the management team around price. So, I said, ‘convince me that you are getting counter views and challenge from the finance people to make sure we do not overpay’. It took me a while to expose the process [and] later … it was characterised by weakness and left people feeling uncomfortable about where we landed on price. (Director L)

if management does not bring to us [in addition to what they propose] what they reject, then you are not having as robust a discussion as you should. It’s like the John West analogy [referring to a tuna cannery’s quality claim] … [W]hat fish did they reject? It’s a discipline that some boards get into and others don’t. (Director I)

Most NEDs participating in this study raised the dangers they attached to hubris and the pervasive influence of ‘deal fever’, which can capture management as well as a board. As noted in Chapter 2, emotional states (such as hubris) associated with different parties involved in takeovers have long been investigated by researchers (Chatterjee & Hambrick 2007; Malmendier & Tate 2005). Hubristic behaviour is generally associated with arrogance, vanity and self-importance, thus, leading to an exaggerated sense of one’s accomplishments and capabilities. For example, Director A said that the tactic of role-playing a fictitious deal
scenario in a target country may be useful practice and a means of securing pre-agreements about decision protocols, including ‘go-no-go’ parameters. He suggested the tactic may also reduce the danger of losing perspective in the middle of a large deal when emotions are usually high and objectivity can be lost to overconfidence.

In relation to the style of questioning, participating NEDs varied in their approach to working through what they perceived as task tensions. Some suggested that a NED’s persistent questioning can be perceived as either helpful or a nuisance, depending on their delivery. The persistence required to face a resistant CEO was also a theme some NEDs reported, thus, suggesting that a NED must persist after a first attempt. For example, Director A reported:

the going-in position of management had been that the target had a very strong management team. I did not think that necessarily … I had concerns from experience. I was concerned about the expertise in the finance and risk areas and felt we needed to put our key people into those key roles. There was a need to integrate the supply chain and also [sic] fully integrate the staff into the organisation (culturally). I had two to three goes with the CEO before the penny dropped for the CEO on this issue.

Director K described the need for incisiveness and directness in questions, and wariness about repeated and previous failed attempts in a target market:

This board, in particular, is very wary of ‘this time it’s different’ statements because this is a biggest cop-out for managements as well as boards. You actually have to go back and say [sic], ‘how is it different, why it’s different’ … [It is] all too easy to say ‘this time it’s different’ … This is really about challenging assertions that management are making and exploring those. Also, [it is] about testing the credibility of their assertions … and determining if they are extracting the right lessons from past experiences the company has had in China.

The style of questioning was also key. Director E described one ex-director’s ‘acerbic punch in the nose style’. While acknowledging that, as the Chair of an audit committee and impatient with their CEO’s lack of swift responses to his audit concerns, the director had asked some great questions, but in the process he ‘blew up all the relationships around him’. While he would accept feedback from NEDs in closed sessions and improve for two to three meetings, his acerbic style would reappear. Director E (who served on a nominations committee) recounted that the board appreciated the insightful questions but briefed a recruitment consultant to find a director with a similar depth of audit knowledge, but with a
more constructive style. Therefore, a NED’s ability to read social cues is an important aspect of questioning style.

Some NEDs reported that the style of questioning could at times result in a board judging an presenting executive too harshly, thus, suggesting there is a very fine line that may be crossed by an interrogative board in the questioning style they adopt. For example, Director L, as Chair of a human resources (HR) and remuneration committee, reported:

> it emerged over a board dinner that some NEDs doubted the sponsoring executive’s capabilities. I tried to temper this view by saying she comes from a different world … let her management decide her development. We have to be careful we are not judging her too quickly because she is different. I think of myself as a coach on these HR issues.

In summary, the contention and questioning themes revealed the NEDs’ skills and competence in accurately perceiving what was going on in and around a boardroom (including skilled questioning) to reveal more of what must be known to move forward. The tone or style of questioning was also critical to ensure trust was preserved. They also demonstrated the significant amount of self-control required for a NED to not leap in and take over a debate.

### 4.4.2.2 Theme 2: How Influence was Shared through Feedback, Learning and Adaptation

A second relational theme reported by participating NEDs was how others reacted to their contribution, which could either drive learning and adaptation or narrow what was perceived as permissible at board meetings. When some NEDs spoke and their contribution was poorly received, this response fed back into their self-construal. NEDs made various interpretations of this response. Some concluded that others did not value or understand their contribution. Others reappraised what they brought to a board or reappraised the relevance of their perspective on some issues. Such reappraisals, according to the literature on identity (Hillman, Nicholson & Shropshire 2008; Lawler et al. 2002; Nadler 2004), are continual and modify the dynamic of individual and group behaviour, which, in turn, influences a board dynamic’s level of engagement or passivity. This was evidenced by the narratives of all NEDs in this study. Power and identity effects appeared to determine who learned what from whom.
NEDs learned from observing their peers, even when they had significant prior board experience. For example, Director N asked, ‘why did I not think of that question?’, referring to a peer. Director N had observed that the peer in question said very little, but when he did, his questions were consistently impressive and, in this instance, reflected a unique way of reframing an issue or concern and opening the conversation.

Others adapted their thinking through the course of a discussion without expressing their views, even though their perspectives had changed because of the well-reasoned arguments they had heard. For example, Director P reported his learning from the experiences and attitudes of others:

I expect as a lawyer you are taught to surface and identify risks … [Y]ou can’t eliminate risk, but you can optimise it … but there were some directors more optimistic than me, especially those with a financial services background. I learned to adapt my approach over time [on this board] … to appreciate the upside as much as the downside.

While some experienced NEDs showed an openness to learning, board tenure differentials acted as a means of learning. NEDs new to board life, adjusting to the transition from an executive to a non-executive role, were generally viewed by their peers as being on a learning curve and expectations of their contribution to strategy were not high. Importantly, NEDs new to board life, or early in their first term at the time of the transaction under study, were hesitant in their contributions.

In the case of NEDs new to a board or new to directing and on a learning curve, some of their behaviours as observed by NEDs with longer tenure were telling. For example, they reported that newly appointed NEDs looked for ways to make an immediate contribution to debates and justify their appointment. This need, at times, resulted in raising what were perceived as irrelevant, peripheral or nitpicking questions. Conversely, other new NEDs admitted reticence, hanging back deliberately to grasp a decision dynamic, particularly how divergent or dissenting views were reacted to by a Chair and the extent to which these views were encouraged. As Directors P and G reported:

while banking is at one level a simple business, at another level it is complex, and I found it very difficult to understand. I looked around the table and formed an assessment about the directors in terms of reliability competence and judgement and listened especially to those who had more experience in that sector than I had. (Director P)
I was new and sitting back learning about the competence of the individuals. I did not have the confidence to say this [referring to a challenge about who would be the better owner of the business] at the time. It took me two to three meetings to notice individuals whose opinion you should pay attention to. (Director G)

This was further evidence of directors learning from others and consciously applying self-control to manage the perception of other directors with more seniority (in tenure terms) than their own. Director K also described the way NEDs shared their influence by playing a ‘bad cop, good cop’ scenario to get a result when faced with a resistant and recalcitrant CEO.

Conversely, while longer tenure was accompanied by familiarity, shared understanding and higher levels of group learning, there were also some challenges perceived to be associated with long tenures, such as strategic persistence and lower tolerance for risk. As Director I observed:

the reason why after 10 years it is probably time you go … by then you have seen enough and made so many decisions, you get invested in the trajectory and lose a bit of independence of thought … It is the classic dilemma because you are on the board because you have the expertise … and have enough information in order to do the oversight … [but] you can’t oversight something you don’t understand.

There were clearly some board contexts in which more learning was occurring than others and NED experience of shared power on one board did not mean it was transferable to another. Director B reported that their experience of a banking board was distinctly different from a resources company board; in their experience, the resources sector was not always as open to strategic logic sourced from other sectors and this, in their view, was a lost opportunity. According to Director B, the resources sector tended to value long tenure in that sector over lessons that derived from other sectors. This experience reflects how the influence of a NED can differ from board to board because of the extent to which some board groups perceive and value ‘outsider’ cognitions. This experience was a common theme evidenced from the responses to the interviewer’s question, ‘are there some boards that engage you more than others and why’, and suggests that, in the experience of these NEDs, some board groups were more receptive to ‘outsider’ perspectives. These findings confirm the theory of perspective taking, tested empirically by Galinsky et al. (2006) (as reported in Chapter 2), which showed an inverse relation between power and perspective taking. Perspective taking, in this context, refers to the propensity to step outside one’s own experience and imagine the
emotions, perceptions and motivations of another—the antithesis of the self-interested behaviour often displayed by the powerful (Galinsky et al. 2006).

Some NEDs perceived some of their peers on their last term as resisting learning and adapting. These longer-serving NEDs were more concerned about jeopardising their legacy and, therefore, adopted a ‘safer path’ by discouraging what they perceived as a high-risk acquisition with a long-term payoff. As Director A reported:

I think there were a couple of board members who from the start were not sold on the idea … because they may have been thinking about their own reputational risk in a ‘not on my watch’ kind of way … not willing to invest for the long term or accept taking a short-term hit. They may have had deep reservations that remained unspoken. When concerns or fundamental objections are not drawn out early and remain unspoken, they can come back again later in the process in a different guise, as I suspect it did in this example.

This finding supports Finkelstein and Hambrick’s (1990) study that showed a positive relation between team tenure and strategic persistence. In their study, Golden and Zajac (2001) found a curvilinear relationship. That is, tenure had a positive relation only to a certain point, beyond which it had an adverse effect, thus, creating a greater attachment to current strategies. The finding also supports the work of Scheepers, Ellemers and Sassenberg (2013) that found group status (in-group or out-group alignment) mattered in the promotion or prevention of choices in group decision-making. Groups that were deemed to have more status would seek to preserve the status quo. This study shows that some of this effect can be sought covertly.

In summary, learning to share power, learning from each other and adapting one’s approach was critical in contributing to effective NED decision-making. These NED behaviours, associated with openess to learning from other NEDs perceived to have more experience, were accompanied by a desire to be perceived as open, balanced and considered in their approach during decision-making processes.

4.4.2.3 Theme 3: How Influence was Asserted through Skilled Articulation of Relevance and Expertise

A third relational theme reported by NEDs found that judgements concerning the relevance of a contributor’s experience and standing determined how much attention was paid to their comments or questions. Conversely, there was a salient warning from some NEDs about the
dangers of experience and how it can blind, especially when faced with a business environment characterised by less certainty and more disruption.

For example, a NED’s embeddedness in the NED community appeared to influence their attributed personal standing. This manifested itself in how others showed respect for their perspectives and, in some cases—but not all—ascribed significantly greater weight to their contributions relative to others; consequently, this strengthened their relative influence over the direction of a debate.

For example, with eleven years’ experience as a NED and, in his executive life, responsible for the Asian division of a global business, Director H reported feeling confident about his challenges to a debate. He believed he had the respect of others around a table because of his long CEO experience in emerging markets. More particularly, he reported his success in clearly articulating to other board members the notion of growth optionality in the target market, convincing them to not get too hung-up on the price of the target entity and consider the value of the growth option in that market.

Further, experienced directors often volunteered or were asked to play informal roles in a debate, as described by Director E:

A year ago, when we were doing the transformation, this part of the business was on the sale list, and now we wanted to bulk on it, it did not make sense … But the CEO was now a convert to it, and I always worried about converts … [H]ad he got deal fever from spending too much time with the investment bankers? … [Y]ou pay a large amount of money to engage an investment bank, which is on a success fee and of course they will tell you why this is a good idea. The logic of taking out a competitor just because someone else may buy it did not stack up! I wanted to make sure we kept an eye on the ‘no case’ case … I was sceptical from the start, so, the Chair asked me to be the black hat … I did not need convincing!

However, several NEDs reported an interesting nuance about subject matter experience. A common theme was the observation typified by more senior Directors O and H—that less experienced NEDs often assumed that they had to have expertise in a subject to make a good contribution:

It is often thought that you have to have expertise in a particular subject to make a good decision. You need to know what questions to ask, and this comes from well-rounded commercial experience … [I]t’s the totality of that experience and how you use it that matters. (Director O)
He [referring to the Chair] does not go to the subject-matter experts [SME] around the board table to ask them what they would do in this instance … he does not turn to the directors with marketing experience and ask what do you think of this marketing campaign. Otherwise, the board is getting dragged into being the expert, and it is not. (Director H)

In several cases, NEDs reported that the unique body of expertise they possessed was not present on the board they were invited to serve. This included regional, M&A, and start-up experience. This finding was not unexpected because the scenario selected for this study was a major transformative decision. For example, Director C observed:

This was one of the reasons they were attracted to me, and I was attracted to this particular company. They were looking at doing significant expansion in Asia they had had a few stop-start attempts. This is where my experience lies … in this particular part of North Asia.

The degree to which a NED felt their experience was unique to that board is an important validation for their construal of their place or role within that group (Hillman, Nicholson & Shropshire 2008). This was an indicative theme in this study. For example, Director L—well known in the technology sector as previously CEO of a major player—joined a board in which his experience (in his self-conception) was unique because he was the only person on it with a technology background. Therefore, its director perceived that he should be recognised as the ‘go-to’ person on that board for advice and opinion on technology-related matters. This self-perception, in turn, affected the role (active or otherwise) Director L played in the decision story and reflected his subjective sense of power and personal confidence in the relevant expertise area. As he reported:

I was a CEO previously of a company [sic], and I know what it is like to operate from zero market and zero revenue and go from that to something big … [W]hen everyone said it could not be done … but I have lived it … and [am] not afraid of it, and that in a sense is what I bring to this board. (Director L)

However, this approach was not always viewed positively by other participating NEDs. Some raised the danger associated with board-thinking abdicated to NEDs perceived as subject experts. Over-reliance on some NEDs, including committee Chairs, they suggested, had on occasion resulted in the unintended consequence of typecasting directors into narrow and rigid roles by their peers. It also resulted in misplaced trust in one person’s advice that affects boardroom opinion disproportionately—for example, a board being captured by an expert’s
own cognitive biases. Three NEDs suggested that as a rule, deep domain expertise of a NED was most relevant in committee work, but not board work in which broader business and commercial experience were more relevant.

In summary, the theme of how influence was asserted by the skilled articulation of relevance and expertise related to how articulately a NED assembled and framed their arguments and how eloquently they put forward the merits of their positions. However, it appears that while SME was important, it was not considered by participating NEDs to be sufficient if commercial relevance to a discussion at hand was not demonstrated clearly.

4.4.2.4 Theme 4: How Influence was Supported through the Challenge Process

A final relational theme related to the method of the challenge process. The way that focused and persistent questioning was successfully received in a boardroom relied to some extent on how NEDs worked collectively to support the NED posing a challenge question. NEDs did this by adding a comment of their own to questions posed, asking a clarifying question of a director to make a point clearer to management or making a helpful restatement. When an individual NED decided to take on a decision challenge, it could involve a critique of management and result in a defensive response. NEDs also reported being prepared to own a peer–director critique by asking questions to clarify a challenge to a CEO and signal support for a question. This had the consequence of presenting a ‘united front’, which, in turn, resulted in a CEO taking a challenger’s question more seriously. As Directors B, K and I respectively reported:

he referenced that offline conversation we had had at the coffee break [during which he had sought reassurance from me about a technology platform issue in which he had no prior experience], back into the boardroom and said I had helped him think through his reservations. He said to the board he was still nervous and why, which then allowed the others to join in and ask for additional information to be provided to address his residual concerns. (Director B)

certainly styles on this board are different. I tend to play the role quite often [sic] of getting beyond conflict. Sometimes I found it very valuable outside the boardroom to go to the person and ask what is really troubling you [about the valuation of this deal]. (Director K)

someone will say something, and a director will ask a question about it, not to offer a different view but to clarify the point and to better explain [sic] what the person was putting in the room … and this is helpful for others of us too. (Director I)
Participating NEDs showed support and trust during a decision-making process, which was distinct from collective ownership at the end of that process when consensus was required. Collective ownership of the process played a role in signalling to NEDs that there was both permission and space for contention and challenge, and that the processes of challenge were an equally owned and shared responsibility by every NED, despite their power status. The findings appear to suggest that the strength of collective ownership of the challenge process depended on the strength of group identification.

Several NEDs spoke about the protocol of providing notice of a challenge to a CEO or Chair (or both), which, hence, provided an opportunity to deal with a challenge before a meeting. As Director H observed:

> one of the conventions [on this board] is that you don’t open the discussion with dissension … [I]t comes later … an unwritten rule … [A]lso if directors have studied the paper and have issues they will raise it beforehand either with the Chair or CEO: ‘heads up, this is an issue that is troubling me’.

In summary, the relational themes reveal that a NED’s cognitive history, which comprises both human capital (experience and reputation) and social capital (connections and network), combine to represent the source of relative power in a boardroom. However, this power only gets mobilised by the behaviours NEDs demonstrate when interacting with others. These findings lay the groundwork for a social competence framework, discussed in Section 4.6.3.

When task tensions were resolved effectively, NEDs reported stepping up to tough conversations with courage, conviction, persistence and determination, while showing respect for and trust in others’ judgements and ideological differences. The more deal-anxiety experienced and the greater likelihood of divergent views, the more lively inquiry skills were used (coupled with preparedness) to learn from the experiences of others. NEDs also invested the time required to reach across cognitive or ideological differences and satisfactorily address divergent views while simultaneously being mindful of the need for efficiency, given most transformative decisions (such as acquisition deals) had immovable timelines. The ability to read social cues that may convey hubristic sentiment and sense the level of management contention prior to a proposal coming to a board was also important in how questions were posed. For this kind of contention to occur, the existence of intra-boardroom trust was pivotal, as was a Chair’s encouragement of contention and the creation of an environment in which all NEDs felt they had a voice in a debate, even if there was no
agreement. Essentially, relational skills neutralised any potential adverse effects of power differentials.

However, it was clear that relational skills are only one part of the explanation of differences in NED behaviour concerning task tensions. That is, the skilful behaviours that NEDs employed as described in this section reflected underlying NED dispositions that also shaped their attitudes to their work. As noted in Chapter 2, behaviours have their roots in motives, needs and personality type. Section 4.4.3 describes these dispositional themes and their relevance in resolving the task tensions that NEDs experienced.

4.4.3. Dispositional Themes

The second tension that emerged from the 15 cases related to a NED’s role. As an independent director who represents the interests of shareholders, a NED is, when necessary, expected to demonstrate independent thinking (Berghe & Baelden 2005; Huse & Rindova 2001; Johnson, Schnatterly & Hill 2013; Stiles & Taylor 2001). That is, to work effectively with others in a board group in a unified way they need to show a propensity to identify strongly with a board; however, as independent directors, they must feel comfortable to stand alone in their views, if required. In respect of a major strategic decision on which much is at stake, this capacity for independence manifests in a decision-making process, as a NED’s ability to strike a balance between their propensity to influence others versus their propensity to be influenced by others are both critical for director effectiveness.

Therefore, NED motives were a relevant consideration in studying how directors managed this balance. As discussed in Section 4.2.3, NEDs demonstrated certain motives in their narratives, particularly when responding to questions posed by the researcher at the start of the semi-structured interviews: ‘how did you come to be on this board?’ and ‘what attracted you to join this board?’ Since needs and propensities predict and shape behaviour (McClelland 1985; Schutz 1958), the responses to these questions revealed a variety of underlying motives, as shown in Section 4.2.3.

Further, research suggests that there are dangers of over-identification with a board group in discharging director accountabilities and, to be accepted, this may result in silencing one’s own doubts (Fritsche et al. 2013; Turner 1987, 2005). Conversely, a lack of identification with a board group may generate interpersonal friction and disunity and result in suspicion and low trust levels (Hillman et al. 2008). The current study revealed that NED propensities
could explain how these tensions arise. These propensities—as dispositions towards certain recognisable behavioural strategies and responses by participating NEDs and those observed by the peers with whom they interacted—reflected a variety of traits. As Director H explained:

there are people who are the devil’s advocates, some the cheer squad, conciliators [who bridge differences] … some are chatterboxes, and others are more reserved … and all of those different styles in a team are evident here. I think most people are predominately one thing or the other … no one is one third, one third, one third, if you know what I mean … [M]ost people are temperamentally predisposed one way or another.

This study found three dispositional themes that recurred in the data that may explain how behavioural strategies and responses of participating NEDs were used to resolve role tensions. Sections 4.4.3.1, 4.4.3.2 and 4.4.3.3 describe the dispositions evidenced by the data.

**4.4.3.1 Theme 1: Acting and Reflecting During Discourse with Others**

The propensity for a NED to initiate or show a bias to act, as opposed to adopt a more reflective style, when working with others on issues of high-level complexity was a double-edged sword. NEDs perceived by others as having a strong bias for action tended to control conversations rather than let it emerge. For example, Director L suggested that allowing ideas, perspectives and viewpoints to emerge, rather than seeking to control the conversation or its outcome, was an increasingly important director skill. Director G added that it was important not to try and control discussions, but to be more comfortable with allowing conversations to emerge.

A NED may have power but not the relational attributes or dispositions by which to mobilise. Participating NEDs also suggested that the need to opine on every issue can be a distraction in a boardroom and observed the tendency of some of their peers to act as such. Some speculated that this might be the desire to ‘show they have read all the board papers’ or a tendency to construe themselves as an expert on every topic, despite how complex. The capability of directors for self-reflection emerged as an important theme and was perceived by narrating NEDs as helpful when balanced. For example, Director I explained:

there is definitely one director who feels the need to make a comment on virtually everything that is raised on this board, which is not the way this board operates,
which is tedious … and likes to intellectualise things … and I don’t find that particularly helpful.

Some NEDs observed others as more considered and reflective in their responses to complexity, more willing to allow a conversation to emerge without needing to control it, thus, synthesising the contribution of others and adapting and responding as they went. Others, they suggested, were quieter, keen to keep their options open (especially when things were a close run) and did not want to commit too early to one side or the other. One director observed that ‘pacing’ in a conversation was a skill because ‘you may not want to be the first person to say yes every time or the last person to say yes every time’. Conversely, some NEDs spoke about the lack of contribution by some peers, suggesting that they were either intimidated or overwhelmed by the context or simply on a board because they needed to fund their post-executive life.

As noted in Chapter 2, director motivation has been examined closely by Guerrero and Seguin (2012) who suggest that the extent to which a director was self-oriented or showed pro-organisation orientation was the key determinant of contribution—that is, one’s commitment to the goals and benefit of an organisation versus self-orientation. This study showed that personality-related factors also played an important part. A director’s contribution appeared to be a complex manifestation of orientation, personality traits and learning habits. Director G described this phenomenon as follows:

I guess it is that some [NEDs] are more reserved, diffident in their views. I remember X [refers to his mentor who has now retired from board life and was on the same bank board] used to say, ‘I might be stupid but can you run that past me again’ … which then tended to get more conversation going. I know from experience that is not uncommon for directors to sit there without saying anything even if they don’t understand the issues … reluctant to admit that they don’t know or understand. Part of the ego thing. Most directors are very experienced, and they have got there because of their experience. So, it is hard to admit you don’t know … not wanting to look stupid or appearing like a hot rod. Or, in some cases having been part of the school of hard knocks, you learn not to declare your hand too early and are more guarded.

In their decision stories, NEDs suggested that a fine balance existed between acting and reflecting was required to optimise their ability to learn from others and adapt their approach. While these were individual dispositions, some directors spoke about them in a collective sense. For example, Director L suggested that the ability to reflect collectively as a board
group (with and without management) would become increasingly important as companies look to acquire adjacent but related businesses on which they have little knowledge. This was the case with his decision story, which related to the acquisition of an offshore entity in an emerging technology:

We had maybe half a dozen or more clunky, unproductive and frustrating discussions. First with management in the room and then without, discussing why we seemed to be collectively having a problem with this proposal … [W]e were having difficulty getting clarity over what the business was, why it was strategic and why we should pay this money for it. (Director L)

Several NEDs also spoke about the need for board and management to adopt a more emergent style, not seeking to control the conversation too tightly, especially when contemplating a complex international growth strategy—a conversation that needs to be more fluid, dynamic and ongoing and not just ‘deal driven’ by reacting opportunistically when a good deal comes along. Additionally, a recurring theme in the narratives was NEDs’ acknowledgment that as an environment becomes more uncertain, questions of strategy also become more uncertain. Therefore, they suggested board conversations must necessarily change and a board environment created, which gave people the opportunity and permission to be frank about their uncertainty and levels of comfort. This suggested that fact-based logical argument may not be the only skill required, but it is increasingly a disposition to deal effectively with ambiguity and uncertainty.

These findings provide support for a good balance between the propensity to act and reflect by both an individual NED and a board when working through complex decision challenges characterised by uncertainty. They also provide support for the seminal learning theories of Argyris and Schön (1978), which give prominence to the process of reflection as the key to how people learn. They suggested that people carry an espoused theory as well as a theory in use, which can be at odds with each other (Argyris & Schön 1978). That is, the espoused theory of an actor may not necessarily translate into a theory they use to guide their actions. Argyris and Schön (1978) posit the notion of double-loop learning, which pertains to learning to reflect on, question and change one’s underlying assumptions and values to ensure actual learning occurs. The findings of this study support their theory, thus, suggesting that more learning may occur in boardrooms if more time and space were created for reflection, something (as described in Section 4.5.2) a Chair can facilitate and nurture.
4.4.3.2 Theme 2: Practicing Detachment and Distance While Involved

As distinct from the propensity to act or reflect with others, when dealing with high levels of complexity described in Section 4.4.3.1, the propensity to detach oneself from a situation was a common theme. Constructive detachment from a situation or group is difficult, especially when you are clearly a member (Latane 1981; Oakes, Turner & Haslam 1991; Simon & Oakes 2006). Some NEDs reported the ability to be part of this process while staying above it, while others observed peers who had varying abilities to perform this skill.

This disposition was reflected by a NED’s expressed commitment to a decision process but detachment from a decision outcome. In the case of Director C, the only person (board and management included) with deep experience in the target geography, she was placed in an interesting position by being both new to a board and the role of directing:

I had to try and be very even-handed and put in a sense my pro-X view [referring to the target country] aside … [and] consciously step back from that [her optimism about X] … I had to be very careful that I was being very objective and consciously work out the risk, really understand the risk–reward analysis and at what point we will [sic] not proceed.

In describing the attributes of change leaders, Heifetz and Linsky (2002) draw the metaphor of a dance floor and a balcony, to describe the different picture one would get if one was looking down from the balcony, seeing patterns you would not see when you are on the dancefloor amongst the dancers.

Likewise, it could be suggested that NEDs may only gain both a clearer view of the ‘social reality’ in a boardroom and some perspective by distancing oneself from the fray. However, if you want to affect what is happening, you must return to the ‘dance floor’. Hence, you need to be among the dancers and on the ‘balcony’. As in the Heifetz and Linsky (2002) metaphor, NEDs recounted that effective contribution to board decisions resulted from the propensity to go back and forth between the two, using one to leverage the other. Director A explained this disposition as follows:

I think one needs to be careful as a NED that one is not captured by the process if, for example, there is too much informal front-end work with the management team (on the deal) then you end up being in a position where you are advocating the deal rather than drawing distance from it in order to provide the required oversight.
The decision stories also reflected examples of NEDs, including reports by Chairs, of over-identifying with a decision and channelling one’s contribution to fit with a conclusion they desired. As Director H reported:

some Chairs have made up their mind already and see their job as getting everyone to reach that decision. A good Chair gets the directors to reach the decisions themselves and does not play tricks to get you there.

Effectiveness in navigating this tension required a NED to exercise a constructive level of ‘social distance’ through needing to be respected rather than being liked, confident of the value they bring to debates and being prepared to engage with the value that others bring. Director H also reported that management had been known to ‘play games’ to which the NED had to be alert to and this reflected the views of other NEDs:

Some management spends a lot of time ‘marinating’ the board so that when the decision comes around the board directors are all soft and tender and say yes immediately … [T]his was a very fraught area. Of course, management has to do some socialising of ideas to get [d]irectors up to speed and tease out concerns but this can sometimes go too far … when they pick off directors they think would be most supportive [of the proposal] and whom they marinate first.

As noted in Chapter 2, social distancing was investigated by Westphal and Khanna (2003) as a means of social control and to keep less powerful board members in line. Where power differentials were large—that is, where significant differences exist in the origins of power described earlier in this chapter—their study found evidence of subtle control to ‘guide’ the decision process towards an outcome. This effect was reflected in this study by Director D’s observation that a major part of a decision was already taken beforehand by both Chair and Deputy Chair (on the basis of their relatively long experience in the mining and resources sector) and ‘choreographed into the room’. The negative effect these political manoeuvrings have on director accountability and governance is clear and supported by previous studies (Bailey & Peck 2013). The propensity of a NED to stay in the fray while simultaneously staying above it and intuit what may be happening was clearly important for retaining objectivity and independent-mindedness, especially when faced with powerful and influential experts or by over-confident decision-makers.
4.4.3.3 Theme 3: Conceding to and Resisting Social Pressure from the Influence Attempts of Others

The dominant logic in corporate governance is that NEDs who are held accountable for their judgements would resist agency pressures (Roberts 1991; Stiles & Taylor 2001). However, this view ignores the social reality of groups. Social influences acting on groups have a long history of research (Cialdini & Goldstein 2004). According to social impact theory, how we respond to influence attempts by others is dependent on who the influencers are, how many and the immediacy of their effect (Latane 1981).

The propensity for a NED to be attracted to ‘people like me’, how they respond to influence attempts by others they see as similar or dissimilar and the cognitive processing they engage in when their views deviate from the norm were reflected by the findings of this study. As noted in Section 4.2.3, almost all the participating NEDs cited their attraction to join a board was motivated by who else was on it, including high-profile names. Some of the judgements made by participating NEDs about ‘peer compatibility’ can be explained by a range of social influence theories reviewed by Cialdini and Goldstein (2004) and cited in Chapter 2.

The admiration that NEDs recounted for peers on a board is relevant because they may be more positively disposed to decision processes a board makes and engage in less questioning (Lorsch & MacIver 1989). Conversely, Forbes and Milliken (1999) suggest that there must be a minimum level of interpersonal attraction for board members to have mutual trust regarding judgements and expertise. For example, Director J was impressed by the quality of their board: ‘The people on the board were highly respected for their achievements [the director proceeded to name them], and it also had several members of the board who were from overseas, and this attracted me’.

However, three directors spoke openly of some disappointment after joining their boards—that their initial external impressions did not completely match their experience after they had joined. This suggested that dispositional factors can make social influence more complex than some previous theories have suggested. That is, members of a group, such as a board, will make careful and conscious reassessments of their prior judgements to determine how their contributions might fit a group. For example, as Director C reported, this conscious process was evident when NEDs described their early experiences with new boards:
When you are first appointed to a board, you don’t participate fully until you have worked out the personalities ... [Y]ou have to take a back seat and observe ... work out what particular topics interests particular directors, how the Chair related to the directors, whether they are strict timekeepers, inclusive and allow everyone to speak.

As evidenced by Director P’s observations, the data also showed dynamic and fundamental patterns that occurred in which majority ideas were dispersed and diffused in ways such that some subgroups in a majority (the in-group) got bigger while others in a minority (the out-group) got smaller:

I found it [referring to the financial services sector] difficult to understand ... I looked around the table and formed an assessment about the directors in terms of reliability, competence and judgement and listened to those who had more experience in this sector than I had.

These influences confirm dynamic social impact theory (Latane 1981, 1996) in which groups working together over time produce subtle shifts in power relationships between subgroups. Further, data from this study showed that once members had established themselves, their response to influence attempts (by others) was motivated by affiliation and the maintenance of a positive self-concept. This is consistent with recent research that shows that the activation of social effects is subtle, indirect, heuristically based and often unconscious. As noted in Chapter 2, two theories hold relevance for the finding of this study. A brief revisit to those theories is required before concluding this section’s findings on relational and disposition themes by examining their significance in determining variations in director behaviour. Three points are particularly relevant.

The first regards the social categorisation theory (David & Turner 1996) that studies ‘in-group’ and ‘out-group’ effects, which, in turn, determine the receptiveness to influence attempts by majorities or minorities. That is, when a target receives an influence attempt from an in-group minority, they are more likely to become pressured to conform. Conversely, when an out-group minority attempts to send an influence attempt, the pressure to change opinions in the direction of an advocated position is minimal. This suggests that the ‘people like me’ construct has a pervasive effect on how influence attempts are responded to in a board-group setting. Therefore, the influence effect is dependent on whether a message source is an in-group or out-group. Here, it is significant that Director O recalled that the credibility of a position depends on who is making the point.
Second, the social identity model for deindividuation effects (SIDE) (Reicher et al. 1995) also has relevance for what was found in this study. This model suggests that responsiveness to a group norm is not simply a reflection of a reduced sense of self, but a conscious and rational process relating to the situation-specific norms defined by a group’s identity. For example, when group members perceive they face social sanctions for norm deviance, anonymity and identifiability may become important and this leads them to keep their divergent views to themselves. Here, the experience of Director O is also relevant. He reported that although he strongly disagreed with a Chair’s view that a board continue to entertain an acquisition proposal, he made a judgement not to raise his continuing concerns directly with that Chair. Instead, he deferred to more senior colleagues to take on the Chair, reflecting a process of deindividuation:

I guess I felt this was a responsibility for the more senior directors (than me) who had a closer relationship with the Chair and had worked with the Chair for a longer period of time to have that one-on-one conversation with him. (Director O)

Finally, most NEDs described raising concerns during a decision process and felt their concerns were addressed along the way. None reported that their concerns remained unresolved to the point they were noted in the minutes (a formal protocol on most boards). They suggested that although this was allowed in formal protocol, this request was likely to have unintended effects on boardroom harmony. It would also be perceived by peers as a self-serving attempt by a NED to, as Director N put it, ‘cover their backside’.

Only one NED described a scenario in which he had a different view from the start of the process and it was only after several meetings that another NED began to accept his view. Up to that point, the dissenting NED went along with the majority view, raising his concerns, but not strongly. Other NEDs, while not attributing dissent themselves, described their experiences of other sole dissenters on their boards. This study found that it was easier for a NED to stand their ground on an issue if there were at least one other NED in a group that agreed. Clearly, there is strength in numbers, thus, giving support to this phenomenon as described by social impact theory (Latane 1981, 1996).

The strength of numbers mattered. Higher-power directors (those perceived to have longer and more established cognitive histories, as described in Section 4.2.1) commanded greater attention: ‘when they spoke others listened’, said one NED, and this is a form of social control of a debate. However, in some cases, experience was discounted when a director did
not have tenure. That is, higher-power NEDs who had joined recently were less able to exert influence on the direction of a debate, as evidenced by Director N. Despite having considerable experience as a CEO on global acquisitions and divestments before joining a board, Director N’s self-construal of his newness played a part in his reluctance to challenge decisions robustly. He recounted his hesitation during a debate a few months after he joined a board:

Fellow directors all seemed reasonably relaxed about it, and you start to think that maybe I am wrong and I don’t feel that confident that I have some divine inspiration that they don’t have. (Director N)

4.4.4 The Significance of Behavioural Variations in NED Uses of Influence

The relational and dispositional themes found in this study concerning a NED’s ability to deal with task and role tensions shape the way they choose to use their influence. The themes also suggest that while board cohesion was important for decision-making effectiveness, it also had the potential of creating self-censorship and act as a ‘mind guard’, thus, pressuring deviant thinkers to conform to majority opinions. This finding supports the theories of Janis (1983) and Forbes and Milliken (1999) and provides further support for socialisation tactics and social sanctioning, particularly as forms of informal control (Westphal & Khanna 2003). However, these findings extend the theorising around social sanctioning, suggesting that ‘one of us’ socialisation at times can be given more weight in boardrooms than experience. Social control was found to be exercised through several behaviours employed by higher-power NEDs, which included discounting a NED’s contribution, paying less attention to their remarks, not extending invitations to informal discussions and not building conversationally on the positions or views they put forward. In summary, this study found a wide variation in the nature and sources of NED influence and the skill by which this influence was mobilised, ultimately determining how a NED enacts their strategy-shaping accountabilities.

Prior career experience shaped the ‘cognitive givens’ each NED brought to a decision, such as knowledge, assumptions and mental models, and knowledge of alternatives and consequences of actions. A director’s social embeddedness had the effect of exposing each member to a diversity of macro-cognitions. These were broader cognitive strategies in decision-making, sensemaking or problem-detection processes that generated various effective courses of action not determined by interactions they had experienced on other boards. When experienced, NEDs brought more external cognitive history from multiple
directorships or multi-sector experience, which others perceived as enriching the processes of strategic debate concerning options and possibilities. It prevented the over-reliance on narrow skill bases, specialisations or ‘industry recipes’. Therefore, this social embeddedness and the exposure it provided had the consequence of tempering a board member’s tendency to reach for what has previously worked. Essentially, the findings showed that director networks could play a significant role in guarding against the narrowing of a director’s cognitive horizons, thus, suggesting that multiple directorships hold value for broadening a director’s strategic perspectives. The findings also show significant variations in the mix of human and social capital NEDs brought to a board and their experience of influence in and around a boardroom, which was affective and relational in nature. How NEDs vary on all these dimensions of cognitive history (board capital) result in power differentials, which, in turn, strengthens or weakens group identification.

The findings reveal the complexities involved in the effects and consequences of social factors, which the study’s second research question posed and discussed in Sections 4.2 and 4.3: how does the strength of an individual director and their sense of identity with a group construct a power dynamic that influences decision-making? They reveal that a NED’s relative board capital (a combination of experience, reputations, connections and networks) formed the basis of an invisible social hierarchy, which, in turn, determined how NEDs responded to influence attempts and how social support for these influence attempts of others was granted or withheld. It also showed that while a NED’s board capital was important, the social competence and dispositions of NEDs were critical in determining the success of their influence attempts.

As described in Sections 4.4.2 and 4.4.3 regarding relational and dispositional themes, social competencies included well-developed skills in questioning and dissenting constructively. These involve openness to learning and feedback and alertness to emerging thinking, articulating the relevance of one’s experience eloquently, owning and engaging constructively with the challenges and counter-positions of peers, the propensity to reflect and practice detachment while staying involved and resisting social pressure while being prepared to concede a point or argument in the face of a strong rationale.

The findings suggest that decision behaviours are as much influenced by a social system and its associated tactics in which NEDs find themselves as by the cognitive aspects of a decision at hand. Additionally, social systems also shaped decision behaviours, particularly the NEDs’
preparedness to mount influence attempts and the strength with which such attempts were mounted. Further, this study (which was focused on a large transformative decision with significant strategic change implications for an organisation) revealed several board personae and provides further evidence in response to the third research question relating to the moderators of boardroom influence. As noted, the third research question is addressed in Section 4.5: how do the effects of group membership or identification and power differentials interact to create a unique ‘social reality’ that moderates influence in and around a boardroom? However, since the behavioural variations in a NED’s use of influence reveal distinct board personae that comprise the ‘social reality’ of a board, as a segue into Section 4.5, the personae are presented as follows.

4.4.5 Multiple Influencing Personae of NEDs

NED-recounted behaviour of their peers can be distilled into personifying NED contributions as influence attempts. There were nine director personae distilled from the findings that directors adopted when influencing matters relating to strategic change and that pertain to influencing styles that NEDs observed of others. Some directors were reported to play several of these styles at various times during the extended decision story and reported personae they observed in their peers. These personae were situational, board and task-relevant. For example, some directors reported that peers adopted a manifestly different influencing style on other boards on which they shared membership, which is an important implication for how group membership can materially alter the experience of board culture. Additionally, it is possible that some personae were more appropriate for different stages of a company’s growth cycle.

4.4.5.1 The Mediator

This persona regards a director who habitually adopts a mediating role, acting as a go-between among two subgroups or individuals that have divergent views. A mediator tends to look for common ground and tries to make connections between divergent views on a given strategic position. They will generally have a more reflective style, be attentive to other NED inputs, seek to clarify underlying thinking, build on other views and generally be perceived as collaborative and a team player. A mediator may at times lose their voice in their attempt to be a peacemaker.
4.4.5.2 The Cheerleader

This persona regards a director who over-identifies with a group and believes their role is to reinforce the attractiveness of a group, thus, focusing on only the positive qualities views and actions of a group. In this regard, they often opine positively and frequently on almost all issues. When confronted with an acquisition proposal by management, they may often choose to focus on the upside, providing unqualified support. Their discernment skills may be underdeveloped or suppressed to achieve group acceptance.

4.4.5.3 The Pragmatist

This persona regards a director who is likely to have a realistic sense of the demands and constraints of current circumstances and be more interested in what will work or seems practical. Therefore, they may be focused, for example, on the practical implications of a potential acquisition on management attention and not necessarily on the upside potential. They may not be energised by ‘blue-sky’ thinking, believing that operational considerations and practical applications are more important.

4.4.5.4 The Conserver

This persona regards a director who prefers the known to the unknown and may find that ambiguity in a proposal is unsettling. They typically prefer an incremental proposal rather than one that involves transformative change. A conserver tends to opt for continuous improvement, seeks to minimise uncertainty and ambiguity and is generally perceived as risk-averse. On occasion, a conserver is referred to as the ‘black hat’ who focuses on why a deal or proposed strategic change should not proceed.

4.4.5.5 The Sage

This persona regards a director who says very little, but when they do their contribution is perceived by most other directors as wise. This director does not derive their wisdom from tenure, age or years of experience in a particular task but instead shows practical wisdom. That is, they instinctively know the right way to do the right things. When a sage asks a question, other directors reported wondering why they had not asked this themselves. As such, a sage plays a significant role in the learning of others, especially when contemplating strategic change.
4.4.5.6 The Technician

This persona regards a director who is manifestly functional or specialist in their orientation. They do not stray far from their functional discipline or specialisation, preferring to leave others to discuss issues who they perceive have more expertise. A technician tends to view all aspects of a decision through the prism of their discipline. In this regard, they were thorough and detail-minded but confined their contributions to discussions they thought they were most ‘qualified’ to comment on or influence.

4.4.5.7 The Politician

This persona regards a director who pays close attention to ‘how the wind is blowing’ before taking a position. That is, they take positions that further their own interests or personal ambition rather than the best interests of a company or stakeholders. This may include furthering their influence and connections with powerful board members to become more powerful by association. A politician may also engage in covert political tactics to shore up support for their own position. This persona is inherently political, not to be confused with the display of political astuteness or savvy.

4.4.5.8 The Innovator

This persona regards a director who shows a preference for a radical approach to strategic change. They continually challenge existing norms, politics and structures and are comfortable proposing a change that may disrupt the status quo because they believe change is good for an organisation. They do not just ask ‘why’, but ‘why not?’ They are generally seen to be counterintuitive thinkers and idea generators and are respected for their vision, big-picture thinking and contribution.

4.4.5.9 The Bomb Thrower

This persona regards a director who is often viewed as disruptive to the normal flow of a conversation and has an opinion on most issues. A bomb thrower has little regard or patience for group norms or past precedence. They display a confrontational, pugnacious and belligerent style of discourse because they believe there is far too much politeness in and around board tables. They often have a relatively low tolerance for emergent reflective conversation and are perceived by peers as unpredictable and volatile in their reactions and
responses. They often show surprise about the reactions they receive from peers because of their inability to understand the personal effect of their style.

In summary, these nine personae and the subjective roles that they imply each have implications for how the processes of accountability for strategic change may be exercised. NEDs may need to consider how they work with the many personae they may encounter in a boardroom and better understand how each persona may enable or inhibit the exercise of accountability during processes of contemplating, debating and deciding a strategic change. This taxonomy may also help a NED reflect on their own style—that is, whether they may be over-playing the role of a persona to the detriment of a decision-making process and collegiality of a board group. These personae may also be useful for a Chair in considering how they might proactively adapt their leadership approach to the management of a debate around a table to get the best out of its members.

4.5 NED Influence in Decision-Making and the ‘Social Reality’ of the Board

This section further reports on findings in response to the final research question posed by this study: how is the use of NED influence in decision-making shaped by the ‘social reality’ (of group identification and power distribution)? In particular, it considers how different board compositions and contexts moderate the use of NED influence, including themes that emerge from the effects of board leadership, the effects of board protocols on discursive practices and the effects of CEO attitudes to NED experience.

In terms of a board context and its effects on NED capacity to influence, the dynamic between a board and an executive was deemed critical, as discussed in detail in Section 4.5.3. For example, some directors reported the way in which a Chair ‘groomed’ a CEO to develop a deep and genuine understanding of the substantive contribution a board makes to CEO performance. This included both understanding the accountabilities of a board in oversight of key decisions and the tangible value that individual contributions of board members can make to CEO thinking on key decisions. Two of the 15 decision stories revealed the effect of a resistant CEO on a decision dynamic regarding negotiations and consensus building in relation to efforts for an acquisition.
It is significant that NEDs in this study who held multiple directorships reported experiencing very different decision-making processes on each board regarding opportunities for shaping strategy. This is the clearest evidence that context matters, thus, providing support for an institutionally contextualised orientation to board research. This orientation contrasts with an economic orientation that promotes a context-free approach to board research.

Despite this study focusing its exploration on a decision situated in a company, a second question posed as a ‘warm-up’ in the semi-structured interview about decision deliberations elicited some significant findings: ‘are there some boards you are on that you enjoy more than others?’ Since all directors involved in this study held multiple directorships, this question elicited a broad range of recollections relating to differences in the social reality experienced by NEDs. The degree to which a director feels validated and recognised for their contribution on one board could, through personal learning, strengthen their confidence and motivation to contribute on other boards. The data supported this implication to the extent that directors with experience on bigger and more prestigious boards appeared more confident of their role and contribution. However, levels of NED confidence might be (at least in part) a factor of the depth and breadth of experience, and be related to their cognitive history.

yes [laughs] … Inevitably there is a direct correlation between what I can contribute and my enjoyment … so if I can contribute, I enjoy it more. And what I have found is that areas that I have experience in and I understand the sector quite deeply, or I do understand the area of expertise and that is needed in the organisation … maybe I am more comfortable … I feel I contribute more because I understand the business better. (Director J)

All directors interviewed were able to articulate these distinctions. This provides the strongest evidence that the ‘social reality’ or dynamic of a board is an important factor in the study of effectiveness and accountability, and reflects the findings of most process researchers (Forbes & Milliken 1999; Huse 2008; McNulty & Pettigrew 1999; Pettigrew & McNulty 1995; Pye & Pettigrew 2005; Roberts, McNulty & Stiles 2005). Consistent with these studies on board context, Director N expected a board he joined would have an operational focus:

I joined another board which I thought was a very operational board and when I got there I found actually it did not have anything to do with the operation. [A]ll we talked about was financial engineering and structures and the rest of it. I did not really like that … I don’t think I am particularly good at it either … [I]t was all around its ‘23 per cent of this, which, in turn, had a 10 per cent option over that’ and
so on and so on. You had to have a PhD in high maths to understand what they were talking about. I thought we were going to talk about customers and operations and costs control and things like that and we hardly talked about that.

4.5.1 The Effects of Board Leadership

This section details observations participating directors made of their board Chair and style of board leadership and how it might enable or inhibit NED contribution. For example, Director C explained the importance of a Chair’s role as follows:

It is the nature of boards … especially on a board of a listed company … [Y]ou have a collection of people with very strong personalities … part of the skill of being a Chair is to use their personalities and use that experience to the company’s advantage and not let them get out of the control, not get out of the paddock.

While NEDs’ sources of power and attributes were relevant to understanding influence in a boardroom, the role of a Chair was also relevant. Particularly, the conversational culture and ‘reflective space’ created by a Chair’s leadership was described as a critical moderator of shaping behaviour, specifically a Chair’s facilitation of NED input and management of board process in reaching an agreement with which all directors felt they could live.

Participating NEDs recounted variations in how Chairs enacted influence in and around a boardroom. Some NEDs suggested that a generational change is starting to occur in Australian boardrooms, with more recently appointed Chairs operating with less of a ‘command control’ mindset replaced by individuals that have honed facilitation skills. There was consensus from all participating NEDs that a healthy board governance culture is one in which both agreement and disagreements are effectively managed by a Chair. Specifically, the study found six themes relating to the pivotal role that a Chair played in managing agreements and disagreements in relation to strategic proposals brought to a board. These are skilled facilitation, impartial judgement calls, reflective observation, effective process management, creating tactical interventions and the nurturing of psychological safety. Managing these factors is particularly challenging when there is not a significant ‘power distance’ between a Chair and a board comprised of equally experienced corporate elites (Magee & Smith 2013); essentially, a Chair must be able to exercise considerable skills in managing board relationships and interactions.
4.5.1.1 Theme 1: Skilled Facilitation

Skilled facilitation was demonstrated in how a Chair managed an agenda efficiently while allowing robust debate to thrive in a way that discussion was not hijacked or derailed by directors with one point of view. As Directors C and I observed:

this board has very strong chairman … very consultative … very good at making sure everyone has a say and keeps the debate going. He makes sure no one talks more than others. We have one director who does sometimes go on labouring the point … [H]e [the Chair] will say ‘I think we understand that point, but it’s really important we move on’. (Director C)

I was once on a board where the Chair did not have control of the board, and it went around and around, and I was in that company for one term so I voted with my feet because that is not the way a company should be run … They got themselves into an operating routine where individual directors had their own pet projects, and they were constantly pushing those projects and because … the Chair was not strong … [H]e would say to the CEO, ‘have a think about that will you?’. Not a [sic] way to run a company. (Director I)

it is not to do with the form of the organisation but is always determined by the people you sit around the table with and the way the Chair brings that group together. (Director I)

Irrespective of the extensive experience and knowledge individual directors may bring to a firm, NEDs recounted that how a Chair brought a group together was critical to a decision dynamic. From the moment a new board member is appointed, some directors suggest that a Chair is expected to play a critical role in successfully inducting a member by coaching and mentoring to get a director up to speed quickly and ‘contributing confidently’. Further, directors in this study saw a Chair as having the responsibility to ensure that the onboarding of directors is complete and effective, and an individual director is encouraged to proactively seek help getting the background and knowledge they need to contribute confidently.

NEDs reported that an effective Chair needed to ensure they did not put a stake in the ground too early on a proposal and let a debate run its course, thus, ensuring a diversity of opinion could emerge and proactively guide the conduct of discussion. Director B explained a Chair’s role in facilitating open debate as follows:

I think positioned as I am with four boards, one of the things that is quite critical to effective board operation is the behaviour of the Chair … [T]ypically they tend to
be strong personalities … but have to use that as a force for good rather than evil … Some Chairs are too ready to jump in and say what they think … [T]hey need to let the debate run and also [sic] coral it in when they need to … Keeping the debate even-handed … letting everyone say what is they can usefully say … without beating it to death … it is the skill of facilitation that not all of them have.

Director A felt that the wealth of experience NEDs on his board brought could have been better leveraged beyond a formal interview and selection process. NEDs observed that good Chair facilitation was proactive and did not wait for directors to insert themselves into discussions. Given that this Chair had a deep understanding of what each director brought to the table, they would invite NED contributions. As Director C explained:

he is also good at saying ‘Director X, I know you have experience in this, would there be anything you like to add … or Director Y, is there anything you can add to this debate’. He will actually facilitate that rather than wait … if he feels he wants directors to specifically talk about something he knows they have experience in he will ask them … [S]ome Chairs don’t do that.

4.5.1.2 Theme 2: Well-timed Judgement Calls

These findings suggested that in addition to good facilitation skills, Chairs needed to apply their judgement ‘in the moment’ to determine when to rein a discussion in or encourage more divergent thinking, but not give too much time to a well-known biased or researched view. The overworking of a point was a time-waster—a Chair had to judge and manage director contributions. However, in this regard, NEDs reported that some Chairs had more tact than others in facilitating contributions. For example, Director C recounted a time when a Chair suggested firmly, ‘we have heard that it three times, we don’t need to hear that a fourth time’. Director A also reported a Chair with a very direct style: ‘you have sucked the air out of that point, it’s time to move on’.

NEDs reported that Chairs also needed to be vigilant and spot ‘management cheerleaders’ and those who were pervasive advocates of a deal. Director A believed that in these cases, a Chair should intervene and allow others to balance a debate:

Some directors, because of their personality, have a bigger voice and may be more articulate [or] less fearless and a debate can get off the rails as a result … [T]hey become a pervasive advocate that can sway the whole conversation. That is why a good Chair is important, as they can create the interventions for others to contribute.
Director O described this impartiality as the skill of ‘faithful representation’—that is, the skill in faithfully representing the views of directors. A Chair’s oversight responsibilities in relation to a large transformative decision (such as these decision stories relate) requires faithfully representing directors’ feedback to management. In a decision story recounted by Director O, he suggested that a Chair had shown partiality in his judgement:

Something like this [deal] needed unanimous support to go through. It was impossible for consensus to emerge when the Chair has a fixed view that is contrary to the board. It was not process-related or skill-dependent. It was purely related to the mindset of the Chair [that] was aligned with management and wanted this to go through but without board consensus. Given the Chair had a fixed position, which was immovable, perhaps made him less sensitive to his colleagues and made it impossible to arrive at a consensus.

The culmination of this decision story ended with an example of offline cooption. Director O was ‘volunteered’ by more senior directors to initiate a discussion with a Chair about the loss of confidence in his chairmanship. This suggests a political motive by these senior directors not to be seen to have ejected a Chair from a board and ‘keep their powder dry’. That Chair departed months later.

**4.5.1.3 Theme 3: Reflective Observation**

The findings also showed that an effective Chair ensured rich engagement of spoken and unspoken concerns about a decision early in a conversation. In an issue raised with a Chair by Director G, this was not the case:

I raised it with the Chair and said that there was a lot of anxiety that was not surfacing at the board meeting … [H]e was frankly more than negligent on this. He politely listened, agreed, but did nothing about it.

The reflective skill involved careful observation of what was really going on in that debate. It related to observing when a director had something to say, but not saying it for whatever reason and finding ways to draw them into the conversation. As Director L reported, this required the Chair to be a keen observer of individuals so that their unspoken concerns could be voiced, ‘Peter [not real name], I can see you looking pensive, is there something on your mind?’
4.5.1.4 Theme 4: Effective Process Management

Despite that timing is critical in large transformative deals and most transactions had key ‘drop-dead’ dates, participating NEDs reported it was important for a Chair to be flexible about process. This included (when necessary) revising timelines on an agenda to allow more time for a debate, for additional information to be presented or to allow advisers more time to do their work. During the period of this study, the commodities market in Australia collapsed and this external factor required boards and Chairs to adjust the board process to account for factors outside an organisation’s control. As Director H explained:

he will review the agenda and notice that management has allocated 30 minutes and he knows it will take only 10 minutes … and only gives 10 minutes to it, and if something is going to be difficult and only has 30 minutes he may extend that to an hour, so people don’t feel under pressure to roll over quickly or their opinion is cleverly diverted because of time … [so] no one would feel … pressured or the decision was made too quickly. It will be really thrashed about.

Another area of process management concerned potential conflict of interest. In these instances, a Chair would ensure that directors who may have conflicted views—for example, because of their directorship on another board that may benefit either materially or otherwise from a deal—absented themselves early in the process. This was particularly the case in which participating NEDs were also on the boards of large banks, advising a big acquisition or competing to provide advice.

4.5.1.5 Theme 5: Creating Tactical Interventions

In addition to the four skills mentioned above, NEDs in this study recounted a range of tactics and skills their Chairs demonstrated. Concerning very large transformative decisions, directors recounted two ways in which Chairs supplemented their facilitation skills in a boardroom. First, a Chair spoke individually to each NED offline to ensure there were no concerns or questions not being raised at a board. Second, as Director A explained, a Chair used closed sessions to surface concerns that may not have been apparent during debates:

This was the time when some directors raised any concerns or reservations they may have had [which they were uncomfortable raising while the CEO was present]. Even if they don’t disagree with the CEO’s proposal, they may wish to voice a particular emphasis.
The use of a board dinner (with or without a CEO present) was also a tactic that some Chairs employed. Several directors suggested that the conviviality of a dinner, held after the conclusion of a board meeting, surfaced some interesting observations or nuances not voiced at board meetings because of the momentum by which an agenda progressed.

The ability of a Chair to create interventions for directors to contribute to a debate was considered critical. This includes the tactic of simply stopping discussions and signally to a ‘process check’ to determine individual positions. These reported tactics, practised by some but not all Chairs, were nevertheless critical in surfacing unspoken concerns (especially earlier in the decision process) and moderating the influence of pervasive advocates of a position not in the best interests of process or outcome.

4.5.1.6 Theme 6: Nurturing Psychological Safety

Finally, NEDs reported that boards they regarded as most effective were those in which the Chair created a sense of psychological safety, such that NEDs were made to feel safe to disagree and challenge the Chair as well as other NEDs. This skill theme was integrally connected with the preceding five skill themes, such that it was unlikely to emerge if a Chair did not possess the other five attributes.

In summary, the role of a Chair cannot be understated. They can strengthen a board or weaken it and cast a shadow over its deliberations. Despite this, all NEDs have a responsibility to take the lead if they feel that the direction of a debate raised personal concerns or anxieties.

4.5.2 The Effects of Board Protocols on Discursive Practices

Although this study was focused on NED interactions, board processes were the context in which those interactions occurred and could shape discursive practices and interactions, just as interaction history can shape process over time. Some board processes were more salient in this regard than others. This section describes the observations NEDs made about the effects of key processes on their experiences of influence in and around a boardroom.

Several themes relating to board protocols and practices emerged from this study as having a positive or negative effect on NED behaviour. All the boards in this study had a history of practices that characterised the conduct of their work. In the context of large ‘bet-the-farm’
decisions, such as the ones in this study, NEDs described the need for a different type of diligence. Norms practised in other ‘business-as-usual’ decisions were not applicable. As Director L explained, ‘investment into new markets is about belief … desire, ambition and passion … and not about facts, data or money and, therefore, demands a different model of governance’.

4.5.2.1 Closed-door Sessions

All 15 boards practised closed-door sessions in which members met without a CEO. This was sometimes held for 15–30 minutes at the start of a meeting and always at the conclusion. In some cases, the allotted time may spill over to an hour at the beginning of a meeting, with an agenda pushed back. NEDs felt these sessions were critical in stepping back from the heat of a live transaction and sharing reflections with the Chair and each other before a meeting began in earnest. A NED-only dinner, usually held twice a year or during a big deal or crisis, was also a way in which NEDs gave oxygen to this kind of reflective discussion.

While recognising its value, directors felt that private NED discussions should be managed carefully to preserve trust with a CEO. For example, Director G described how a closed session held during a live transaction was taken out of context and created friction with the CEO:

you have to be careful about this. You don’t want the CEO to feel ambushed. On another board, we had a case where we had discussed something at a board dinner, and everyone piled in, and then the Chair rang the CEO that night to tell him what had been discussed and the CEO asked understandably ‘where was I during that discussion?’

4.5.2.2 Board Effectiveness Reviews

Participating directors all felt that board reviews were an important aspect of board life and, if conducted well, contributed to the strengthening of board process and governance. Usually initiated by a Chair and undertaken by an external consultant or adviser, not all NEDs felt the review was run effectively. There were three concerns: the lack of feedback to individual directors after the process, the use of online questionnaires (which did not provide sufficient nuances about complex issues of dynamic) and the skill of the reviewer. Nevertheless, as the ASX (2014) Corporate Governance Council’s Principles of Good Corporate Governance and
Best Practice Recommendations require an independent review at least once every three years, reviews were reported to be occurring, albeit with questions about their effectiveness.

**4.5.2.3 Offline Discussions**

Informal NED interactions are important in shaping strategic decisions. NEDs in this study reported that such informal interactions strengthen governance, build relationships and cohesion necessary for boards to function well. They allow an informal sharing of ideas to test and calibrate thinking or seek additional understanding. This finding supports other research showing that informal relationships create a greater capacity for information sharing and mutual problem-solving. For example, Hansen and Lovas (2004) showed that meetings tightly structured in a formal environment could reduce open communication. Alternatively, loosely structured and informal meetings in a more casual environment facilitate open communication (Tuggle, Schnatterly & Johnson 2010). However, in some decision stories, offline discussions created pivotal moments during which powerful subgroups attempted to secure control of direction and the nature of an event. The data map excerpt shown in Table 3.4 and reported in Chapter 3 showed how pivotal offline discussions between members of a powerful subgroup could shift a debate to align with the views of a small minority rather than the collective wisdom of a whole board.

**4.5.2.4 Pre-meeting NED Interaction with Executives**

Most NEDs, on receiving board papers, identified areas that they felt needed clarification and sought this before a meeting from the CEO, CFO or other members of a management team, including the head of strategy. Some NEDs indicated that Chairs encouraged this kind of exchange, although others experienced Chairs who would insist they channel all available information. Generally, NEDs used their judgement on this, with smaller issues of contention best addressed with a CEO and or Chair before a board meeting, thus, leaving the bigger issues for debate in a boardroom.

More than half of the participating NEDs indicated that prior interaction with management gave them a chance to evaluate the executive function in two ways. The first related to assessing the robustness of executive contention regarding the target acquisition before a proposal was presented to a board. NEDs felt they should know of any lack of contention regarding a proposal at management level. The second was to assess the capability and capacity of a management team to digest a target entity. NEDs with experience in
acquisitions held the view that a board’s oversight role must include an assessment of the merits of a strategic proposal and the capacity of management to implement and creatively envision a company’s future. In summary, the sense NEDs made of their experiences in their capacity to influence did not just relate to their interactions or how a Chair led, but also to the way in which accepted board routines, norms and process were applied.

4.5.3 Effects of the CEO’s Attitude to Director Experience

It is in times of crises when you put to the acid test management’s attitude to those [NED] skills. I was on a company board once where management resisted even in a crises … [and] management resisted being too close to the board … On this board, management said, ‘we will take all the help we can get’. (Director M)

While this study did not include interviews with CEOs, the narratives of the NEDs contained several perspectives on how the attitude of a CEO could enable or inhibit the strategic contribution of a collective board. Several NEDs reported scenarios concerning resistant CEOs either on the company from which the decision story was taken or from other boards. As Director A explained, ‘a board is hostage to how the CEO chooses to engage with it, which, in turn, profoundly impacts the ability of the board to play its strategic advisory role’.

All NEDs spoke about their respective CEOs and there was a range of views. At one end of the spectrum, NEDs recounted that CEOs were resistant to NEDs’ strategic contributions, interpreting any questioning of strategy as a challenge to their competence. Conversely, NEDs recounted CEOs who proactively sought out NED skills and resources in and around a boardroom. There was an affective dimension to this variation, as well as a contextual dimension. Concerning the former, the NEDs attributed a CEO’s propensity to seek advice and counsel as a mark of emotional maturity. Those that demonstrated such traits showed well-developed skills in working with a board both collectively and individually and had developed such successful tactics. For example, some participating NEDs spoke about the way in which CEOs had learned to socialise big unformed ideas well before bringing a specific internationalisation proposal to the table, which they saw as constructive in aiding a collaborative relationship between a CEO and board.

As noted, this study was conducted post-GFC (2007–2008), whose effects were still being felt, and this downturn resulted in a large number of CEOs exiting their posts. Many institutional investors saw this period as one in which some CEOs who had ridden off the
back of a crest of interrupted double-digit growth for over three decades in Australia were now exposed, as was reported in numerous press articles. Most NEDs referred to turbulence, dynamism, uncertainty or even crises as the trigger for some CEOs to seek help from NEDs. In some cases, advice was perceived by NEDs to be sought reluctantly.

NEDs also indicated that CEO attitude to the skills on a board was a complex issue. In their experience, a competent CEO generally felt more secure in and confident about their role and did not fear a board. If a CEO was incompetent, this could often materialise in behaviour that was defensive, protective and distrustful.

In other cases, some NEDs reported political behaviour and power plays by a CEO who preferred little or no oversight and who opted for unilateral decision-making even on major transactions. Director K spoke about the unilateral action that a new CEO was taking in relation to an acquisition. Further, he suggested the CEO was taking advantage of the new Chair’s situation:

the new Chair had just taken over and was feeling his way … and he [the CEO] was doing it his way and functioning independently of the board … [In a] real sense we were being kept out of the deal … [T]he CEO was distancing himself and excluding the board at critical times, presenting us with a fait accompli on price. (Director K)

In other cases, a CEO was judged by a board not to be delivering promised value and, therefore, a performance judgement was made. In the case in question, as Director N reported, a divisional CEO was eventually asked to leave by the group CEO, with board backing:

The relationship deteriorated generally because he [the divisional CEO] felt more and more under pressure … Every time he stood up at the board to present regular updates on the strategy … he got a hard time … and the relationship started deteriorating … [W]e saw things we had not seen before in the guy … [H]e was aggressive with the board because he did not like some of the things the boards [sic] said to him. We saw some character traits we had not seen before.

Some CEOs, in Director O’s experience, were perceived to have an oversensitivity or touchiness and, when questioned, can demonstrate defensiveness:

It was at one of these dinners when I had a big argument with the CEO. Although it was not great at the time, it was a good one to have. I was asking about the way in which management were [sic] handling an issue which I was not happy about. But he thought I was criticising him. I was just trying to find out what really had
happened. It was not his making, but unless board members have information they
can’t do their jobs or decide if the way it was being handled was acceptable from a
reputational point of view. He thought I was going over old ground to play the
blame game … We need to know what happened to be able to discharge our roles.
It’s not the mistakes in business that sinks you. It is the way you handle the mistake
that sinks you.

These findings showed that people who had a highly subjective sense of power—defined by
Anderson and Galinsky (2006) as a psychological property associated with feelings—had two
consequences. First, they were less likely to heed advice, even from experts, and were more
likely to act independently. These findings reflect research that shows that high-power
individuals are likely to resist advice from people they see as novices (Anderson & Galinsky
2006). However, they resist advice from experts for defensive reasons. That is, the expert
status of an adviser challenges their own standing, knowledge and experience. Director G, a
NED who had previously held CEO roles, suggested that it was hard for some experienced
CEOs to admit that they may not have all the answers. Second, implicit in this subjective
feeling of power was a heightened optimism towards risks. Therefore, one might assume,
based on Anderson and Galinsky (2006), that high-power CEOs were likely to focus on
potential rewards and upsides and ignore the downside of a transaction.

Some NEDs in this study developed an attentive regard, if not a healthy cynicism, for CEOs
who ‘wanted to go global’ without necessarily weighing the risks with an executive before a
proposal was presented to a board. NEDs developed this ability, in part, by building a trusting
relationship with some members of a TMT. This was easier with some boards because their
CEOs encouraged board-member interaction between meetings. However, in the case of
other boards, in which CEOs were overly protective, any direct contact between NEDs and
members of a TMT was discouraged. In other instances, as Director L related, NEDs
employed the tactic of indirectly questioning a CEO about the levels of executive contention:

I also wanted to know that there was good contention within the management team
around price. I said, ‘convince me that you are getting counter views and challenge
from the finance people to make sure we do not overpay’.

To counter the over-reach of CEO influence on a board, some NEDs also reported that they
would only entertain board proposals that offered more than one strategic option. If this was
not the case, they would request reworking proposals so that more than one strategic option
was presented.
In summary, the findings show that NED behaviour cannot be fully understood without considering the social context in which they perform their duties, including Chair leadership, board protocols and practices, and the attitude of a CEO towards the skills on a board. The performance of NEDs’ duties is not solely reliant on the board capital an individual NED brings or the capacity to influence they represent through their social competence. It also relies on the deliberate choices they make to deal with aspects of inner context.

4.6 Discussion

This section discusses what the findings show regarding the processes of influence enacted at board level and the factors that enable or hinder NEDs’ contributions to strategic decision-making. Following a brief introduction concerning the ‘social reality’ of a board, the discussion proceeds by examining the triggers of influence attempts and the types of responses, the social equilibrium and ‘character’ of a board in terms of its social dynamics. It then presents a framework for defining the social competence required for exercising boardroom influence, including insights into the practices of strategically active boards and the implications for theory.

More broadly, this section makes the link to current theory by seeking to address three questions: How do the findings add to current theory about the influence of NEDs in strategic decision-making? Which findings run contrary to current theory? How might this study contribute to a new theory of the process of influence?

The findings, described in Sections 4.1 to 4.5, showed that director work is not merely an expression of agency but also an effect of social factors such as identity and power. The complex interplay between an influencer (in this case a NED) and an inner context creates a ‘social reality’ unique to every board. This social reality—in effect, a psychosocial infrastructure shaped by identity and power effects—is invisible to those in a boardroom, but is critical in determining how influence is exercised.

As members of a group develop an interactional history, mutual understandings and behavioural norms develop, as do expectations about their approach to process effectiveness. These understandings resemble a loose ‘social contract’ characterised by behavioural norms and expectations, which NEDs must negotiate through discourse to share power and influence with a collective awareness of and attentiveness to social cues and due exercise of
social competence. These relationships confirm research reviewed in Chapter 2, which showed that informal aspects of accountability are as critical as formal processes (Frink & Klimoski 2004; Robert 2001; Stiles & Taylor 2001). The social aspects that affect board function, as shown in Figure 4.4, appear to hold significant implications for understanding the processes by which accountability on boards is created. The findings suggest that accountability is contextual and relational and that the ‘social reality’ within a given board might affect how NEDs perform their duties, particularly by determining what NEDs choose to say, who listens to whom and the advice one chooses to heed.

![Diagram](image)

**Figure 4.4. Accountability as a contextual and relational phenomenon.**

Source: Author.

### 4.6.1 NED Use of Influence: What Triggers Influence Attempts and Types of Responses

This section discusses what determines a NED’s capacity to influence and the conditions under which influence is used to shape strategy in discussion with other NEDs. First, the findings show that diversity in the cognitive history of a NED determines their capacity to
influence, although not necessarily their skill to influence. Importantly, this finding directly contrasts with the current norms concerning the selection of directors, largely driven by experience and accumulated reputation—often referred to as ‘human capital’ (Stevenson & Radin 2009). This study found that the diversity of social ties, connections and networks—that is, a NED’s social capital—is equally important. The diversity and totality of a NED’s cognitive history (a combination of both human and social capital as ‘board capital’) is critical to a NED’s effectiveness and has implications for director recruitment. It raises questions concerning the narrow ‘professional and social gene pool’ from which directors are currently selected (Stevenson & Radin 2009).

Second, the findings identified two processes of social identification common to small groups, which represent the psychosocial infrastructure within which processes of influence operate. Both these processes of group identification operate invisibly to act as a source of power that manifests itself in actions taken by NEDs, such as interrogation, advocacy and debate. Over-identification with a board group can result in silencing one’s doubts to be accepted and to belong. Under-identification with a board group can generate interpersonal friction, suspicion, low levels of trust and a lack of cohesion among board members. These findings suggest that group membership effects must be in equilibrium for a decision-making process to be effective. Therefore, if the psychosocial infrastructure in and around a boardroom is not fully understood, current theories of rational action (reviewed in Chapter 2) may not fully explain what goes on in a strategy-shaping process.

The findings showed that NEDs mount influence attempts based on the subjective judgements about the level of social support they will receive or withhold from others. This decision is not based on rational considerations; instead, it relies on the often subconsciously held ‘like me’ and ‘not like me’ categorisations to determine how safe, comfortable or confident they feel about their place in a group. NEDs were seen to make a conscious choice of whether to use their influence driven by the level of social support they feel they are likely to receive for their ideas, perspectives and views. Further, in making this choice, to overcome any subjectively validated shortcomings in their cognitive history—in terms of experience, reputation, connections and networks—relative to others, they will mount an influence attempt if they feel they have the appropriate social competence. Since power differentials in boardrooms are more common (given differences in directors’ sources of power), these findings hold important implications for the kinds of social competencies directors require to
be effective. It is also evident from the findings that one way of combating conformity behaviour may be to affirm an individual’s self-concept. In a board context, a Chair might play a role in this respect, as can other board members, by overtly showing respect for the experience and perspectives of their colleagues, even when they do not agree.

Conversely, to determine whether a NED grants or withholds social support for the influence attempts of others, a subjective validation is undertaken based on whether a NED is perceived to be competent, have professional credibility, share the same views about the board role in strategy and hold similar values and beliefs. These perceptual themes influence how a NED reacts to the influences of others and ultimately affects the content, strength and direction of another’s attempt. That is, the choice a NED makes to mount an influence attempt or react to another NED’s influence attempt depends on social factors rather than purely rational considerations such as those proposed by rational action theorists. The practical implications of this finding challenge the approach taken by most board nominations committees. They tend to focus their efforts on hiring for commercial or functional skills. This study suggests that while commercial and functional skills are important, it is the social competence of directors that determines whether they are influential in an around a boardroom.

The strength of the influence attempt by a NED is a function of the confidence they have in their own judgement or the level of comfort they have with decision complexity; for example, this includes the personal tolerance for risk and the social support NEDs receive from each other. These factors combine to produce a unique level of engagement for each board and, in turn, determine the extent to which a final decision process will be enriched by robust and vibrant discourse. Thus, the style of confident engagement by socially skilled NEDs has important implications for how new NEDs are selected, socialised and developed in board work and, moreover, how the social skills and competence of current NEDs are developed.

The findings also suggest that these processes are dynamic. Individual NEDs are not just passive recipients of social effects but are continually making subjective judgements and validations, modifying and adapting their original positions and influencing the positions of others during a decision-making process. Over time, NEDs become aware through a history of working with each other, discursive practices, the decision logic and ‘political positions’ that each of their peers is likely to adopt and use in influence attempts. That is, a board represents a dynamic social reality in which consensus can ebb and flow over a decision-making process, as familiarity with the ‘workings’ of a group develops and as information,
perspectives and insights emerge. These factors provide an opportunity for NEDs to actively judge the merits of new information, learn from each other and adjust their positions. This form of intra-group learning is not fully explored by recent board studies. The dynamic environment of a board decision-making process challenges the faultline theory (Murnighan & Lau 1998, 2005) tested in experimental conditions, which suggests that fault lines are stable and persistent. The theory suggests that the differences within a group can align to create relatively stable and persistent fault lines. Where fault lines are weak, there is more collaboration and open debate of difficult issues. Where fault lines are strong, subgroups emerge with varying levels of power that members use to influence a debate when necessary, in some cases discounting or rationalising away perspectives different from their own. However, this theory does not acknowledge the existence of ‘soft’ permeable fault lines, of which this study found evidence. For example, only two of the 15 decision stories in this study exemplified entrenched subgroup views from the outset of a decision-making process. In both cases, the participating directors recounted that a Chair had, in their view, not played a constructive role. In one of these cases, the Chair was reported to be a member of the subgroup and failed to play an impartial role in working through dissenting views. The pivotal role a Chair plays is managing agreement and disagreement was described in Section 4.5.2. In the remaining 13 cases, it was found that over the period of a transformative decision, there was a dynamic social structure within which trust and respect were continually being validated, earned and re-earned, and shaped by the social support given or received for one another’s influence attempts. Figure 4.5 captures these complex social effects at play.
Further, the findings also showed that decision-making was not simply a battle of numbers. It was evident from the findings of NEDs on the larger boards in this study (those with 10 or more members) who reported that differences in viewpoints were more likely to emerge because of the likelihood of greater cognitive diversity. However, the differences that emerge in smaller groups that are generally tighter knit—such as the conflict described by Director E that occurred with the Chair of the Audit Committee—can be catastrophic to the continued functioning of a board (see Section 4.4.1). It was also evident from this study that the number of NEDs with a majority view may not be salient to a decision dynamic. That is, even one NED, provided their cognitive history is regarded as highly credible, may sway a majority. This was exemplified by the case of Director C, whose deep experience of North Asia was relied on almost exclusively by other members of a board, including its Chair. The findings also showed that minorities (subgroups of directors with views that differ from the majority)
could exist at the margins, as found in the transcript of Director G. Moreover, even if they do not have the status or credibility accorded to by other NEDs because of their cognitive history, a subgroup can make a difference provided they have the social competence to engage with and debate the majority group perspective. This dynamic view of a board’s social reality supports and extends the findings of the dynamic social impact theory (Latane 1996).

Third, few board studies have considered the role that personalities and traits play in NED effectiveness, an aspect addressed by the findings of this study. For example, the findings showed that the approach and skill with which NEDs mount influence attempts depends on their dispositions, which, in turn, shapes the style and behavioural approach they adopt in the process. This includes their propensity to act and reflect with others, practice detachment in their involvement and concede or resist social pressure. Psychological aspects of NEDs such as motivational needs, personality type, propensities or social competence have rarely been studied in relation to boards (Bailey & Peck 2013). However, the findings of this study show these aspects are salient to board decision-making culture and processes. The findings reveal that NED dispositions brought a productive balance to the dilemma they faced in being open to the influence of others, while simultaneously retaining independent-mindedness. Their dispositions determine their tendencies or propensities to act in certain ways, often observable to others.

As noted in Chapter 2, dispositions and associated propensities are driven by motives and needs (McClelland 1985; Schutz 1958). The stories NEDs told in this study showed that they observed the propensities of their peers on a board. These observations had implications on the use they made of other NEDs during the decision discourse. For example, the observation of Director A who valued the propensity to be independent-minded, recounted how they drew another NED into a conversation in an attempt to demonstrate and role model the importance of independent-mindedness to others.

Additionally, NEDs demonstrated certain motives in their narratives, particularly when responding to questions posed by the researcher at the start of the semi-structured interviews, such as ‘how did you come to be on this board?’ and ‘what attracted you to join this board?’ There are several motive theories. However, as described in Chapter 2, the most heavily cited and regarded as the most robust is McClelland’s (1985) human motivation theory, which identifies the various configurations of emotional needs usually accompanied by a dominant
need. The theory purports the idea that dominant needs shape action and, therefore, it can be inferred that NED dispositions reported in this study shaped the social skills they exhibited.

As behaviours are often the consequence of cognition (that is, how one thinks), the recounting by NEDs of their own thinking and the thinking of others (observed as more or less skilful than their own) was important in studying NED behaviour. The recounting of their thinking and the thinking of others reflected how their human and social capital combined in dynamic ways to produce what participating directors perceived as ‘practical wisdom’ (from the Greek phronesis) and sound judgement. However, the findings showed this ability was a double-edged sword for board groups. While it increased the diversity of cognitions at a board’s disposal, it also had the potential of creating interaction difficulties and lower levels of behavioural integration. The perception of practical wisdom only affected a decision-making process when a NED possessed sufficient social skills to coherently or convincingly articulate the wisdom and judgement variously gained and to sense the reactions of others and, thus, act on those reactions.

The manifested identities of NEDs described in the findings led to various shared and differentiated ways of being in a board group (shared identity at one end of the scale and differentiated identities at the other, as depicted in Figure 4.5) and had cognitive and affective dimensions. For example, from a cognitive perspective, NEDs on a board developed a mutual understanding of the underlying logic of each member’s decision-making behaviour, their discursive practices and ‘political positions’. However, importantly, there was also an affective dimension. Depending on the credibility a NED accorded to an influencer’s cognitive history, in some cases the affective dimension led to self-censorship of one’s own view or its affirmation.

In summary, this study suggests that unless this largely hidden social reality is fully understood, despite best intentions, the effectiveness of a NED’s influence attempts may not be fully understood. It also suggests that when identity and power effects are not in equilibrium, the processes of accountability may be compromised. Understanding the subtle working of emotions in board processes and the propensities required to engage frequently in reflection, becoming mindfully alert to important social cues, regularly taking a ‘balcony view’, being alert to subtle forms of social control, being vigilant about ‘group think’ and being comfortable with uncertainty and emergence are all crucial for NED effectiveness.
4.6.2 The Social Reality and Resulting ‘Character’ of a Board

This section discusses findings concerning the social dynamics of a board. As noted in Chapter 2, recent years have been marked by a shift towards a more dynamic explanation of social influence (Cialdini & Goldstein 2004). Rather than mindless compliance with a group, members engage in conscious and deliberate attempts to gain the social approval of others to build rewarding relationships and, in the process, enhance one’s self-esteem. Moreover, this behaviour is enhanced or strengthened when threatened by the prospect (or actual occurrence) of not fitting within a group (Cialdini & Goldstein 2004; Reicher et al. 1995). This conscious and deliberate process was evident when NEDs described their early experience with new boards. It was also found to be true of NEDs with a shared history of working together.

The interview data provided by individual NEDs highlighted how and why they believed contextual factors could influence the unique social character of a board and potentially influence the collective view of a board in decision-making processes. For example, NEDs with multiple directorships reported different levels of engagement on each of their boards. Some boards were reported to be more formal and reserved, largely because of the concentration of power in the hands of a few (evidence of differentiated identities) and others more open and engaged where power was more evenly shared (evidence of shared identity). The shared history of NEDs also appeared to be influential in director–decision behaviour through the mutual understanding and expectations of an agreement, not only due to board tenure but also through membership of the same boards. For example, NEDs who were on the same board and had a shared history on other boards had developed expectations either through their committee or board experience—a reflection of the mutual understanding of how the other NEDs would act under certain circumstances or in certain decision contexts—and a familiarity with each other’s decision logic and cognition. The study also found evidence of how implicit expectations (referred to here as ‘socialisation tactics’) including routines and habits learned together increased the speed at which decisions were arrived at because of this shared mindset. On occasion, this familiarity resulted in a NED assuming a view or position of another director with shared history, without explicitly exploring this in a boardroom. Familiarity may, on occasion, result in the consequence of missing a nuance contained in another NED’s view or position and, in turn, lead to unwarranted assumptions without verification of a specific point or discussion at hand. Therefore, assumed
expectations derived from a shared history may have implications on director effectiveness and the enactment of accountability.

The findings in this study suggest that in seeking a deeper appreciation of the character of a board, the notion of social equilibrium created by the effects of identity and power is relevant. Social equilibrium or disequilibrium exists within any given group, as the effects of identity and power play out between individuals within a group. Social equilibrium (or disequilibrium, in this sense) refers to the over-identification or under-identification in a group or real or perceived power differentials and distance that may exist among group members. NEDs in this study, through open-ended questioning, revealed whom they respected for their experience and why. The findings showed a strong relationship between their own experience and the experience of a NED who was the object of their praise. That is, being able to identify socially with those NEDs was relevant to where they directed their praise. The study further found that the experience, knowledge, connections and networks that each NED brought (as social and human capital) were judged as more or less valuable as their own, thus, creating a perception of power relativities in the mind of a participating NED. ‘Like me’ and ‘not like me’ categorisations made by participating NEDs reflected the degree to which shared or differentiated identities existed within a group. Differentiated identities along ‘like me’ and ‘not like me’ categorisations resulted in the perception of subgroups and, hence, the encouragement of some and the marginalisation of others. When a group had a shared identity, there was an equilibrium because everyone felt ‘on the same page’. When differentiated identities existed, disequilibrium led to individual directors over-identifying with a subgroup and under-identifying with a board group. Over-identification or under-identification had the effect of creating ‘constellations’ of power within a group—that is, personally construed subgroups divided along the lines of those that possessed less or more power than oneself. NEDs reported being able to overcome the effects of more powerful subgroups through demonstrating effective uses of social competencies (constituted by various social behaviours) to turn what limited power or social capital they had to carry out their preferred influence strategy.

While research on exploring the effects of ‘like me’ and ‘not like me’ categorisations exist (Oakes, Turner & Haslam 1991; Onorato & Turner 2004), studies of how these categorisations affect a decision-making in boards or TMT processes are sparse. Equally,
there has been little or no research on subgroup politics and how they might shape decision-making outcomes.

Given the decision selected for this study—one that carried significant complexity and uncertainty—conflicting views were inevitable and much more likely to emerge and these evolved dynamically through the decision-making process. When there was a disequilibrium, subgroups emerged whose agreement was greater than an overall group consensus; this had the potential of swaying a collective decision. However, the effects of identity and power were only salient when a director perceived there was no or little social support from other board members for his or her view. Therefore, social support can have a significant effect on the nature of agreement and contention in a group. Disequilibrium in identity and power effects may exert a disproportionate influence on a decision-making process and, in turn, undermine board effectiveness and accountability.

To balance tensions and achieve social equilibrium, the findings showed that the most effective boards may, in fact, need to operate some of their time collectively as if a ‘social contract’ existed between members; that is, they must negotiate as a unit to achieve this balance with collective awareness and coordination skills and share a common view about how to approach their work as a board. For example, Director L, who had deep expertise in technology, software, online businesses and a good understanding of the management’s proposal, felt the need to make this issue more comfortable for his peers—that is, to own up to their inability to understand the proposal. In this case, Director L told management, ‘if I don’t understand it then it is unlikely that others on this board would understand it’.

As noted in Section 4.4.2, when relational themes were discussed in the context of a challenge process, collective ownership of that process was achieved through NEDs adopting the challenges of their peers as their own, thus, supporting these challenges by probing, clarifying and confirming questions delivered in a way that showed their support and respect for others’ challenges. There was evidence that a board’s collective influence became fragmented when NEDs did not own such challenges as a legitimate part of board process or the true nature of board work. Directors also reported that a resistant CEO who sees a board working in unison is more likely to take a challenge seriously. However, ownership of this process is not always easy. The findings revealed that some NEDs felt the pressure of process ownership may at times manifest in social pressure to conform to a majority view. Ownership of this process was more difficult to achieve than ownership of a decision because the former
involved making a personal challenge, and this required social competence to execute successfully. Some directors reported that when personal challenges were not skillfully executed, they were perceived as a personal attack or a challenge to a person’s professional expertise or experience.

However, while a collective will (likened here to a social contract) was important, so was the need to draw distance from a group and remain independently minded through such processes. As noted in Chapter 2, this is one of several paradoxes identified by researchers as implicit in board work (Demb & Neubauer 1992; Hooghiemstra & van Manen 2004; Roberts, McNulty & Stiles 2005; Sundaramurthy & Lewis 2003; Van Ees, Gabrielsson & Huse 2009). These tensions can pull NED behaviour in different directions. The findings of this study showed that the perceived need for NEDs to feel collective ownership for the process might mask the pressure to conform, and this is subtly achieved through a form of social sanctioning often invisible to those external to a group. That is, control in the processes of exercising accountability in a corporate governance sense can be viewed as a social phenomenon in which members perceived as having higher power may seek to prevent deviance from established collective norms. This was particularly evident in decisions in which the consensus of a full board was required, as is the case of an acquisition. Directors reconciled these social pressures through the social competencies they demonstrated, as described in Section 4.4.3.

The findings showed that social identity could act as a source of power in a group. When subgroups were reported by participating directors to exist and when they perceived large power differentials in a group—and, therefore, less of a shared identity—directors observed that members of some subgroups became more vocal, in some cases swaying the direction and content of a debate and frustrating influence attempts of others.

Powerful subgroups can persist. For example, the findings revealed that individuals or subgroups perceived (by the narrating NED) as having higher power were reported to have more stable identities and board personas less susceptible to social influence attempts of others. They were also perceived as less likely to demonstrate empathetic concern for another’s views. This finding supports the theory of perspective taking, tested empirically by Galinsky et al. (2006), who showed an inverse relationship between power and perspective taking. Therefore, views became resistant to change and were polarised, including, in one case, an entirely split board in which consensus was impossible to achieve. However, in cases
reporting the existence of subgroups, the effect was more subtle than a split board, thus, ensuring compliance with a subgroup view by operating a form of social sanctioning. This finding supported social distance theory (Magee & Smith 2013) applied to a board context. It also supports the similarity–attraction theory tested in a board context in relation to the desired characteristics applied in the selection of a new CEO by a board (Zajac & Westphal 1996). Further, the finding suggests that ‘people like me’ is often the lens through which compatibility in values and beliefs is decided, thus, resulting all too often in a binary response: they do or do not think like me. When there was a strong shared identity in a group and when powerful subgroups were not reported to exist, NEDs recounted an open, robust and trust-driven dynamic and, more likely, that there was an open debate on difficult issues. However, directors reported that this shared mind was effective up to a point when it potentially became captured by groupthink, recounting their experiences on some boards in which there was very little contention.

By focusing on a transformative decision on which organisational, board and individual reputations are at stake, the current study brought into play the complex cognitive and ideological differences faced by NEDs. That is, a decision presented an environment in which differences in perspective on and the position of a company’s strategic options were much more likely to emerge. This heightened potentially exacerbating tensions associated with existing differences based on the diversity of values, beliefs, preferences, personalities and skills within a board group concerning the strategic future of a corporation. Particularly, this study showed evidence that powerful subgroups, whose agreement is greater than the overall group agreement, have the potential of swaying a collective decision. Moreover, this outcome was more pronounced when a board was confronted by a transformative decision. The findings also support Eisenhardt (1990), who concluded that when information is poor and stakes are high, decision-makers must engage in ‘active coping’ rather than slow and deliberate choices, especially when faced with a market in which the economics of an acquisition are constantly shifting. This current study provided a deeper insight into NEDs’ active coping behaviours in which the contextual dynamic of critical decision cases that the social reality a director finds themselves in is constantly shifting due to invisible undercurrents of identity and power.

This study showed that when subgroups existed with varying degrees of power they were willing to influence debates in how they thought was necessary, in some cases discounting
perspectives or rationalising perspectives different from their own. Board leadership (discussed in Section 4.5.1) was an important moderator of this delicate balance; particularly, a Chair’s role in creating psychological safety was pivotal when power was unevenly distributed across a board. In summary, a NED’s human and social capital contributed to the self-assessment of place in a group, which, in turn, determined how power was perceived to be distributed and the subsequent creation of subgroups, given these perceived power differentials between members.

In summary, this study has contributed to social theory, showing how individuals and groups are affected by the social reality in which they find themselves. That is, the presence or actions of others (real, implied or imagined) can influence an individual’s feelings, thoughts or behaviours. These findings show the effects of group membership on the process of influence. When there is higher identification between members, shared views of the world emerge and expectations of agreement are greater. When there is lower identification between members, multiple views of the world emerge and expectations of disagreement are greater. However, it is in this latter case—in which differentiated identities and subgroups emerge so that social reality becomes more complex—that this study makes its major contribution. Essentially, social effect in a boardroom is a function of cognitive history, the size of a board and the skills of its members, and it makes a qualitative difference in the methods by which members made or received influence attempts.

The invisible social reality in which the processes of influence occur can be compared to the metaphor of the water in which a fish swims. A fish is unable to perceive water, seemingly unconscious of its existence, despite it being essential to its life. Knowledge of the importance of the water only comes when a fish is removed from this environment. In this case, this invisible psychosocial infrastructure is impossible to see but is very much the vehicle through which influence is enacted. Directors’ knowledge of the workings of this infrastructure is essential, as is their skilful exercise of social competencies and associated behaviours if they are to remain influential in decision-making in and around a boardroom.

As noted throughout this thesis, NED variations were reflected in the human and social capital they brought to a board, comprising a unique mix of experiences, reputations, connections and networks. These variations in the board capital of members led to director ‘like me’ and ‘not like me’ comparisons, thus, creating, in effect, a construed social reality into which a NED must fit. These comparisons led to validations that acted as internalised
guides to a NED’s own and each other’s legitimacy and relevance in decision interactions—that is, judging someone’s legitimacy to influence, including the decision regarding ‘whose opinion or viewpoint should I pay more attention to’. These internalised guides can be viewed as the ‘psychosocial infrastructure’ within which influence is enacted. As discussed in Sections 4.4 and 4.5, this social reality as experienced by a NED also potentially affected the direction and strength of his or her influence attempts and the way in which those attempts was perceived and responded to by others.

4.6.3 Framework of Social Competence Required for Director Effectiveness

This section builds on the response to research question 2, which concerned how the strength of identity of an individual director and their sense of shared identity with a group constructs a power dynamic that influences decision-making and the analysis of ‘codable moments’ (representing NED influence attempts), as discussed in Chapter 3. Sections 4.4.2 and 4.4.3 extracted and described the relational and dispositional themes and the role they played in how NEDs influenced strategy. Contained in these relational and dispositional themes were a variety of skills and behaviours that NEDs demonstrated. This section examines the skills and behaviours these themes imply and presents an emerging framework for defining the social competencies required to exercise boardroom influence. For example, in exercising influence through questioning and contention (one of the four relational themes), directors demonstrated the ability to sense that something needed more explanation and then engage in persistent but respectful questioning when required—a honed situational sensing. Similarly, in exercising the propensity to resist social pressure (one of the three dispositional themes), NEDs demonstrated alertness in the face of strong views of persuasive advocates. In this way, each of the four relational themes and three dispositional themes could be broken down into behavioural indicators, as shown in Table 4.1.

<table>
<thead>
<tr>
<th>Behavioural indicators</th>
<th>Definition (of propensity/proficiency)</th>
<th>Social competence clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>ability to read social cues by</td>
<td>Propensity to accurately</td>
<td>Situational</td>
</tr>
</tbody>
</table>

Table 4.1: Emerging Framework Defining the Social Competence Required to Exercising Boardroom Influence
<table>
<thead>
<tr>
<th>sensing others’ internal states including unspoken concerns, meanings, intentions and motivations</th>
<th>perceive the motives, traits and intentions of others and gauge their needs and emotions (a honed situational sensing skill)</th>
<th>sensing (social perception)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• intuitively sensing when something does not feel right and requires more exploration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• knowing incisively what is relevant and what questions need to be asked to obtain this knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• checking regularly for (one’s own and other’s) understanding or appreciation of complexities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• sensing tensions that require diffusing constructively to move things forward</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• vigilance in the face of strong views or positions by persuasive experts or advocates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• desire to be seen supportive (of a deal), as well as challenging it simultaneously</td>
<td>Propensity (consciously or unconsciously) to manage how one comes across in social interactions with others to induce their positive perceptions</td>
<td>Impression management</td>
</tr>
<tr>
<td>• desire to promote oneself as balanced in judgement and considered in approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• desire to make a material contribution to a debate rather than opining on every issue to demonstrate relevance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• consciously avoids ‘offline huddles’ that may be misconstrued as political or lacking transparency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• attentive use of language to convey openness and confidence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to others including management</td>
<td>• attentive to the timing and pacing of one’s own contribution for maximum influential effect</td>
<td>Propensity to express views, opinions and ideas clearly to generate enthusiasm in others to gain their support</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• persistent, purposeful but respectful questioning of peer and management intentions and assumptions</td>
<td>• respectful engagement with others’ underlying beliefs and values for the position they take</td>
<td>Articulacy</td>
</tr>
<tr>
<td>• build on the contributions of other NEDs—synthesising and extending the strategic contributions others make</td>
<td>• preparedness to stand alone on a strongly held position, issue of principle or held value</td>
<td></td>
</tr>
<tr>
<td>• presenting well-researched and well-rounded arguments coherently</td>
<td>• presenting well-researched and well-rounded arguments coherently</td>
<td></td>
</tr>
<tr>
<td>• alert to emergent thinking—quickly sensing shifts in the unfolding discussion and emerging perspectives</td>
<td>• alert to emergent thinking—quickly sensing shifts in the unfolding discussion and emerging perspectives</td>
<td>Propensity to adapt to a wide range of new social situations, including adjusting one’s behaviour when required; feeling comfortable with individuals from diverse backgrounds; able to talk to anyone about anything</td>
</tr>
<tr>
<td>• alert to how one’s own experience may bias a position and willingness to compensate that bias</td>
<td>• alert to how one’s own experience may bias a position and willingness to compensate that bias</td>
<td>Social adaptability</td>
</tr>
<tr>
<td>• routinely and deliberately exploring what others see to calibrate, learn and adapt</td>
<td>• routinely and deliberately exploring what others see to calibrate, learn and adapt</td>
<td></td>
</tr>
<tr>
<td>• candidly admitting to lack of knowledge or insight about a subject and an openness to learn</td>
<td>• candidly admitting to lack of knowledge or insight about a subject and an openness to learn</td>
<td></td>
</tr>
<tr>
<td>• prepared to collectively own and</td>
<td>• prepared to collectively own and</td>
<td></td>
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</table>
As shown in Table 4.1, the behavioural indicators could be clustered into four groups for which the researcher uses the term ‘social competence’ required to influence a decision-making process: situational sensing, impression management, articulacy and social adaptability. Social competence enables an influencer to understand what others want and how they perceive things so they can select an appropriate influence strategy to use and carry out that influence strategy more effectively. Significantly, the clusters appeared to map across to the well-cited Baron and Markman (2003) study, which was based on entrepreneurs in the high-tech sector. This 2003 study itself was testing the seminal, extensively cited 5 factor personality model originally put forward by Barrick & Mount (1991).

The social competencies described in this section and the behavioural indicators underpinning them, together with the influencing personae described in Section 4.4.5, goes some way to assist current boards in a practical sense with the selection and socialisation of new directors. Importantly, it recognises a board as a ‘social reality’ that requires behavioural skill, not just commercial and functional knowledge and the expertise to navigate when exercising strategy-shaping responsibilities.

As the economic, business and social environment becomes more unpredictable, NEDs in this study acknowledged the need to become comfortable with more emergent forms of strategic decisioning. This included a preparedness to value frankness about uncertainty, to collectively acknowledge associated discomfort and to be more prepared to engage in disruptive thinking. Importantly, there are implications for how NEDs are selected and developed. The criteria include adaptive and agile thinkers who are comfortable with emergence and the use of intuition, multi-dimensional thinkers less binary in their approaches, those comfortable with ambiguity and those who demonstrate an ability to engage skillfully in collective rather than self-reflection.

In summary, a NED’s social competence can help mitigate shortcomings in their cognitive history and contribute to their effective boardroom influence. Importantly, social competence

<table>
<thead>
<tr>
<th>engage constructively with challenges by others</th>
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</thead>
<tbody>
<tr>
<td>• willing to allow conversations to emerge rather than feeling a need to control it</td>
</tr>
</tbody>
</table>

Source: Author.
recognises a board as a ‘social reality’ that, in addition to commercial and functional knowledge and expertise, requires behavioural skills for NED and board effectiveness. It carries practical implications for director selection and for the development of new and existing directors. More broadly, social competence development also holds implications for succession planning and the renewal of current board members. Finally, this study goes beyond normative studies to describe actual behaviours that directors require to influence a decision-making process.

4.6.4 Inferences and Insights into the Practices of Strategically Active Boards

It never ceases to amaze me how many NEDs believe their role is to approve strategy rather than co-determine it in collaboration with management … [W]e should not simply be the approval step. (Director G)

Despite this study being at director-level and the research questions pertaining to a NED as an individual, it was possible to infer from the data analysis some themes applicable to a board. In this section, some insights are offered into the requirements of a strategically active board—that is, boards that more actively engage in strategic matters and, therefore, make a material contribution to the shape and direction of a company’s strategic future. These insights are drawn from the findings presented in this chapter.

The study suggests that a strategically active board has four important characteristics that provide predictive power in distinguishing effective and ineffective boards. The first regards cognitively diverse, experienced and well-networked NEDs with lively discursive and inquiry skills, who are both comfortable with robust contention and are skilled in constructive dissent. The second regards NEDs who operate collectively as a group with a single view about how the work of a board is to be approached and, rather than just arriving at a decision at the end of a decision process (which can lead to board fragmentation), collectively own the process of arriving at a decision. The third regards an alert and intuitive Chair who is skilled in facilitation, creates a discursive space for reflection to occur and is alert to unspoken concerns on the way to building a clear consensus. The final characteristic regards boardroom norms and routines that have less procedural rigidity, thus, allowing for open, emergent thinking and collective reflection; it is also where good agenda management is as important as the quality of debate.
4.7 Implications for Theory

While theory has progressively recognised the complex and contextualised nature of decision-making processes, it has largely ignored the interactive social dynamic when individuals with emotions, creativity and memories come together in groups to make strategic decisions. The rational, normative and utility-maximising model (largely cerebral and economic in its assumptions) argues that a decision-maker examines a firm’s external environment and internal conditions and, using a set of objective criteria derived from this analysis, decides on a strategy. In this model, decision-making is seen as involving a series of sequential, rational and analytical processes to narrow strategic alternatives towards the best outcome (Boudon 2003; Goldthorpe 1998; Huff & Reger 1987; Hitt & Tyler 1991). However, this current study suggests that these models and associated theories do not reflect the actual processes by which directors and boards make potentially value-generating decisions. That is, the ‘social reality’ revealed in this inductive study paints a different picture—one that goes further than the suggestion that decision-making is a rational process and suggests that social identity and power play a pivotal role in how decision influence is exercised and how accountability is created.

This study confirmed the SIT (Turner 1975) and its related SCT (Turner 1985) described in Chapter 2 in the context of how it relates to board life and in particular it explains the nature of NED influence in and around the boardroom and how the processes of decision-making are shaped. However, this study also extended these two seminal Turner theories to reveal that the study of power and social identity are indivisible, in that group identification and categorisation facilitates comparisons based on one’s perception of relative position in a ranking sense, which sets the scene for a power dynamic and for power-related behaviors to emerge. This study then proceeds to describe these behaviours, as recounted by participants in this study. The study also extended these theories to conclude that NED motivations in joining a board (and anticipation of securing future board appointments) mattered in understanding how potential allegiances and norms of reciprocity may emerge, which may then lead to behaviour that is less questioning, thus, affecting how strongly they argue a point or show preparedness to adopt minority positions while shaping strategy. This has implications for how accountability is exercised and the degree of independent-mindedness directors apply to a task.
The study also confirmed and extended the two major theories of power described in Chapter 2: approach/inhibition theory (Keltner, Gruenfeld & Anderson 2003) and the social distance theory (Magee & Smith 2013). While this study found that those with higher power (in the context of the board capital they possessed) were more prone to launch influence attempts (thus, confirming the approach/inhibition theory proposed by Keltner, Gruenfeld and Anderson (2003)), it went further and concluded that one’s subjective sense of power can have a material effect on NED behaviour; by implication, this may lead those with less power (board capital) or less powerful subgroups to engage in revisions of confidence, opinion conformity and self-censoring of divergent views from those held by higher-power directors. This can dilute the processes by which accountability is created. Further, this study also concluded that NEDs with a strong subjective sense of power were not only less likely to learn and adapt from others but were likely to contribute to a situation in which psychological safety was not experienced by less powerful individuals. This imbalance in power distribution and its effects play a significant role in how accountability is exercised at board level. The study also extended the social distance theory proposed by Magee and Smith (2013), which, as noted in Chapter 2, describes the phenomenon of how social distance emerges and operates in power relations to produce various interpersonal phenomena affecting attitudes, behaviour and perceptions. However, despite this theory making a link between power and identity, it was only ever tested in experimental conditions through manipulations of power that were not in a real-life context. This study was able to extend this theory to show, in a real-life context, how differences in social power and construed place in a social hierarchy can have significant effects on how open a NED was to others’ views. This openness led to over-confidence by those who perceived themselves to have a higher place in a social hierarchy, which then had the potential of silencing others’ doubts. This has a material influence in the processes by which independent directors exercise their independence and, therefore, their accountabilities in shaping strategy. That is to say that this study was able (in a board context) to confirm and extend the relevance of both these existing power theories. While the approach/inhibition theory (Keltner, Gruenfeld & Anderson 2003) explained NEDs’ subjective sense of power and propensity to influence (as seen in this study), the social distance theory explained openness to the influence of others, which, in effect, determined ‘who listened to whom’ in and around a boardroom (Magee & Smith 2013).
None of these a priori theories of identity or power have contributed to understanding behaviours as those recounted by members of small groups such as boards (as in this study), in which power distances are relatively small and behavioural nuances subtle. The social reality of a board is characterised by the effects of an invisible social hierarchy and calls for specific social competencies, traits and influencing styles that have not been previously explored in a board context. As noted in Chapter 2, previous process studies (McNulty & Pettigrew 1998) have also suggested that just because a NED possessed the power to influence, that did not mean they will apply it and, therefore, distinguish between skill and will to identify that context was critical in how power was used. However, these studies neither describe exactly how context might trigger or shape the use of power and influence nor do they describe the specific skills a director might use to mobilise power. Table 4.1 summarises the social competencies recounted by NEDs, as captured in this study. Although qualitative board studies have increasingly been undertaken since the 1990s, they remain a small fraction of published work on corporate governance (McNulty, Florackis & Omrod 2013). Therefore, research to date has not extended our understanding of what goes on in and around a boardroom from a psychosocial perspective. This current study addresses some of the gaps that have remained in published board studies.

This study has also made a theoretical contributes to our understanding how social identity and power interact and, therefore, addresses the limitations of social psychology studies that have examined their effects in isolation. It demonstrates how power works through social identity in a board context; in doing so, it extends the two major power theories: approach/inhibition theory (Keltner, Gruenfeld & Anderson 2003) and social distance theory (Magee & Smith 2013). Additionally, rather than treating group membership as something to overcome, or power as a constraint on an individual or group, it views a board (when at its best) as an open, living and learning social system that treats a group’s social identity as a source of power and, thus, facilitates the agency that allows NEDs to make a real difference to the strategic direction of a company. In this regard, it makes an important contribution by extending the dynamic social impact theory (Latane 1996a) and applying it to a board context.

Based on a review of theories in the field and what was found in this study, a new model of decision-making is proposed, making a unique contribution to the extensive body of decision making scholarship (Martin & Parmar, 2012) and is described as a dynamic psychosocial
model of decision-making, as shown in Figure 4.6. In this model, power worked through social identity and determined the effectiveness or otherwise of a decision-making process. This model also acknowledges that power differentials exist on every board but only becomes salient through the task and role tensions that arise respectively from the complexity of a task and the varying views about a board’s role in strategy, as revealed through the decision case chosen for this study. As noted, NEDs engaged in an invisible but active coping process in which there was a propensity for higher-power NEDs to form subgroups based on ‘like me’ and ‘not like me’ divisions and make attempts to reduce deviance from their preferred view. That is, ‘one of us’ socialisation at times can be given more weight in boardrooms than good judgement. This can compromise the quality of collective decision-making, board effectiveness and ultimately board accountability. The findings also showed that when there was strong shared identity and when powerful subgroups were not reported to exist, NEDs recounted a healthier dynamic in which accountability was created and exercised. However, when social identity was fragmented because of the existence of large power differentials, social competencies, traits and influencing styles of a NED (captured in Table 4.1), as well as the astuteness of a skilled Chair (described in Section 4.5.2), acted as a moderator to prevent the undercurrents of identity and power to control the direction and pace of decision-making. Therefore, a productive balance (between member over-identification and under-identification) was key to the decision-making effectiveness on boards.

This current study also makes a theoretical contribution by extending the dynamic social impact theory (Latane 1996a) in two ways. As noted in Chapter 2, the dynamic social impact theory is a meta-theory that supports the social constructionist view that interpersonal communication is key; that is, a group’s culture is created by communication and suggests how individuals located in a social space influence each other to create higher order patterns and subcultures, which Latane (1996) describes as dynamic entities that feed on and evolve through communication. Group cultures and subcultures may appear to have an internal coherence but they are continually resisting categorisation because ‘individuals differ in their ability to influence each other and in their spatial location, affecting each other in a dynamic iterative process of reciprocal and recursive influence’ (Latane 1996, p. 13). This current study extends this theory by applying it to a board context (not previously attempted) and by linking it to a process of creating accountability in decision-making groups. In applying the dynamic social impact theory to a board context, this study describes the complex tripartite relationship between a director as sensemaker and an influencer, a decision-making process
and the inner social reality that results from group membership. Creating accountability in the context of Latane’s (1996) theory applied to a board describes a process that is perceived, evaluated, subjectively validated and acted upon by NEDs who find themselves in a social structure alive with identity politics that can materially control debate and contention. Accountability in this context can neither be fully explained by rational action theories nor can it rely on aspects and processes of formal and stable forms of accountability. Informal accountability—such as that implicit in the social contract between members about expectations and norms of behaviour—is just as important.

This study concludes that a strategy-shaping process is a socially accomplished process. Although NEDs shared similar beliefs about board accountability for strategy, they differed in how they exercised their accountability. Identity politics (largely invisible) determined if, how and when influence attempts were made or responded to and who listened to whom. The success of a NED’s influence attempt was determined by their relational and dispositional skills, not just the sum of their human and social capital.

Figure 4.6. A dynamic psychosocial model of boardroom influence.

Source: Author.
The dynamic model of board influence derived from this study and shown in Figure 4.6 contrasts with the undersocialised view of what goes on in a boardroom and contrary to conventional wisdom suggests that board accountability does not occur in a social vacuum. It also suggests that more cognitive effort will not ensure greater levels of accountability because people don't think and act in a social vacuum. A largely hidden social structure emerges when people become part of a decision making group. A social hierarchy develops, which results from power differentials between NEDs. How individual NEDs in this hierarchy use their power depends on where they see themselves in this hierarchy relative to others. Those perceived to be ranked higher in this social hierarchy will generally have more influence over decision deliberations. As shown in this study, subgroups may develop (driven by the processes of social identification and categorisation) and tip the balance of power one way or another, thus, generating action in favour of more powerful subgroups. This may have the effect of silencing or marginalising the contribution of those not part of such subgroups and, therefore, diminish the effectiveness of a board as a collective.

How individuals within this group make sense of this social structure, their place in it and if and how they choose to mobilise their board capital by use of social competencies creates variations in director effectiveness and, hence, variations in how board accountability is created. First, effectiveness is affected by a NED’s fear of losing their place in a group or their desire to strengthen their place in a group, as influenced their behaviour. Such fears can potentially interfere with the quality of decision-making and, in several cases shown in this study, result in the acquiescence of NEDs in the face of powerful peers. Second, how competently an individual NED attends to the use of their power (board capital) to influence the processes of decision-making contributes to the effectiveness of a board. The way NEDs use this power and influence is a function of the social competencies they possessed and applied during board discourse. Therefore, an effective NED is one who uses their social competencies to navigate the effects of power differentials they encounter. Additionally, an effective board is one in which a Chair works to ensures a productive balance between the effects of over-identification and under-identification with a group to prevent the formation of subgroups that can render decision-making processes less effective.

4.8 Summary

In conclusion, the findings of this study challenge the undersocialised view that suggests it is specific decisions and rational thinking that determines how decisions are made, which
extends existing power and identity theories in a board context. These findings suggest that
decision behaviour in and around a boardroom is as much influenced by its social
hierarchy—created by the complex effects of both power differentials and social
categorisation or identification—as they are by other inner-context factors such as how a
board is led, the attitude of its CEO and board norms and practices.

Further, this study suggests that the psychosocial structure of a board and its associated
effects affect both NED effectiveness and the processes of accountability, and may diminish
the potential contribution NEDs’ board capital can make. Rational action theories or
rationalist views do not explain these findings.

As revealed by this study’s findings, influence is a process and is largely dependent on the
social structure that exists in every board—a social reality in the form of an invisible
psychosocial infrastructure that directors must recognise, understand and navigate. The social
structure of a board matter in the conduct of influence and director effectiveness and the
granting and withholding of social support plays a vital role in the inner workings of a board.

The findings suggest that to navigate this complex social reality effectively, NEDs need to be
socially astute and skilled. An alert and intuitive Chair can proactively spot and manage
instability in its social structure and provide a context in which a skilled NED can contribute
effectively. Sound board protocols and practices, and a CEO open to and welcoming of the
board capital available to management, also plays a part.

These findings support the notion that influence is a complex interplay of actors, processes
and contexts. Actors (skilled or unskilled) drive processes, but actors are embedded in and
shaped by multiple layers of context. Therefore, in this reflexive dynamic process, both
actors and context are continually being shaped and, in turn, shape the process by which
directors seek to influence strategy. The context, as revealed in this study, required
recognition of ‘invisible pools’ of identity and power that exist in every boardroom, which
can taint a decision-making process and hinder director accountability. As noted, the role of a
Chair (as the owner of a board process and a shaper of context) plays a critical part in
ensuring that this tripartite dynamic of actor, process and context works effectively. This is
achieved by an alert and intuitive Chair who creates the necessary space for constructive
dissent by creating a sense of psychological safety.
However, the role of leadership is not exclusively the role of a Chair. Every NED plays a part in the processes of boardroom leadership. As the findings showed, an individual NED can make a difference. No matter how much board capital a NED possesses (experience, reputation, connections and networks), it is unlikely to be fully harnessed unless they possess the social competence required to carry out their chosen influencing strategy. This requires a director to be socially perceptive (aware and attentive to social cues and pressures), to show self-control and introspection when required, to adapt to fast-evolving changes and to have the ability to articulate clearly, confidently and compellingly their positions and concerns.
Chapter 5: Contributions, Conclusions and Opportunities for Future Research

The aims of this study were to investigate if and how factors such as social identity and power play a role in how NEDs influenced the shaping of company strategy—a critical part of their advisory role. This study is critical to better understand how directors approach potentially value-creating decisions; it also challenges the ‘undersocialised’ view of board accountability that has dominated the literature. The current body of relevant research was reviewed to identify gaps in understanding NEDs’ accountability as a social phenomenon, therefore, making a contribution to process research in a board context. It builds on the prior institutionally contextualised streams of process research described in Chapter 2 (Maitlis & Lawrence 2003; Pettigrew 1992, 2001; Pettigrew & McNulty 1995; Pye 2002; Pye & Pettigrew 2005; Roberts, McNulty & Stiles 2005; Samra-Fredericks 2003). This study adopted a unique methodology that explored this social phenomenon through the eyes of NEDs as expert informants—a methodology that is repeatable.

This final chapter first summarises the major contributions the study findings make in answering the three questions posed by this study, discussed more in Chapter 4. Second, it describes the implications for theory and for practice. It concludes with a discussion of limitations and opportunities for further research.

5.1 Contributions

This study makes three important contributions. First, this study addresses the limitations of prior studies that have taken a rational and normative view of decision-making. To be effective, NEDs (who represent company interests) are required to discharge their responsibilities to the best of their abilities, particularly in relation to their advisory role in potentially value-creating decisions. The study of the processes by which accountability is created has historically been dominated by a narrow set of theoretical approaches, such as those described in agency theory and rational action theories. This research bias (of studying accountability as a structural construct rather than a social process) has diverted attention from relational considerations relevant in the study of any ‘social system’ and the micro-behaviours of its actors, such as a board and its directors.
This study concludes that contrary to current perceptions, decision-makers do not simply make judgements on the basis of logic by using a set of objective criteria on which to analyse and evaluate a proposal. Instead, the effects of social identification and power differentials revealed by this study can enable or inhibit the valuable contribution NEDs make when shaping strategic decisions. The findings extend current studies by showing how NEDs’ identities, expectations, roles and accountabilities are socially constructed and accomplished as part of a complex dynamic in which power worked through group identification effects (such as categorisation and validation); this helped determine if and how influence was exercised when shaping strategy. In doing so, this study concludes that accountability in a board context is relational and is achieved through the processes of lively inquiry, engaged dialogue and attentive learning. However, the demonstration of these behaviours were shown to be influenced by which a NED construed themselves and others in the distribution of power within a board group. In turn, the resulting power dynamic shaped the extent to which the generation of alternatives, the debating of options, the modification of held positions and the pursuit of preferred strategies were encouraged. Essentially, this largely invisible power dynamic, unique across each of the 15 cases, was continually and reflexively shaping each other during the process by which influence was exercised. These findings support and extend the SIT (Turner 1975), the SCT (Turner 1985) and the two theories of power described in Chapter 2—the approach/inhibition theory (Keltner, Gruenfeld & Anderson 2003) and the social distance theory (Magee & Smith 2013)—by showing exactly how power works through group identification effects, such as categorisation and self-validation, when members work together in small groups. The findings also extend the dynamic social impact theory (Latane 1996) by showing how power differentials create a dynamic ‘social reality’, which feeds on and evolves through interpersonal communication.

Second, the researcher undertook this exploration through reconstructive narratives of a cohort of public company directors. The methodology and design of this investigation is unique and stands in contrast to other board studies that have been undertaken. It makes a valuable contribution to methodology in several ways. Board access is often provided as a reason for ‘arms-length’ studies. In this regard, the researcher’s professional networks and credibility earned over many years with board directors was relevant in securing the participation of NEDs from some of the largest public companies in Australia. Further, the researcher applied the snowballing approach, beginning with four NEDs who had significant standing in this community to pull the remaining participants, who were not known to the
researcher. Interpersonal trust is critical in these circles and meant that participants were more likely to agree to participate and be open with the researcher during data collection, particularly if the researcher were recommended by a peer that was trusted and respected in the director community. By using a behavioural event interviewing methodology, this study was able to access NED thoughts, feelings and motivations, which contrasts with ‘fly on the wall’ studies or ‘observational’ studies that do not provide direct access to thoughts, feelings and motivations, unless coupled with other methods. While these ‘fly on the wall’ or ‘observational’ studies can observe actions taken and can infer the thoughts and motivations that were behind those actions, they do not necessarily tap into the richness that was revealed through more than 90 NED quotes and reflections of their decision experiences reported in this study. The multistage method of data collection added the robustness that qualitative studies may often lack. The multistaged process meant that time spent with the 15 participating NEDs amounted to close to 50 hours of face-to-face time. Through this staged process, NEDs also had the opportunity to add further richness to their earlier recounts. The multistaged process of data collection allowed for pattern building and explanation building between and across the decision stories, thus, adding conceptual robustness to the study. Further, the care taken in selecting the 15 NEDs ensured that they held multiple directorships. The 15 directors were involved with some 35 public companies (through their multiple directorships), which gave the researcher confidence to suggest that these findings went beyond this cohort of 15—offering explanations beyond one NED, one board, one company or one sector. In summary, the design of this study is repeatable and, therefore, makes an important contribution to how future board studies may be designed to extend understanding of the inner workings of a board.

Finally, the study makes a practical contribution. If boards wish to strengthen their processes of accountability, they will require more than governance codes, board charters, committee terms of references and procedures. Instead, boards may need to recognise that board capital is only valuable if it is accompanied by social competencies and socially alert dispositions.

Board nominations committees responsible for hiring directors, onboarding and the development of existing directors may wish to consider these competencies and dispositions (not just relying on experience and reputations) in their efforts to strengthen the effectiveness of their boards. From the knowledge and experience of the researcher in working with boards, a skills matrix and the manner in which it is completed by board nominations
committees may be insufficient to establish the necessary balance or mix of board capital, skills and dispositions required to ensure that accountability and effectiveness are optimised.

Boards will require a deep understanding of the unique dynamic that is created when they work together, thus, suggesting that NEDs need to acquire the social competencies to navigate the effects of social identification and power differentials to be effective. In particular, when putting boards together, consideration needs to provided to how adverse social effects might be neutralised through ensuring that power differentials are small and social identity effects are balanced. This has real implications in how boards are constructed, led and developed, in the composition of boards, in NED selection and in the development and quality of Chair facilitation and leadership.

In summary, this study makes important contributions in a scholarly sense, as well as in a practical sense. It may be concluded that the more this invisible social hierarchy present in any board is acknowledged by NEDs, its effects fully understood and steps taken to create a ‘level playing field’ in its capacity and skill to influence, the efforts of boards to strengthen decision processes and decision effectiveness may fail. As social effects are neutralised when power differentials are small and when social identity effects are balanced during decision-making, boards may need to consider their compositions more thoughtfully. Boards will also need to prepare for ‘transformative’ decisions by undertaking post-decision reviews to derive insight about the process of arriving at a decision. While some boards undertake post-implementation reviews, these are typically focused on a decision outcome, rather than the process of reaching a decision or the political landscape in which it occurred. Reviews may need to focus on the processes by which a decision was reached, acknowledge political factions and behaviour and, while recognising that political behaviour is a fact of board life, take steps to neutralise its adverse effects. Such reviews may need to consider process refinements to ensure there is sufficient room for all voices to be heard and for unspoken concerns to emerge.

5.2 Study Conclusions

This section summarises the findings described in Chapter 4 in relation to the three research questions posed by this study. It also highlights the theoretical implications of its findings. In relation to the first of the three research questions (what are the origins of and differences in an individual NED’s power?), it may be concluded that in the context of a NED role being
largely cognitive in nature (i.e., they are not responsible for execution) this study extends the current typologies of power (Finkelstein 1992) by putting forward a more nuanced construct of board capital, which is aligned around shared cognitive histories, to explain the sources of power that NEDs bring to their respective boards. Further, the task of ensuring effectiveness in exercising a board’s advisory accountability concerned more than simply assembling a group of individually experienced and expert NEDs. A board that collectively has more board capital (i.e., the sum total of board capital of all its members) may not be more effective in influencing outcomes or strengthening the processes of accountability than one that possesses collectively less, as proof of the value a NED brings to a board is only evident in how they choose to use influence and how it was perceived and supported by others. A novel finding of this study was the role that NED motivations in joining a board (and anticipation of securing future board appointments) plays in understanding the potential allegiances and norms of reciprocity that may develop on boards. This, in turn, may result in behaviour that is less questioning, which, thus, affects how strongly NEDs may argue a point or show a preparedness to stand alone on an issue while shaping strategy. This has important implications for how accountability is exercised and how effectiveness in decision-making processes is ensured. As the board capital construct aligns around shared cognitive histories and motivations, and because this differs from one NED to the next, it sets the context for a power dynamic to emerge in the form of ‘power constellations’ defined by differences in cognitive history and motivations. These conclusions lead to the second of the three research questions.

In relation to the second research question (how does a NED’s sense of shared identity with the board group shape the process of decision-making?), it may be concluded that while board capital symbolises a director’s professional proficiency, it was not until their proficiency was proved in and around a board table through discourse that direct evidence of a NED’s value to the influence of a board (in strategy shaping) became evident. However, power worked through a social structure or hierarchy that acted as an internalised guide, which can have a pernicious effect on how NEDs choose to use their power or capacity to influence. Essentially, how strongly a NED identified with a board group shaped their thinking, perceptions and actions. When identification between members is strong (through board capital aligned around shared cognitive histories), there tended to be a greater expectation of agreement. Conversely, when there was lower identification between members, there were multiple views of the world that emerged and greater expectations of
disagreement. For example, it determined the vigour with which influence attempts were made, the extent to which contention was tolerated and the degree of acquiescence to directors or subgroups of directors was deemed more powerful in this invisible hierarchy. While participating NEDs did not speak openly about this hidden hierarchy, their recounting of their own and others’ decision behaviour showed varying levels of such awareness. The NED’s internalised guide to the social hierarchy (depicted in fig 4.6) was shown in this study to produce a power dynamic in which some directors may be heard over others; indeed, some may speak up more than others and some may choose to attach more importance to the more confident and strident views. When this occurs, independent-mindedness (the very role entrusted to NEDs) is lost and decision-making processes are compromised; in turn, this may affect a board’s effectiveness as a peak decision-making group. These conclusions not only elaborate and extend SIT (Turner 1975) and SCT (Turner 1985) within a board context, they also extend the social distance theory (Magee & Smith 2013), thus, confirming that power works through social-identity effects to produce various interpersonal phenomena, which affects attitudes, behaviour and perceptions. The psychosocial theory of board functioning that has emerged from this study addresses the current theoretical gap resulting from the separate research paths that social identity and power studies have tended to pursue.

Finally, in relation to the third research question (how is the use of NED influence in decision-making shaped by the ‘social reality’ (of group identification and power distribution?)], this study can conclude that the process of gaining and growing one’s influence on a board had to be continually negotiated and renegotiated between NEDs through discursive practices for which directors needed to demonstrate finely tuned social astuteness and competencies. This was a novel finding that emerged from this study, thus, suggesting that NEDs needed more than board capital. Given the challenges implicit in the ‘social reality’ revealed by this study, it is ultimately the social competencies, traits and styles NEDs demonstrate that determined how influential they may become. This is in addition to board capital, ‘soft skills’ (particularly situational sensing, impression management, articulacy and adaptability, as described in Chapter 4) and certain dispositions NEDs needed to utilise such capital when shaping strategy and when exercising their accountabilities. These dispositions included the propensity to act and reflect with others, the propensity to practice detachment and distance themselves while involved and the propensity to concede to or resist social pressure. These micro-judgements NEDs made of each other and recounted in this study were in no way static but subject to continually negotiated and renegotiated
relations through the discursive practices accompanying each influence attempt. However, those with a strong subjective sense of power were less likely to engage in perspective taking, adapt their positions or learn from others. These findings extend the approach/inhibition theory (Keltner, Gruenfeld & Anderson 2003), a theory of power that has previously only been tested in experimental conditions to explain the regulation and control of behaviour and, in particular, the propensity to act, which those in power demonstrate.

Additionally, NEDs perceived their boards to have a set of behavioural norms that evolved through the working history of a group, thus, exemplifying ‘what is acceptable around here’. These norms act as a constraint on ‘deviant’ behaviour. That is, a NED’s desire to fit in and retain the respect of their peers and a fear that they may lose social support acted as a constraint on deviance, thus, ensuring that efforts to establish one’s own legitimacy to influence must conform to what was generally accepted by a board. These findings elaborate the dynamic theory of social impact (Latane 1996a), which describes how a group’s culture is created by, feeds on and evolves through interpersonal communication.

In summary, the study’s findings provide the answers to the three questions posed in this inductive study and, in doing so, confirms and extends the cited theories that have largely been posited under experimental conditions. These findings make a significant contribution to the emerging body of board process research, which, while describing the conditions under which power is used for influence, does not describe how this is done; in particular, this regards the specific social competencies and socially alert dispositions may be required of NEDs.

5.3 Concluding Summary

This study attempted to meet the double challenge that board scholars have in making an effect, not only in a scholarly sense but also in a practical sense. The social factors revealed in this study that affect the processes of accountability lay in sharp contrast to traditional corporate governance theory or rational action theorists. The effects of social identification and power differentials play an important part in how a director chooses to engage and influence, thus, suggesting that the processes of influence and the enacting of accountability in and around a boardroom are socially accomplished. This ‘socialised’ view of a board and its effects on individual decision behaviour needs to be acknowledged and addressed to
strengthen the processes of decision-making and ultimately the ongoing governance of our institutions.

5.4 Opportunities for Future Research

Research into the process by which accountability is achieved needs to acknowledge a board as a complex ‘social reality’ with its affective, emotional, relational and social aspects. This acknowledgment requires that board researchers undertake more venturesome research methods than are currently the norm in board studies—methods that go beyond large-scale surveys or analysis of board minutes and focus on directors as the subjects of study. Although this call for more qualitative research into board behaviour exists in current literature, there have been relatively few studies of this kind (McNulty, Florackis & Omrod 2013).

Board life narratives employed in this study have made a good start in developing a practical understanding of how NEDs enact their advisory accountabilities. The study has successfully negotiated the difficulties of board access and revealed inductively rich ‘process constructs’ methods that rely on surveys and questionnaires are not able to accomplish. However, there are some limitations of this study.

A criticism of the use of reconstructive case design pertains to the accuracy of post-event recall. The use of reconstructive case design, while allowing us to explore the board dynamic—a largely invisible phenomenon that is inaccessible to researchers because of access issues—has some limitations, such as participant recall issues. However, by focusing the decision case on a memorable event, such as a large transformative decision (e.g., an international acquisition, which is pivotal in any NED’s board life experience), by its very significance, would aid a NED’s recollection of detailed conversations. Combining a case approach with a sensemaking methodology focused this inquiry on what NEDs themselves made of their experiences and their recounts of how they acted on the meaning they made of those experiences. The influence of bias and good impression management was always possible during the interview process, although candour and authenticity was found in all NED accounts. Candour is generally thought to be facilitated when good rapport is developed early between the researcher and a director, an important precursor to undertaking similar research.
The validity of extrapolating the findings on the strength of 15 cases can also be debated. However, given that all the participating directors were members of two to three other ASX boards, their thinking and behavioural approach may act as a broader and more representative study reflecting the combined situation of more than 30 Australian boards in the top 100 companies on the ASX.

The multistaged data collection process was also particularly useful in addressing some concerns often levelled at inductive studies, such as the perception of lower credibility when compared to deductive studies that rely more on statistical analysis and less on understanding participants’ meanings. The five carefully designed stages (from pre-understanding to the second set of validation meetings) allowed the researcher to calibrate conclusions drawn from the interview transcripts during the project and helped inspire trust in the integrity of the outcomes.

Future research may consider combining ‘fly on the wall’ studies (Brudin & Nordqvist 2004; Huse 2005; Huse & Zattoni 2008), such as, for example, observing board meetings, with behavioural event interviewing and narrative analysis (undertaken in this study). This combination while observing interactions in real time may also enable the tapping into deeper NED insights, beliefs and cognitive frameworks that influence their approach to board work, but of which they are not consciously aware. These beliefs and cognitive schemas would not be accessible if only a ‘fly on the wall’ approach were adopted alone.

Future research might consider extending the psychosocial approach put forward in this thesis to the study of less high-risk and more routine board decisions to determine if the approach holds relevance for all decisions, not just high-risk decisions, such as was the focus of this study. This may be an important line of future research, given that even routine decisions at a board level may sometimes have dire consequences.

While this study focused on power and social identity, variations in the perception of role identity was not studied. Role identity is regarded in literature as a relatively stable construct changing only in response to changes in role or position in a formal hierarchy. However, role confers a social identity (Hogg, Terry & White 1995). As such, future research may wish to study how (NED) role identity and social identity interact.

Finally, the dynamic psychosocial model of boardroom influence that has emerged from this study suggests that NEDs have the potential to materially shape the strategy of a company,
given their possession and use of social competence, as well as certain conditions within a board context. However, NEDs may not be able to fulfil this potential in full because of factors beyond the inner context of a board. Outer context (such as sector convergence or disruption, systemic-sector risks and shareholder activism) may confer on a NED and a board a greater or lesser ability to exert their individual and collective influence. Therefore, future research may consider studying governance practices through the double lens of both inner context and outer context to map the role a NED plays in strategic change in different settings.
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Appendix 1

Interview Questions

Warm-up questions (pertaining to the company from which a decision is drawn):

1. How did you come to be involved with your board? What attracted you to join it? How long have you worked in this sector? How long have you been on this board?
2. Are there some boards you enjoy more or by which you are more engaged? If so, why?
3. When you came to your first meeting with this board, was there anything that struck you about it? (Requires recollection of your first meeting). Were there ways in which it (dynamic) was different from other boards you may have been exposed to?
4. Are there some values or beliefs that you bring to your board work—what are these?

The Chosen Decision

Can you briefly situate the episode for me? What were you deciding about? We will explore details later, just give me the essence (briefly) of what the decision was about.

Main Interview Questions

1. Reflect for me generally first. Looking back, was there anything distinctive or memorable about this decision and the deliberations surrounding it? If so what was it?
2. Were there aspects of this decision/deliberation that you felt were particularly important or of particular concern to you personally? Why?
3. When you look back, was there anything you feel you contributed uniquely to the early shaping of this particular decision? What impact (did you think) that input had on the direction of the deliberations as they unfolded?
4. Do you recall raising a challenging point during any of these meetings? What was going through your mind at the time (when you raised it)? Did you feel you were understood fully on this point? If you had not raised it, do you think it would have
been raised by another director? (Note: question designed to explore how interview subject perceived their point got built-on or expanded by others).

5. Can you give me an example of a time (on this particular decision) when your input or advice was deliberately sought either during a formal board meeting or outside the board meeting? What was it and how was it utilised in the process (of arriving at the final decision)?

6. Can you give me an example of a time you participated in a conversation (over the phone or in person) outside the regular board meetings (on this particular decision) that you recall as memorable? Was this or any other informal exchange brought back into the board meeting for further consideration of the full board?

7. Is there a role you felt the others expected you to play in this decision, given your particular expertise and skill set?

8. (It may be that for different types of decisions, some directors will play different roles) Did you think that some non-executive directors played certain roles with respect to this decision? Can you give examples of roles some had played in this particular decision? In your view did directors tend to contribute within their domain expertise?

9. Can you recall a time when a difference in view emerged among the non-executive directors about the board’s role in strategy? How did it come about and how was it resolved?—new question.

10. Was there a time during these deliberations that you reflected (privately) that not everyone was at the same point of this unfolding discussion as you were? What were you thinking? Why did you think those distinctions persisted at that point in time?

11. As the deliberations unfolded did you arrive at a point when you felt that the conversation was not going in the way you had hoped? What were you thinking at that time? Where did you think the others were at? And what were you thinking at the time?

12. What are your thoughts about the paradoxical position that directors have of having to be a critic as well as a supporter of the proposal vis-a-vis management?

13. Did you feel there were directors on this board who spoke less or more than they should have? (Has this happened before on other boards you have been exposed to and what could/was done to encourage them to speak less or more than they should have?).
14. Are there some directors who have more influence than others on this board and prepared to use it from time to time. Can you give an example (related to these particular deliberations?). What is the source of their influence in your opinion? How did they use it in this decision?

15. I am interested in the conventions or processes for voicing dissent or raising a challenge to such proposals (these may be things you do in your mind, or things that you notice other do). How did those conventions work this time?

16. Can you recall a point at which you were persuaded otherwise by a compelling argument put forward by another director to cause you to adapt or modify your going in position? What was the point being made and can you describe your thinking at the time it was made?

17. Do you recall a challenging point voiced by another director (other than you) that was memorable? Why did you feel those views were important enough for that director to raise? How did you feel the board responded to his or her point? Did you feel that director was heard on that point? Was there agreement on the point and if not why? If that director had not raised the point do you think someone else would have raised it? Why do you think that? (Note: identify the extent to which the interview subject recognised/appreciated or was familiar with the views, perspectives and predispositions of fellow directors).

18. Do you recall how another director’s experience in IME (acquired previously with another company) was shared during discussions? What were you thinking at that time? What was the point they made and did you feel the point was heard? How did it shape the thinking of the group?

19. Were there some directors you felt invested more time or less time (in considering this proposal) than you expected them to? (Point out that this is about their personal expectations) What reasons might you have attributed to this?

20. One of the directors I spoke to from another board described a situation to me where there was an issue (relating to this decision) and he had an opinion about it that he thought was either not that important or urgent to raise and so he did not say much and then several meetings later it became clear that maybe he should have stuck to his instincts and have been more forceful with his own idea. Have you experienced anything like that and what was behind your original reluctance to raise the point? Can you describe that experience?
21. Are there some things you are not prepared to tolerate in the boardroom? During this particular decision-making process were there some things that you were uncomfortable or dissatisfied about? What was the source of your discomfort or dissatisfaction and how did you act on it (during or after this scenario)?

We have finished the formal interview questions. Is there anything you would like to add in reflecting on the role of the board in strategy and the way in which the diversity of experience that NED’s bring is applied to the decision at hand?

1. What you would like to see more of?
2. What you would like to see less of?
### Appendix 2

Profiles of Participating Board Directors

<table>
<thead>
<tr>
<th>Director</th>
<th>Company sector</th>
<th>Tenure on board years</th>
<th>Direct experience in sector</th>
<th>Age</th>
<th>Decision case</th>
<th>Business/functional background</th>
<th>Past experience in acquisitions as NED</th>
<th>Current directorships (in addition)</th>
<th>Date appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Retail</td>
<td>2</td>
<td>2</td>
<td>63</td>
<td>Acquisition in Asia</td>
<td>Banking/finance</td>
<td>Yes</td>
<td>2, 3</td>
<td>2008</td>
</tr>
<tr>
<td>B</td>
<td>Banking</td>
<td>4</td>
<td>4</td>
<td>61</td>
<td>Acquisition in Asia</td>
<td>Consulting/gen mgmt</td>
<td>Yes</td>
<td>4, 2</td>
<td>2006</td>
</tr>
<tr>
<td>C</td>
<td>Infrastructure</td>
<td>1</td>
<td>28</td>
<td>53</td>
<td>Major project tender in China</td>
<td>Proff’l services/ legal</td>
<td>No (but extensive M&amp;A experience)</td>
<td>3, 1</td>
<td>2011</td>
</tr>
<tr>
<td>D</td>
<td>Industrial</td>
<td>1</td>
<td>35</td>
<td>61</td>
<td>Capital rationing</td>
<td>Gen mgmt/Eng</td>
<td>No</td>
<td>1, 3</td>
<td>2013</td>
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<td>E</td>
<td>Financial services</td>
<td>8</td>
<td>12</td>
<td>61</td>
<td>Acquisition in Australia</td>
<td>Legal</td>
<td>Yes</td>
<td>1, 3</td>
<td>2006</td>
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<td>G</td>
<td>Infrastructure</td>
<td>5</td>
<td>25</td>
<td>68</td>
<td>‘Hostile’ bid</td>
<td>Banking/econ</td>
<td>Yes</td>
<td>2, 2</td>
<td>2009</td>
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<td>50</td>
<td>70</td>
<td>Acquisition in Asia</td>
<td>Gen mgmt/insurance</td>
<td>Yes</td>
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<td>2</td>
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<tr>
<td>I</td>
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<td>5</td>
<td>7</td>
<td>57</td>
<td>Int’l acqn</td>
<td>Consulting and gen mgmt/technology</td>
<td>No (but extensive M&amp;A experience)</td>
<td>1</td>
<td>2</td>
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<td>J</td>
<td>Property development</td>
<td>3</td>
<td>nil</td>
<td>59</td>
<td>Acquisition</td>
<td>Banking/legal</td>
<td>No</td>
<td>2</td>
<td>2</td>
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<tr>
<td>K</td>
<td>Industrial</td>
<td>7</td>
<td>Since 2007</td>
<td>65</td>
<td>Asian acquisition of French holdings</td>
<td>Gen mgmt/science</td>
<td>Nil</td>
<td>1</td>
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<td>L</td>
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<td>57</td>
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<td>Gen mgmt/engineering</td>
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<td>public</td>
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<td>Acquisition</td>
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<tr>
<td>N</td>
<td>Telco</td>
<td>6</td>
<td>Since 2008</td>
<td>59</td>
<td>Acquisition</td>
<td>Gen mgmt/logistics/</td>
<td>Yes</td>
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<td>1</td>
</tr>
<tr>
<td>O</td>
<td>Telco</td>
<td>8</td>
<td>Since 2001</td>
<td>67</td>
<td>Acquisition (local)</td>
<td>Gen mgmt/fin services</td>
<td>Yes</td>
<td>1</td>
<td>2</td>
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<td>Financial services</td>
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<td>67</td>
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<td>Legal/financial services</td>
<td>Yes</td>
<td>1</td>
<td>3</td>
</tr>
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