

New perspectives on board research: changing the research agenda

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Abstract Scholars and practitioners have recently devoted considerable attention to boards of directors, but far more research is needed. We still know little about how boards actually work and how their behavior may be improved to contribute to value creation. During more than two decades agency theory has been the dominant theory in studies about boards of directors. When relaxing some of the assumptions in agency theory several new pathways for new research arise. To present new perspectives on board research we follow in this essay some of the pathways arising from relaxing agency theory assumptions about complete contracts. Alternative theoretical approaches, research questions and methods are suggested.

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1 Introduction

Over the last two decades, there has been an apparent consensus between academics and practitioners regarding how to achieve good corporate governance. Board independence has been the main criteria, but this prescription is now severely challenged. A significant amount of research has emphasized how few measures of board independence are related to corporate financial performance. Moreover, in this research tradition examining independence characteristics of boards, actual board behavior has lacked significant study efforts and is considered ‘a black box’ (Daily et al. 2003; Gabrielsson and Huse 2004; Hambrick et al. 2008).

Several theories have been used in strategy and management research about boards of directors (Hung 1998; Huse 2007; Zahra and Pearce 1989), but agency theory (Jensen and Meckling 1976; Fama and Jensen 1983) has dominated such research for two decades. However, agency theory is based on various assumptions that are disputable. For example, agency theory assumes complete contracting *ex ante* for all stakeholders, but for shareholders (Child and Rodrigues 2003; Hoskisson et al. 2002). If we for example, just change this one assumption and assume that incomplete contracts exist for all involved, then stakeholder related issues and theories emerge naturally and so does the need for team production theory (Hoskisson et al. 2009; Huse et al. 2008; Wang and Barney 2006; Zingales 2000). Furthermore, incomplete contracting requires more negotiation among actors *ex post*, and thus process issues and behavioral approaches will become more salient as well (Rajan and Zingales 1998). Challenging agency theory and relaxing some of its basic assumption may lead to new research traditions and new perspectives on board and corporate governance research (Zingales 2000).

The objective of this essay is to put forth some tenets of a new research stream. We will follow up some of the consequences of the above relaxed assumptions in agency theory, and address issues and theories related to understanding the context and stakeholders, team leadership and team production, and board processes. Consequences for methods will also be suggested. The rest of the essay is organized into five sections. In the coming section we summarize and analyze recent calls for new perspectives on board research. In the three subsequent sections we suggest alternative theories, alternative research issues, and alternative methods. In the final section we discuss some of the implications of the suggestions presented.

2 Calls for new perspectives on board research

The needs for new perspectives on board research have been introduced in various publications, and various recent special issues of scientific journals have addressed the topic. The introductory essays to these issues generally focus on the severe

limitations in present research, and they call for a changed research agenda. We will here use some of these essays as a back curtain for our presentation. We will examine three essays which provide good summaries of what is needed for a new research agenda. They are from *Academy of Management Review* (Daily et al. 2003), *International Studies of Management and Organization* (Gabrielsson and Huse 2004), and *Organization Science* (Hambrick et al. 2008). A comparison of these summary articles is found in Table 1. A brief overview reveals that they have different authors, different formats and are written in part for different audiences, but have much in common regarding suggestions for developing alternative perspectives.

2.1 Dismantle fortresses

Daily et al. (2003) challenge scholars to dismantle fortresses, and the objective is to take corporate governance research to a next level. The fortresses to be dismantled are the black box of actual board behavior, the near exclusive reliance on agency theory in extant research, and the existing empirical dogmatism. They argue that research about boards and corporate governance should open the black box of actual board behavior, but warn that gaining access to this kind of data is a challenging barrier. Daily et al. suggest a re-conceptualization of the treatment of boards within the agency theory framework. They suggest that boards do not exist only to monitor managers on behalf of shareholders and argue that boards also have other tasks, and directors' responsibility is not exclusive to shareholder value maximization. They refer to Blair and Stout (2001) that introduces a team production approach. From this perspective boards serve as “mediating hierarchs' charged with balancing the sometimes competing interests of a variety of groups that participate in public corporations” (Blair and Stout 2001, p. 409).

Daily et al. question if practice follows theory or vice versa, and they indicate that present research is characterized by the blind leading the blind. To advance research about boards and corporate governance, they argue that scholars need to go beyond establishing and protecting their own fortresses of research. Scholars too often, they argue (Daily et al. 2003, p. 379), have been subject to empirical dogmatism, and they generally avoid conducting research that is critical to established research models, methodologies and findings. Daily et al. furthermore argue that the battle to advance research and practice must be a collective one.

2.2 Context, behavior and evolution

The core themes in Gabrielsson and Huse (2004) are context, behavior and evolution. The objective in that article was to test the ‘lamp’ and ‘hammer’ syndromes on empirical board publications. They reviewed all empirical management articles about boards of directors published in 1990–2002 in six main scientific journals. A total of 127 empirical articles about boards were found in *Academy of Management Journal* (27 articles), *Administrative Science Quarterly* (26 articles), *Journal of Management* (11 articles), *Strategic Management Journal* (34 articles), *Journal of Management Studies* (16 articles) and *Journal of Management and*

Table 1 Changing the research agenda and new perspectives on board research

	Daily et al. (2003)	Gabrielsson and Huse (2004)	Hambrick et al. (2008)	Common contributions
Key phrase	Dismantle fortresses	Context, behavior and evolution	Behavioral perspectives	The field is at a crossroad
Objectives	Taking corporate governance research to a next level	Testing the “lamp” and “hammer” syndromes on board publications in six main journals	Identify contributions from strategy and organization researchers	Establishing a changed research agenda and new streams of research
Topics	From what we know	From ‘usual suspect’ and ‘input–output’ studies (79% of published studies)	From formal structures	
	To what we do not know	To exploring the importance of:	To behavioral structures and behavioral processes	Understanding behavioral processes inside and outside the boardroom
	Other tasks than control and internal dynamics	Context (10%) Behavior (10%) Evolution (2%)		
	Shareholder activism and external dynamics Contextual dynamics (crisis)			
Theories	From agency theory (that is simple and therefore overused—two actors and easy assumptions)	From agency theory (as main theory in 54% of the published studies)	From economics and legal approaches	
	To multi-theoretical approaches integrating micro and macro theories	To theories reflecting behavior, context and evolution	To theories about power, social and organizational psychology, identities and symbolic management	Using theories that broaden the scope and challenge traditional assumptions about principal–agent relationships
Methods	From empirical dogmatism based on established methods and data that fits narrow conceptualizations to the exclusion of alternative paradigms	From samples (U.S. samples), data (archival) and methods (large scale) that meet the ‘hammer’ and ‘lamp’ criteria	From solely use of variance studies	
	To dismantle fortresses and promote research that is critical to previous methods and findings	To samples, data and methods that explore context, behavior and evolution	To studies exploring processes and reflects that there is no single optimal governance system	Using process-oriented data that helps us explore what we do not know

Table 1 continued

	Daily et al. (2003)	Gabrielsson and Huse (2004)	Hambrick et al. (2008)	Common contributions
Particular challenges	Does practice follow theory or vice versa? Present research is characterized by the blind leading the blind.	All articles about boards in the <i>ASQ</i> , <i>AMJ</i> and <i>JoM</i> used U.S. samples and had lead authors from USA	As corporations and societal norms evolve, so do the boundaries of what constitute governance	Changing the research agenda is a collective effort, and we should use the full scope of tools available to us (Daily et al. 2003)

Governance (13 articles). The articles were sorted and clustered based on theory, topic and method. The clusters input–output studies, contextual studies, behavioral studies and evolutionary studies were used. The clusters from Gabrielsson and Huse are presented in Table 2.

Most of the articles (99 articles) were in a stream of research trying to test the relationships between a few variables relating to board composition and corporate financial performance (the input–output cluster). All these studies relied on archival data about boards. The majority of these studies had foundations in agency theory, but some studies complement or contrast agency theory predictions by using other theories, e.g. stewardship theory, resource dependence theory, etc. Theories related to resource dependency, social networks and interlocking directorates provide the basic framework in some of the studies. The contingency study cluster included 13 articles. There was only limited internal coherence in this cluster with respect to approaches, theories and methods. The behavioral studies cluster also included 13 articles. The data collection in these studies was mainly derived from survey methods. The final cluster with only two articles included both behavioral and contextual perspectives. This cluster typically consists of qualitative case studies, but as indicated, few such studies have been published in main journals.

Table 2 Clusters of empirical board research based on issues, theories and method

Focus on context ↑	Contextual studies 10% of empirical studies	Evolutionary dynamics 2% of empirical studies
	Accountability and the identity of board members	Power and dynamics outside and inside the boardroom
	Input-Output studies 78% of empirical studies	Behavioral studies 10% of empirical studies
	“Away from what we already know”	Board leadership and the board as a team
	→ Focus on behavior	

Based on Gabrielsson and Huse (2004)

2.3 Behavioral perspectives

The Hambrick et al. (2008) essay is about behavioral perspectives in research on boards and governance. They identify contributions that come from strategy and organization researchers. The authors introduce a two-by-three matrix in which they sort the interests and contributions from scholars in different traditions. As Table 3 illustrates, the dimensions on one axis are organization inward versus organization outward, and on the other axis formal structures, behavioral structures and behavioral processes. Organization outwards is focused on the macro perspective, and the organization inward is focused on the micro perspective. The legal and economics literatures focus on the role of formal structures and systems. They argue that economists tend to focus on organization inward (in particular incentive systems), while legal scholars tend to focus on organization outward. Most studies are in these traditions, but Hambrick et al. argue that other questions may be of more significant importance for strategy and organization researchers.

Again, as Table 3 notes, behavioral structures are about power and social networks. Who has the most power within the boardroom and who has the least? Who are the most important institutional actors, how are they linked and what are the consequences for the firm and society? Organization inward shows how positions affect power/politics within organizations, and organization outward shows how power and information flow in inter-organizational networks.

According to Hambrick et al., behavioral processes relate to social psychology and symbolic management (see Table 3). Core organization inward questions are: what is preventing boards from engaging in open discussions or board members to ask tough questions, what are the main characteristics of the boards' discussion style, what are the antecedents and what are the consequences? These questions reveal how decision-making processes may be biased. Symbolic management is organization outward emphasizing how symbols and language can address normative compliance with societal norms and values. Such questions include:

Table 3 Theories and issues for studying board behavior

Macro: inward bound	Legal Creating and enforcing governance rules and regulations for societal benefits	Social networks How power and opportunism among institutional actors influence board processes and outcomes?	Symbolic management How the board is situated in a historic, social and organizational context, and how does this influence processes and outcomes?
Macro: outward bound	Economics Designing optimal incentive and monitoring structures	Power How power differentials among board members influence processes and outcomes?	Social psychology How do board members perceive themselves as directors, and how does this influence processes and outcomes?
	Formal structures	Behavioral structures	Behavioral processes

Based on Hambrick et al. (2008)

how do societal values regarding corporate governance change over time, how do firms keep up with such changes, and how do companies try to communicate that they are well governed? Hambrick et al. argue that as corporations and societal norms evolve, so do the boundaries of what constitute governance.

The important aspects that all three essays emphasize are that (1) theories should be employed that broaden the existing scope of research and challenge traditional assumptions about principal–agent relationships, (2) understanding processes inside and outside the boardroom, and that (3) process-oriented data should be used to help scholars explore what they do not know (see Table 1). These issues will be addressed in the following sections.

3 Theories should be employed that broaden the existing scope of research and challenge traditional assumptions about principal–agent relationships

The reviews presented above all emphasize that there is a need to move away from the emphasis on agency theory. Agency theory has dominated corporate governance studies because it proposes a satisfactory explanation of problems associated with the separation between ownership and control, and governance systems to solve the conflict of interests among management and shareholders are easily derived (Daily et al. 2003). The general use of agency theory is based on relationships between main actors, and on some simple assumptions. However, the extensive reliance on agency theory has put a great emphasis on board control tasks, the down side of value creation and that of value distribution. Agency theory has its roots in finance. Hambrick et al. (2008, p. 382) argue that scholars in organization and strategy have other theories and as such do not need to rely on perspectives from law and economics.

Introducing new perspectives and an associated research agenda does not mean that the accumulated knowledge from financial economics and agency theory should be thrown away, but that it should be balanced with perspectives from other disciplines and theories. Strategy, management and organizational behavior scholars should also draw from the rich body of theories existing in these disciplines.

There are many theories that can help us understand boards of directors (Hung 1998; Huse 2007; Zahra and Pearce 1989). We will here suggest three perspectives that are motivated when we relax agency theory assumption about complete contracting ex-ante for all stakeholders, but for shareholders. These are perspectives focusing on stakeholders, behavior and team production. The theories we present for future board research are identity theories (Ashforth and Mael 1989), behavioral theory of the firm (Cyert and March 1963) and team production theory (Blair and Stout 1999, 2001). These also correspond to the calls to bridging micro and macro perspectives, relating the firm to its institutional context and focusing on behavioral assumptions (Daily et al. 2003; Gabrielsson and Huse 2004; Hambrick et al. 2008).

3.1 Identity and social identity theories

Our first approach is about stakeholder related issues. Multiple stakeholder constituents are likely to have different goals, accountability and evaluations of board effectiveness and, as such, will be very complex. Involvement and power of various actors depend on the context in which the board operates (Freeman 1984; Thompson 1967). Aguilera et al. (2008) provides a comprehensive framework for how the institutional context affects the appropriateness of alternative governance practices, including the interdependence between the organization and the institutional environment. A contextual approach to understanding boards of directors will require an investigation of the influence of its institutional context. This includes an understanding of influencing forces and power relations. Theories originating in social psychology and sociology as social network, social movement and social distancing theories, as well as theories about symbolic management, may contribute to explaining such influences.

Promising theoretical approaches focusing on context and institutions can be taken from identity and social identity theories. Independence is a core concept in agency theory predictions about boards of directors. Board members are supposed to be independent from managers, and agency theory presents how to align the interests of managers and shareholders. It is important to understand the mechanisms motivating actions, and identity theories may make contributions when we also assume that there is incomplete contracting among separate stakeholders. Identity theories may help us understand not only what is driving the board members to be involved, but also in which direction—for the welfare of whom. Is it for groups of managers, shareholders, other stakeholders or for the firm itself? (Huse 2007, pp. 18–26).

Social identity theory is distinct from identity theory. Identity theory focuses on roles (“who I am”), while social identity theory focuses on how social categories or groups help *define* “who I am” (Ashforth and Mael 1989; Hillman et al. 2008). Both theories concur that identities may shape behavior. The core in identity theory is that the self is multifaceted and reflects society. Multiple components of self are referred to as identities or role identities. Each individual has an identity for each role that is played. Social identity theory focuses more on social categories than roles as the basis for identities. Identities are not fixed, but change depending on roles and the participation in social groups (Ashforth and Mael 1989). A board member may at the same time have multiple identities, although they may need to be balanced (Hillman et al. 2008).

Identification is another important concept in social identity theory, and identification represents the *importance* of an identity. The individual involvement level of board members is influenced by the identifications they have with various stakeholders (Hillman et al. 2008; Huse and Rindova 2001). Identifications may, for example, be influenced by aspiration to a potential group membership (Ashforth and Mael 1989). Theories originating in social psychology and sociology as social networks, social movements and social distances, and various power theories, as well as contributions about symbolic management, may contribute to explaining

influences related to identification and aspiration of group memberships (Davis and Thompson 1994; Hambrick et al. 2008; Westphal and Khanna 2003).

3.2 A behavioral theory of boards and governance: challenging neoclassical assumptions

Behavioral insights from agency theory are very limited, and lessons from the behavioral theory of the firm may be the natural starting point for establishing better field research from a behavioral perspective on boards and governance. The behavioral theory of the firm (Cyert and March 1963) has been developed into a main perspective for understanding decision-making in organizations. The work of Cyert, March and others can be considered as an attempt to link the abstract principles of the rational decision-making model in the economic discipline to actual decision-making processes in real world settings. This point has been recognized through important theoretical work on behavioral agency theory by Wiseman and Gomez-Mejia (1998), but more work remains to be done on boards.

Four core concepts in the behavioral tradition that have been applied in recent board research are bounded rationality, 'satisficing' behavior, organizational routines, and bargaining among coalitions of actors (van Ees et al. 2009). The bounded rationality concept emphasizes that organizational actors do not fully understand the world they are living in. The cognitive bias of organisational actors only allows imperfect mapping of the decision-making environment and is rather limited and imprecise (Foss 2001; Greve 2003, p. 13; Hendry 2002). The concept of 'satisficing' refers to the tendency of actors to accept choices or judgments that are *good enough* based on their most important current needs rather than searching for optimal solutions. Decision-making in the behavioral theory is consequently seen as an experiential learning process, where firms adapt incrementally to its changing environment through learning and experimentation (Hendry 2002, 2005). Routines consist for a large part of learning by doing, which to a large extent are tacit and hard to codify. Routines are a source of control and stability, which both enable and constrain organizational action. Rules and routines are not purely passive elements, but they also serve as socially and historically constructed programs of action that direct attention to selected aspects of a problem situation. Learning thus plays a central role in a behavioral framework (Ocasio 1999; Zahra and Filatotchev 2004). Finally, organizations exist through political bargaining and quasi resolution of conflicts depicted as complex political systems with agents organised in coalitions, and some of them organised into sub coalitions. Goal conflicts are solved through political bargaining rather than through objective alignment by economic incentives. Most of the time, organizations can be expected to have a considerable amount of latent conflicts and goals (Huse and Rindova 2001; Huse and Solberg 2006). Goal formation is hence seen as the outcome rather than the starting point of the bargaining between coalitions.

A behavioral theory of boards will focus on the interactions and behavioral processes among and between actors in and around the boardroom. Core concepts in the contribution to a new research agenda will address the processes of past-performance evaluation in the context of boards, the search for alternatives, and the

decision-making routines and procedures in and around boards (van Ees et al. 2009). First, there will be a focus on decision-making processes rather than structures and outcomes. Second, board decision-making behavior will be seen as contingent upon the relative power and relationships among various coalitions of internal and external actors. Third, the emphasis on problems of coordination, exploration and knowledge creation may dominate problems of conflict of interest, exploitation and the distribution of value.

3.3 Team production theory

Team production theory meets some of the shortcomings in agency theory assumptions and is salient for understanding the incomplete contracting between a larger group of stakeholders, just for only shareholders. Team production theory has its roots in economics as property rights theory (Alchian and Demsetz 1972) and cooperative game theory (Aoki 1984), but it sees the board as a collective body or as a team creating long term welfare for all participating actors (Blair and Stout 1999, 2001; Kaufman and Englander 2005). The firm's actors, internal and external, contribute with different types of capital, not only financial capital, and they have different issues at stake. Team production theory focuses on, as in cooperative game theory, a long term perspective and long term relationships.

The basic assumption is that through team production firms are able to achieve productivity, which is higher than the sum of the individual productivities of the resources involved. Team production theory, while considering the firm's downside risk due to agency problems, focuses on the importance of value-added investments which create the firm's upside potential (Huse et al. 2008). A team production approach emphasizes how the board, as a team together and rather than only as individual board members, can effectively coordinate firm activities and utilize different resources to create value. As no board member is likely to possess the full complement of information and knowledge necessary to achieve desired goals, then working as a team permits greater productivity than can be achieved by individual efforts (Gabrielsson et al. 2007). Board members are thus expected to bring different interests, backgrounds and perspectives into the boardroom which will assist the firm in creating value.

However, a more diverse group of people in the boardroom are also more likely to bring different goals, values and norms (Milliken and Martins 1996) as well as identities. If not managed effectively, this is something which can lead to shirking and free-riding behavior among board members and reduce or completely diminish a boards' value creating potential. The board as a team is thus emphasized. A board's members should have something at stake in the company, perhaps ownership, and thereby be someone that identifies with the firm's overall mission and strategies, and is knowledgeable regarding the firm's business. In this light, team production theory would help focus the use of team member resources, knowledge and skills to create value for all involved. This implies an understanding of board tasks and accountability, team culture and team dynamics in boards, and board leadership, including the use of various leadership tools (Gabrielsson et al. 2007).

4 Understanding processes inside and outside the boardroom

The different theories noted above have overlapping implications for future research. We have here, under the heading “Understanding processes outside and inside the boardroom”, therefore chosen to sort actual research issues stemming from the different theories according to the clusters presented in Table 2. From a strategy and organizational behavior perspective, the challenges should be to move away from what we already know based on agency theory assumptions about (1) board independence and formal structures, (2) board demographics and formal structures, or (3) board independence regarding formal structures (Daily et al. 2003; Gabrielsson and Huse 2004; Hambrick et al. 2008). We should address what we do not know (Daily et al. 2003), explore the importance of context, behavior and evolution (Gabrielsson and Huse 2004), and we should study behavioral structures and behavioral processes (Hambrick et al. 2008).

4.1 Away from what we already know

Strategy and organizational behavior scholars should go beyond the models from agency theory focusing on independence and board control. Finkelstein and Mooney (2003) strongly criticize the focus on board independence, and argue that there is a need to go beyond a few measures about board independence and embrace a more complex but realistic perspective. They criticize the sole use of four ‘usual suspects’ that have been driving most of the research about boards of directors. They are: “few outside directors on the board, insufficient share ownership by directors, boards that are too big, and CEOs who also serve as board chairmen” (2003, p. 101). A changed research agenda should go beyond input–output studies measuring the relationships between a few ‘usual suspects’ and corporate financial performance. Finkelstein and Mooney argue that board effectiveness depends on the quality of the individuals who become directors and their ability as a group to get the work done. They suggest that attention should be given to understanding how to develop group and team dynamics. This will also have major consequences for the methods being used.

The three analyzed articles in Table 1 seem to suggest that research should go beyond how boards can control managers on behalf of shareholders, which has gotten the most attention in academic journals. In what follows, based on the three presented sets of theories, we suggest three independent, but interrelated sets of research issues and associated questions: accountability and the identity of the board members, the consequences of power and influences inside and outside the boardroom, and board leadership and the board as a team.

4.2 Accountability and the identity of the board members

A first stream of research questions is based on identity and social identity theory, and it addresses issues related to external and contextual dynamics. Social identity theory contributes to the investigation of boards at different levels of analyses—issues of individual identity and identification, group and organizational identity, and also accountability and identity at societal levels.

Accountability and board effectiveness relate not only to the kind of values, goals and strategic orientations a firm has, but also to the tasks with which boards are involved (Huse 2007). To be accountable it is important that the knowledge and skills of the board members are used (Forbes and Milliken 1999). However, social identity theory also helps us understand in which direction the knowledge and skills of board members might be used (Hillman et al. 2008). Board members are not accountable if they use their knowledge and skills just for their own welfare without considering firm value creation, the strategic orientation of the firm, and the stakeholders to which the firm is accountable.

Social identity theory also contributes to defining firm accountability and for whose welfare a firm exists (e.g. Daily et al. 2003; Hambrick et al. 2008; Hillman et al. 2008; Huse 2007; Huse and Rindova 2001). This level of analysis is focused in light of the present worldwide financial crisis, but has strong historical underpinnings. Who do the board members identify themselves with, and for which actors do they seek welfare and value creation? Is it for some majority shareholders, the minority shareholders, the managers, the society at large or just their own private interests? Or do they identify themselves with the firm and its long term sustainable development? And should boards balance the stakes and interests of various principals or stakeholders? These questions are at the core of understanding board accountability.

Board decision-making does not only take place inside the boardroom (Pettigrew 1992). Various external actors and the institutional setting may have considerable influence. From a macro-perspective, there is a need to explore how power and opportunism among institutional actors influence board processes and outcomes (Davis and Thompson 1994). We need to explore who the most influential actors are, how they can be identified, how they exert their power, and how such influences change over time. How do particular events influence actors, activities and decisions in the boardroom? Corporations and social norms are evolving, and we need to explore more about how board members actualize their identity, and how their identifications are changing (Hambrick et al. 2008).

Studies across countries and cultures, and studies about the evolution of codes of best practices, are helping us contextualize and explore issues about accountability and identity on a societal level (Aguilera and Jackson 2003; Daily et al. 2003; Zattoni and Cuomo 2008). More far-reaching studies will clearly also question our present notions and paradigms of a firm and how firms will be in the future (Grandori 2004; Huse 2003; Wang and Barney 2006; Zingales 2000). Which will be the major corporate governance challenges in the new economy? Will knowledge about governance of alliances and virtual networks be the future challenges in research about boards? Who should be board members of these hybrid entities? Should those who provide intellectual capital be replaced with those providing financial capital?

4.3 Power and influence inside and outside the boardroom

One of the clusters in Table 2 is about interactions. It is about evolutionary dynamics and the exploration of power and influences outside and inside the

boardroom. Research concerning various actors and how they interact are found in two main bodies of literature. These are, on the one hand, work related to social interactions and social movements (Davis 1991; Davis and Thompson 1994; Westphal and Khanna 2003; Westphal and Zajac 1998), and, on the other hand, work on top management teams (Finkelstein 1992; Hambrick and Mason 1984). These bodies of literature also concern the political dynamics surrounding the formation of alliances and partnerships. Work on micro-strategizing has also contributed to understanding these interactions (Johnson et al. 2003).

Power can be defined as the ability to influence others, and the literature on power is often divided into four main groups. These are: direct power, indirect power, conscience-controlling power and institutional power (Bachrach and Baratz 1975; Foucault 1982; Giddens 1984). Issues and concepts of trust (Huse and Zattoni 2008; van der Laan et al. 2008) and emotions (Brundin and Nordqvist 2008; Huse and Solberg 2006) are also important when understanding the interactions inside and outside the boardroom.

How do power differentials among board members influence processes and outcomes? The landmark contribution of Mace (1972) was about power in the boardroom and powers of control. His findings were that the disparity between what boards are expected to do and what they do could be explained by power relations. Process studies integrating decision-making inside and outside the boardroom are still needed (Hambrick et al. 2008; Pettigrew 1992; Ravasi and Zattoni 2006). We know little about how power and influence inside and outside the boardroom contribute to board processes and outcomes. Groupthink (Janis 1972), indiscussability (Argyris 1985) and pluralistic ignorance (Westphal and Bednar 2005) are important in understanding board research. It is indicated in Table 2 that some research streams have analyzed internal dynamics, board internal behavior and micro-level issues, while other streams have addressed macro-level issues, contextual dynamics and external influences and power. However, these streams are rarely integrated. Only two of the empirical board research articles reviewed by Gabrielsson and Huse (2004) were clustered as evolutionary, including a focus on both behavior and context.

Board research has often been involved in ideal models with assumptions far from practice. However, the power and influencing dynamics inside and outside the boardroom can be studied through an activity based view on strategy (Johnson et al. 2003). This is a micro-level approach that focuses on the day-to-day activities of organizational life. Actual research questions from such perspectives are, for example:

- Observing and theorizing based on what is going on in practice rather than only making assumptions based on simple models.
- Exploring the politicking and strategizing in and around the board, how rules are developed, and how the stakes of various actors are balanced in reality. Which are the power sources and techniques applied by various actors? How and why are coalitions and alliances built between various actors? What does it mean for board processes and outcomes when somebody talks or meets outside the board meetings? What are the importance of coalitions and coalition building, and

what does this mean for board processes and outcomes? We know about these issues from group dynamics research, but we have not applied them in board research.

- What happens when women and minorities become members of boards? How do these diverse members influence cognitive conflicts, open discussions, cohesiveness, effort norms and board values and accountability? Will there be A- and B-teams on the board, and what are the effects when board members have different esteem and respect for various board members?
- What is the importance of written, oral and body language communication, and what are the consequences when they are not aligned? What aspects of communication do board members emphasize, and how does their communication impact the outcome of board decision-making? And how are their decision-making processes influenced by perceptions, emotions and feelings?

4.4 Board leadership and the board as a team

We have also a third stream of research issues following the relaxed assumption regarding *ex-ante* incomplete contracting. We cannot assume that the board members use their knowledge and skills in the boardroom (Forbes and Milliken 1999), and we cannot assume that they will use it for value creation in the company or for the good of the team (Hillman et al. 2008). We cannot even assume that the board will work as a team. Once established, a team production approach may foster better mechanisms that get board members to act like a team (Gabrielsson et al. 2007). To accomplish this, two main elements will likely need to be included—the intermediating processes and structures between board composition and board task performance, and ultimately company performance (Zahra and Pearce 1989). First, a description is needed about the board as a team and how various team characteristics influence board accountability and effectiveness (Forbes and Milliken 1999; Huse et al. 2005). The second need is a description and exploration of various mechanisms—such as board leadership and board rules and regulations—that can align the knowledge and skills of the board members with various types of team characteristics (Gabrielsson et al. 2007; Leblanc and Gillies 2005).

Daily et al. (2003) call for research regarding boards as decision making teams, and only ten percent of the studies reviewed by Gabrielsson and Huse (2004) were in the cluster following the recommendation by Zahra and Pearce (1989) to explore the board's contribution to financial performance. Effective and accountable board leadership is how to ensure that the knowledge and skills of the boards are used to create value (Finkelstein and Mooney 2003; Sonnenfeld 2002). Research about boards of directors should thus also focus on board leadership and how to ensure that the use of the knowledge and skills of board members are optimized in board efforts. Leadership issues involve the leadership behavior of the board chair, and the norms, rules and regulations pertaining to actual board behavior. Rules and regulations may be formal or informal, and they include hard laws (legislature), soft laws (codes and recommendations), board instructions, etc. The content will in such regulation often include the use of committees, board evaluations, board

development programs, board reporting requirements, etc. Important research questions will need development in order to explore the effectiveness of the content of codes and recommendations for good board and corporate governance practices.

The role of the chair is often highlighted and discussed in the practitioner oriented literature (Cadbury 2002; MacAvoy and Millstein 2003), and awards are given by various organizations to the best chair. But what constitutes a good board chair? The main criteria suggested from an agency theory perspective is that the chair is independent, and that CEO duality should be avoided. From a legal perspective the chair is expected to ensure that all formal legal requirements are met with regard to board process. However, from a team production perspective, and using the knowledge from the field of strategy and organizational behavior: will a set of hypotheses about the relationships between the strategy and leadership skills of the chair and board effectiveness be supported?

5 Process-oriented data should be used to help scholars explore what they do not know

There should be direct links between research questions, theoretical approaches and the methods being used. There are, however, observations indicating that research questions and even theories may be chosen based on available methods and samples. This has been a starting point in this essay, and the use of agency theory may be one example. Agency theory has assumptions that often can be studied by using an input–output method and with the use of available archival data. With the suggested relaxed assumption about complete contracts, then we encounter theories and research questions more in demand of process data. However, good process-oriented data about boards are considered more difficult to get access to (Daily et al. 2003), and the use of them has only been limited (Gabrielsson and Huse 2004). Thus, in this section we present some challenges when collecting and using process-oriented data that can meet the research questions indicated in the previous sections.

5.1 Comparisons between different contexts

A contextual approach will be holistic, and it will include a general scepticism relative to universalistic or context-free studie. When using a contextual approach the boards and the governance structure should be studied as “configurations of interdependent elements, and various governance structures should be seen as complements or substitutes” (Gabrielsson and Huse 2004, p. 25). “Documenting and explaining the diversity of governance systems between various contexts and organizational settings may then be of help to bring together past research findings. That will also help in recognizing problems stemming from previous universalistic approaches and general theorizing in research on boards and governance” (2004, p. 25). Contextual studies will at the same time question universalistic approaches to variables and relationships.

- Contingency studies should use fit-models showing that in some contexts certain board designs may be recommended, but in other contexts other designs may be more important (Lynall et al. 2003). As such, a contingency or a context based study is not that of using context as a control variable.
- Contextual studies will also question universalistic effectiveness criteria. Values and objectives vary across contexts and actors, and this also needs to be taken into account when designing and interpreting empirical studies.

Large scale sample research may not be the proper setting for contextual research (Aguilera et al. 2008). Comparisons and case analyses based on set-theoretic methods will often be more proper (2008, p. 488). Such methods investigate how various means or initial conditions may lead to the same results (Fiss 2007). Contextual research will pay attention to diversity in empirical results, and these diverse findings should be incorporated more explicitly into theoretical models.

5.2 Collecting primary data through surveys

Survey studies have been common in investigations of boards of directors, but few survey submissions have been published in the highest ranked international journals. However, some exceptions exist, e.g. Judge and Zeithaml (1992), Pearce and Zahra (1991) and several contributions from Westphal and colleagues. The main concerns reviewers have with survey studies regard are construct validity issues, low response rates and response bias, single respondents and respondent bias, and that the same method or data source has been used for measuring independent and dependent variables (common method bias).

It is difficult to get access to data about actual board behavior, and even though some proxies sometimes may be used, good previously collected data rarely exist. The availability of a different sort of data often create limitations in terms of research questions. One reason for the overrepresentation of input–output studies in large U.S. corporations is the availability of data. The increasing information in annual reports about boards and corporate governance can definitely be very helpful, but this and similar information may also be vulnerable for various types of biases. The conduct of a good survey study, including design and data collection, is usually very time consuming. However, we now see that some large scale survey-based databases are being developed and becoming available. Much of James Westphal's work is based on survey work combined with archival data.

Here are some of the challenges that need to be addressed when developing good survey based research:

- *Developing valid and reliable measures and scales:* Few generally accepted measures exist in studies of actual board behavior—at least when asking questions about team characteristics, leadership style, board task performance, trust, board processes and influences, board member identities, etc. The issues are still so underexplored that most constructs are still in developmental phases. This will in practice, mean that construct validity questions are important and should be properly reported.

- *Generalizing*: A response bias is more likely to occur when there is a low response rate than when the response rate is high. A response bias is related to the sample that it used and to how generalizations may be made. In studies of boards of directors and actual board performance, response rates are often less than ten per cent. A high response rate is particularly difficult to get when needing many questions to measure novel constructs for answering the actual research questions. With low response rates it is particularly important to analyse and understand potential response bias.
- *Choosing perspective and unit of analysis*: Actual board behavior can be perceived in different ways and from different perspectives. Most surveys of boards are focused on the CEO, while some are addressed to board members in general. If the board is the unit of analysis, then it is important to understand that responses from any particular respondent can be biased. It can thus be important to balance responses from various respondents. This is facilitated in samples with separation of chair and CEO positions, but choosing a random board member can be very difficult to justify. However, an alternative exists; that is, to use the respondent as the unit of analysis, and be careful in describing or controlling for the identity or background of the respondent.
- *Choosing method*: Common method bias arguments have during the recent years been important criteria in reviews of survey based submissions to journals. Ideally different methods, or at least different tools (as mail surveys, web-based surveys, phone interviews, personal interviews, content analyses of various documents, etc.), should be used for collecting independent and dependent variables. Different types of data triangulations may be important for interpreting, embedding and validating results. There are also various statistical tests for examining whether common methods variance is a problem in a particular data set (Podsakoff et al. 2003).

5.3 Processual research and process-oriented data

In the extreme, there seem to be two schools in studies of board processes. On the one hand, there is the stream of research that follows an input–output approach where proxy or surrogate measures are used for board processes. In this school of study, independence and board power are often studied by using large scale archival data. Board composition and board member characteristics, events or outcome of board decision-making, are often used as proxies for the power and independence of various actors. There are several seminal contributions in this stream (e.g. Davis 1991; Kosnik 1987; Ocasio 1994, 1999; Westphal and Zajac 1994).

On the other hand there are scholars claiming that processes can be studied only by processual methods and by using process data. This stand is generally taken by scholars like Pettigrew and Pye (Pettigrew 1992, 1997; Pye and Pettigrew 2005). They argue that processual studies are embedded in context, process and time (Pye and Pettigrew 2005), and the variations in context reveal differences in the dynamic interplay of practices, processes and performance over time. Pettigrew (1997, p. 342) describes what a processual analysis is like: “catching the reality in flight, to

explore the dynamic quality of human conduct and organizational life and to embed such dynamics over time in the various layers of context in which streams of activities occur”.

Processual scholars will emphasize both context and behavior, and processes will be studied holistically over time (Huse 2009). Processual studies often emphasize behavior, but the presentation of the context, the method and the theoretical reflection is often weak. Processes imply changes, and process scholars will need to work across or between levels of analysis to explore the dynamic between relationships at individual, group, organizational and societal levels of analyses. Most studies of board processes lack a theoretical framework resulting in a rejection in leading U.S.-based journals, and this often undermines the impact of processual studies (Pye and Pettigrew 2005). However, the accumulation of the illustrative studies points to the importance of including other more process-oriented theories, for example, social identity theory, a behavioral theory of boards and team production theory, rather than agency theory.

Examples of processual studies are presented in Huse (2009). They include reconstructive case studies, the collection and analyses of discourses and ‘board-life stories’, and direct observations through for examples, ‘fly on the wall’-studies, ‘following director’-studies and ‘one of the lads’-studies. ‘Board-life stories’ will often be based on in-depth open interviews; as a ‘fly on the wall’ you may be a passive observer in the boardroom; ‘following director’ studies actually follow the activities of board members and thereby help exploring activities and interactions also outside the board meetings; and in ‘one of the lads’ studies the researcher may be an active participant as a board member.

6 Discussion

The above suggestions for new directions in board research may be important, but will these constitute tenets of a new stream of research? We will here touch upon two issues necessary for answering this question: First, is there some realism behind our relaxation of the agency theory assumption about complete contracts? Second, is there some realism in an assumption that board research will change?

6.1 Is there some realism behind changing agency theory assumptions?

We started this essay by presenting the following logic: “Agency theory assumes complete contracting ex-ante for all stakeholders, but for shareholders. If we for example, just change this one assumption and assume that incomplete contracts exist for all involved, then stakeholder related issues and theories emerge naturally and so does the need for team production theory.” In this essay we assume realism behind these relaxations (Wang and Barney 2006; Zingales 2000).

As corporations and societal norms evolve, so do the boundaries of what constitute governance (Hambrick et al. 2008; Pye 2004). The discussion about what a corporation is and what constitute governance is not new, and the recent emphasis on shareholder supremacy has not always been in place nor is it universal

(Fiss and Zajac 2004; Gomez 2004; Zingales 2000). A change in emphasis may come from several directions, but the recent financial crisis motivates the opportunity to rethink management and governance and even to search for alternative paradigms of governance. The shareholder or ownership society can be questioned. The corporation as a legal form grew out of its ability to protect not only the shareholders and other investors, but also other stakeholders (Andrews 1971; Blair 1995). Here are some reflections: First, the present financial crisis has made many rethink what a corporation is and the purpose of corporate governance—not only researchers, but also business leaders, politicians and law makers. That was important for the creation and sustainability of institutions during the early development of an industrial economy. The assumptions do not take into account that individuals are social beings, having social obligations where decision-making may be based on group solidarity rather than on individualism, and that trust may be the binding norm (Etzioni 1988; Ghoshal 2005; Macneil 1980). Second, we are moving towards a knowledge based economy, and many of the underlying assumptions of agency theory can be considered empirically wrong when relating to knowledge based activities and resources (Grandori 2004). Human capital investors are critical, and employees will often be in the same position as financial capital providers (Grandori and Soda 2004; Wang and Barney 2006; Zingales 2000). This means that multiple principals rather than one principal–agent relationship should be regulated, and the agency theory assumption of complete contracting ex-ante for all stakeholders, except for shareholders, should be relaxed.

6.2 Changing the research agenda

We have sought to contribute to the literature on board research by arguing why a new set of perspectives on board research is needed and why the existing research agenda should be challenged. The three review articles we presented in the beginning of this essay all had a similar message that studies of boards of directors are at a crossroad. Calls were made to dismantle fortresses (Daily et al. 2003) and to opening the black box of board processes and actual board behavior (Forbes and Milliken 1999; Pettigrew 1992). We have sought to contribute to this agenda by introducing alternative theories, presenting various research questions associated with these perspectives and by reflecting about methods, but we have also needed to understand, relate to and perhaps even challenge the present research infrastructure.

However, Daily et al. (2003) argue that changing the existing research agenda is not an individual effort, but that joint forces should be used. There are certain barriers for renewing research about boards, and some of them are outside the individual researcher's control (2003, pp. 378–380), but some of them rest within the research community. First, one challenge is to gaining access to process-oriented data (2003, pp. 378–379). This may be time consuming and difficult, and requires cooperative actions from boards of directors. Second, another challenge is to utilize process-oriented data (2003, p. 379). We have in this essay also shown that standard methods in utilizing process-oriented data may contain challenges that may be difficult to address in separate papers. Third, an empirical dogmatism exists (2003, p. 379). This means that researchers too often embrace a research paradigm that

meets a fairly narrow conceptualization of the entire reality, and we are disinclined to embrace research that contradicts the dominant governance models or that is critical to past research methods or findings. Fourth, there is an over-reliance on frameworks based on agency theory and disciplines like finance, law and economics (2003, p. 379). An alternative framework should be introduced where strategy and organizational scholars can make their specific contributions (Hambrick et al. 2008). Fifth, there are aspects related to consequences of the increasing publish-or-perish pressure in many universities (Gabrielsson and Huse 2004). Publications should still be pursued even though there may be higher risks involved when trying to publish new perspectives and venturesome designs, than when using perspectives and methods that already are established.

Venturesome tools may be needed to change the research agenda. These may include the development of journals and special issues devoted to stimulate research on new perspectives of board research, the stimulation and support of networks and meeting places for scholars promoting such research, and the organizing of workshop, symposia and doctoral courses that address these issues and stimulate rigorous research on these topics. Strategy and organization scholars wanting to challenge the existing research agenda may need to build on each others contributions and develop alternative orienting frameworks (Huse 2007, 2009). These are initiatives requiring joint efforts among scholars wanting to see new perspectives of board research.

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