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ALLOCATING EFFORT:

RISK AND COMPLEXITY IN BOARD DIRECTORS' ENGAGEMENT WITH INFORMATION

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Declaration

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For Mum
Lynne Massie
1950-2007

ABSTRACT

This research aims to understand how Board level Directors engage with information. The study has its roots in Sir Adrian Cadbury's (1992:4.8) requirement that "directors receive timely, relevant information tailored to their needs". This research aims to investigate the underlying assumption that Directors actually engage with the information provided.

The study uses grounded theory to look within the Board's processes. The research uses the Board pack's journey, from creation to the output from the Board, to provide clarity on the engagement processes undertaken by the organisation, the individual Director and the Board as a group. This is then contextualised through looking more widely at perceptions of the Board's role and the corporate governance environment within which the Board sits.

The data collected for the research comprised interviews, observations and technical meetings. The interviewees included nine Board Chairs; eleven Non-Executive Directors; four Board level Executives; five information providers to Boards; one Board advisor and one industry/academic expert. This represented experiences from over 100 Boards including two top FTSE100 companies. Additionally, five Board meetings were attended to observe Directors in context and four technical meetings were undertaken to understand specific issues.

The resulting theory identified is that the level of engagement with the information by Directors is determined by 'Allocating Effort'. This effort is a balance between the level of risk perceived; by, and to, the individual, the Board as a group and the organisation; balanced with the perceived complexity of the issue at each stage of the Board pack's journey. This balance is constrained by the time available and the understanding of the role of the Board.

This theory was further developed by looking at the *symbols* that externalise the allocation of effort. They are identified as labelling the papers as: 'For Note', 'For Report' and 'For Discussion'. Each of these paper types have a risk and complexity element, however, there was no paper type for high risk/complex. This research identified that 'Ad Hoc Committees' are used to fill the gap in the process of 'Allocating Effort'. Furthermore, in relating the *symbols* back to the theory of 'Allocating Effort', it provides a tool for understanding the alignment, or misalignment, within the Board of their shared understanding of their role and risk appetites.

1   INTRODUCTION

1.1   Overview

"It is for Chairmen to make certain that their non-executive directors
receive timely, relevant information tailored to their needs, that they are
properly briefed on the issues arising at board meetings, and that they
make an effective contribution as board member in practice." (Cadbury,
1992:4.8)

"The chairman is responsible for ensuring that the directors receive
accurate, timely and clear information. Management has an obligation
to provide such information but directors should seek clarification or
amplification where necessary." (Financial Reporting Council, 2014:13)

These two statements were made 22 years apart and both refer to the style of
information that should be supplied to the Directors. However, neither of them
identify *how* the Director should engage with the information provided, regardless of
whether it is timely, relevant, accurate or clear. As such, these regulations are
based on the underlying assumption that Board level Director's do engage with the
information they receive. It is this underlying, unspoken, assumption that this
research aims to investigate.

The aim of this research is to advance the knowledge of the processes that are
undertaken within the Board. The process that is specifically to be researched is
how Directors engage with the information they are provided with, or further source,

to enable them undertake their role. The aim is to gain a fuller understanding of the processes undertaken within the "black box" of the Board (Pettigrew, 1992:178).

This research uses a grounded theory approach to understand, in depth, the area of interest and the issues the Directors face when engaging with the information, as identified by the Directors themselves (Glaser, 1998:115). Grounded theory enables an abductive approach to be used (Reichertz, 2007:224) with the aim of understanding the underlying problem that Directors face in relation to the information they receive; thereby developing a theory of *how* Directors engage with information and the factors that influence their engagement.

This research has two aims; primarily to generate a theory that further develops the underpinning knowledge in relation to how Boards work and adds to the body of knowledge on Boards. Secondly, a theory that has practical application in assisting a lay person, that is to say an ordinary Director or other interested party, to understand the interrelationship between information, Board members and the Board.

1.2   Corporate Governance – A Brief Introduction

Boards are a key mechanism within corporate governance. There is no universally agreed definition of corporate governance as the key issues are addressed by a range of authors, regulators and institutes. Manzoni and Islam's (2009:35) definition of corporate governance, for example, defines it as a system that consists of;

> *"[F]ormal and informal institutions, laws and rules that determine*
>
> *those organisational forms which assign ownership, delegate power*

and monitor decision-making, while auditing and releasing

information and distributing profits and benefits."

Whilst this definition encompasses a large number of aspects of corporate governance, Tricker (1984:7) puts it simply as "if management is about running a business, governance is about seeing that it is run properly". Tihanyi et al. (2014:1535) explains that the definition of governance is becoming more inclusive and

"refer[s] to governance as leadership systems, managerial control

protocols, property rights, decision rights, and other practices that give

organizations their authority and mandates for action"

It is this inclusive definition that provides the context for this research.

Regulations, in general, identify that the Board is ultimately responsible for the corporate governance of the organisation (Financial Reporting Council, 2014). There are a significant number of regulations, and codes of conduct, in place for organisations to comply with depending on their location, industry and ownership status. Each of these regulations provides an insight into the social norms, historical scandals and the role organisations play within that environment. This nuanced context influences the corporate governance structures, approaches and priorities within the organisation. Organisations themselves are also individual; they have their own history, traditions, norms and strategies, all of which influence both the corporate governance philosophy and structures they create.

The requirement for corporate governance derives from the separation of principals and agents. Jensen and Meckling (1976:308) interpret this agency relationship

"…as a contract under which one or more persons (the principal(s))

engage another (the agent) to perform some services on their behalf

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which involves delegating some decision making authority to the

agent"

Berle and Means (1932) identified the "Agent-Principal" problem as the distance, in terms of control, that has grown over time as the separation of the principals and their agents has increased, predominately through the increase in the number of principals, i.e. shareholders. In simple terms, as the number of shareholders have increased their individual influence over the organisation has decreased. As James (1933:515) summarises in his review of Berle and Means' book

"[The principal's] property has become "passive"; that is, he holds

merely a piece of paper representing an equity on which he hopes to

get a return. In a word his Ptolemaic corporate universe has become

Copernican. He is no longer the gravitational center. "Control" is."

This separation led to the appointment of Directors to a Board to oversee, or control, the activities of the agent. The Board is made up of Executive Directors, such as the Chief Executive Officer (CEO) (i.e. Agents) and Non-Executive Directors, who represent the shareholders (i.e. Principals). Non-Executive Directors can be sub-divided into two groups; Independent and Non-Independent. A Non-Independent Director, whilst, not working full time for the organisation, may be a family member, a former employee (such as the previous CEO) or have other close ties to the organisation (Financial Reporting Council, 2014). They may also be representatives of major investors or parent companies. Conversely, Independent Directors have no links to the organisation outside of their Directors role. It is important to note that within some literature, particularly non-technical, the term 'Non-Executive Director' (or NED) is used as a surrogate for 'Independent Director'. For the purposes of this research, the term Independent Director will be used to clearly identify the Board

members whose role is to represent the principals and who are free from private connections to the organisation. Nevertheless, UK law as well as the Financial Reporting Council, amongst others, clearly identifies that the governance of an organisation is the responsibility of the entire Board of Directors (Financial Reporting Council, 2014).

The Board has a number of roles which they may be expected to fulfil, though each Board will have its own individually defined terms of reference. Broadly, these can be separated into two areas; providing direction and monitoring progress. Zahra and Pearce II (1989) also conclude that the Board has a service role both in guiding senior management and enhancing the organisation's reputation. Additionally, the Board, specifically the Independent Directors, have a role in bringing with them resources such as information and access to contacts, as well as creating legitimacy for the organisation (Hillman et al., 2000).

The Boards' decision making role varies dependent on the Board's characteristics, which can "range from working with management to develop strategic direction to merely ratifying management's proposals" (Stiles, 2001:631). The Kay Report, issued on behalf of the Department for Business, Innovation and Skill (BIS), emphasised that it is "the obligation of Directors to promote the success of the company and that such success is to be measured over the long-term" (Kay, 2012:57).

Leblanc and Gilles (2005:248), in their research into the inside of the Boardroom, conclude that one of the pivotal factors in decision making is the behavioural aspects of the Board of Directors both as individuals and as a group. Hambrick (2007:334) identifies that organisations are "informationally complex" and it is the

"biases and dispositions" of the top management team on which the information is interpreted and decisions made. Whilst Hambrick focused on Executives, Useem and Zelleke (2006) found that there is more pressure on Boards to make decisions following changes in regulations and corporate scandals, therefore making Hambrick's work appropriate to Boards.

The term corporate governance has been referenced as being first used in 1962 by Richard Eells of Columbia Business School (Farrar, 2005:3). Over the past 50 years the term has become commonplace, though it has evolved to have ambiguous meanings. Farrar (2005:4) provides one illustration of the structure of corporate governance.
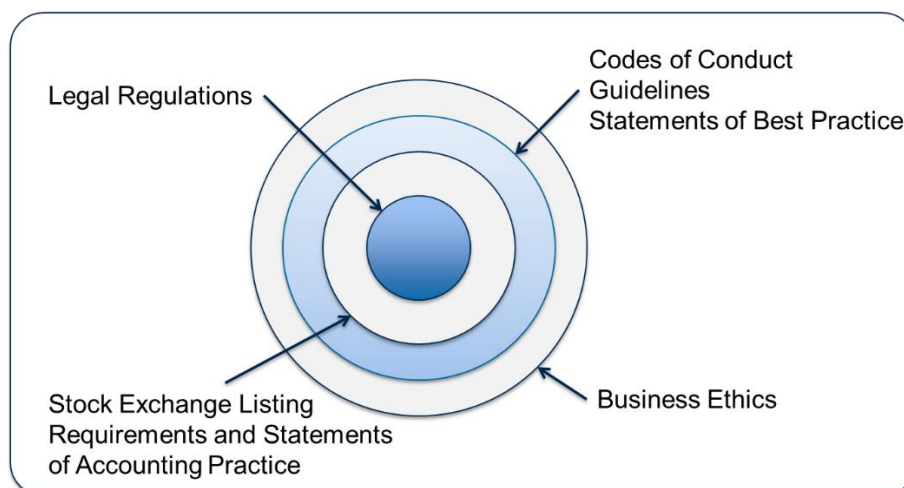
Figure 1 - The Structure of Corporate Governance (Farrar, 2005:4)

Within each of these structures there are a number of elements. These elements include: how the organisation is governed, the organisation's strategic direction, monitoring of strategic progress, monitoring of management activities, risk management, regulatory compliance, shareholder responsibility, stakeholder management, public relations and decision making (Fama and Jensen, 1983,

Financial Reporting Council, 2014:40, Mallin, 2010, Tricker, 2009, Zahra and Pearce II, 1989). This provides for a complex and interwoven set of variables that offer the opportunity of further investigation.

1.3   The Research Area of Interest

Roberts et al. (2005:S5) identify that there is a "very limited understanding of the working processes and effects of Board of Directors". As Huse (2005) identifies, few empirical articles on Boards focus on behaviours. Leblanc and Gilles (2005:1) focus on the inner workings of the Board; they raise a concern that rules, regulations and academic studies are focused on structural aspects of the Board composition and not on the activities within the Board.

The area of interest for this research, as illustrated in Figure 2, is the stage after the individual Director has received the information supplied by the organisation, usually in the form of a 'Board Pack', and prior to a Board agreed output, such as a decision. That is to say, this research looks at the inner workings of the Board both in terms of individual Directors and collectively as a Board.
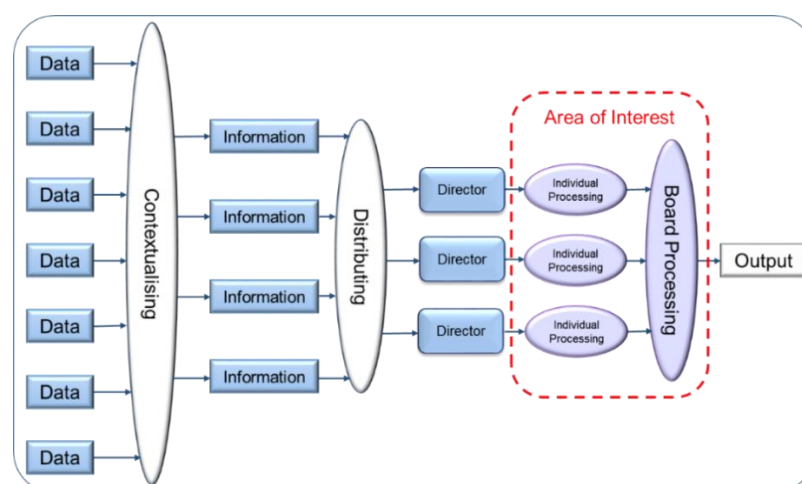
Figure 2 – Research Area of Interest

1.4   Research Motivation

"*For the process scholar… the real fascination is with the actual*

operation of the board in and outside of the boardroom" (Pettigrew,

1992:178)

It is this fascination and desire to understand what is happening inside the

Boardroom that has motivated my research. It is hoped that if we more fully

understand *what* is occurring within the Boardroom we may begin to understand

more about the *why* it is happening and *how* it affects the organisation and the

impact this has on the organisation and its stakeholders.

Additionally, my own experience of working directly with Boards and providing them

with information has provided further motivation for this research area. These

experiences led me to observe that different organisations, and their Directors, have

different needs and wants, in relation to the information provided. Additionally,

different Directors have different ways of absorbing and applying the information

provided. These differences appear, to an observer, to influence their approach to

their being a Director. It is these underlying issues and observation that provide the

inspiration for this research.

Finally, this research, in the words of Corbin and Strauss (2008:16), fulfils my

"…*desire to step beyond the known and enter into the world of*

participants, to see the world from their perspective and in doing so

make discoveries that will [could] contribute to the development of

empirical knowledge"

1.5   Introduction to Selected Methodology

"*Although research methodologies evolve over time, there has been little change in the fundamental principles of good research design: match your design to your question, match construct definition with operationalization, carefully specify your model, use measures with established construct validity or provide such evidence, choose samples and procedures that are appropriate to your unique research question*" (Bono and McNamara, 2011:659)

As such, the selection of an appropriate research methodology is critical to ensuring quality research. This research aims to understand *how* the Directors engage with the information provided to them to undertake their role. As identified in section 1.3, there is little research into the inner workings of the Board; as such this needs to be taken into account when selecting the methodology. With regards to models and measures relating information to Boards, there is little prior work from which to develop such models and measures into a robust, valid, construct. Therefore, the selected methodology needed to be able to fill this underlying knowledge gap with the aim of generating a theoretical construct for future research.

The primary aspect is to match the design with the question posed (Bono and McNamara, 2011). In this research there is an area of research, as opposed to a specific question. Likewise, a

"[G]*rounded theory researcher starts with an area of interest, not a professionally preconceived problem"* (Glaser, 1998:118)

That is to say, a grounded theory study does not begin with a formalised research question or hypothesis (Birks and Mills, 2011:20). A grounded theory study begins

with an area of interest and the researcher "keeps his [her] mind open to the true problems in the area" (Glaser, 1992:22). As little is known about how Boards use information, this research aims to identify the underlying issues in the arena with no preconceptions as to what those issues may be.

Glaser (1992:32) identifies that "grounded theory is for the discovery of concepts and hypotheses, not for testing or replicating them". Grounded theory is an inductive/abductive methodology that uses a set process to develop a theory from the data collected (Birks and Mills, 2011:11, Glaser, 1998:117). The defining aspects of grounded theory are: the sample selection process, the concurrent data collection and analysis, constant comparison of the data and analysis, the creation of memos and the ultimate creation of a theory based on the data collated. A full description, and selection justification, of the methodology is undertaken in chapters 3 and 4.

1.6   Thesis Structure

This document is structured in ten chapters. The next chapter provides an introduction to the research field, thereby providing the contextual background for this research.

The following chapters, 3 and 4, provide an outline of the methodology utilised in the research. Chapter 3 focuses on the process of grounded theory, it explains the mechanics of undertaking a grounded theory study and the underlying philosophy of this research. In chapter 4 the mechanics are applied to this research and the chapter provides the details of how this research was undertaken.

Chapter 5 is the first of the chapters looking in detail at the data collected. This chapter uses the journey of the board pack, from creation to a Board decision, to look at the information flow within the Board. This flow was developed from the data collected from the interviewees. At the beginning of chapter 6, the codes and categories based on the data collected are further elaborated and gaps identified. The chapter then explains the further data collected based on those gaps.

In chapter 7 the wider context of the data collected is discussed in relation to the governance literature, specifically in relation to the role of the Board. From this, the key storyline is developed in chapter 8, identifying the need for Directors to allocate effort in relation to the information they receive. Chapter 9 then investigates how this allocation of effort is externalised within the Boardroom context. Chapter 10 concludes this research including highlighting further areas for study.

It is important to note that throughout this dissertation the names of all individuals and organisations have been given pseudonyms to preserve confidentiality. In the case of the majority of interviewees this was a condition of the interview agreement. In order to assist the reader, vignettes describing each interviewee can be found in Appendix 11.1.

2   THE RESEARCH FIELD

2.1   Introduction

As outlined in chapter 1, the overall area of interest for this research is the
relationship between the Director, individually and as a Board, and the information
they utilise. This chapter provides an overview of the relationship between these two
factors within the existing literature. However, with a grounded theory approach
there is some debate as to where the review of the literature sits in relation to the
methodology.

A core basis of the grounded theory approach is that there should be no
preconceptions in the research relating to potential theories (Glaser and Strauss,
1967:185). Both Glaser and Strauss agree that the pre-existing literature is vital in
the later stages of theory development (Corbin and Strauss, 2008:38, Glaser,
1992:34). Corbin and Strauss (2008:22) identify that overviewing the literature at an
early stage is useful to "stimulate curiosity about a subject" and "can lead to a study
resolving [an identified] dissonance". Conversely, Glaser (1992:32) states clearly
that "there is a need *not* to review any of the literature in the substantive area of
study" (emphasis added); this is so as to avoid the contamination of the
researcher's thoughts and allow the data collected to 'speak for itself' during the
analysis process. Nevertheless, both approaches recommend reading the technical
(academic) literature surrounding the substantive area of research as well as
reading non-technical literature (also known as 'grey literature'), such as reports and
newspapers (Corbin and Strauss, 2008:38, Glaser, 1992:37).

Whiteley (2000) argues that, within business research, researchers may not be able to approach the field as a "*tabula rasa* [blank state]" (Glaser and Strauss, 1967:3) as organisational frameworks have existing meanings. She goes on to recommend that the implicit knowledge is exposed as part of the research design to ensure that the concepts and codes are truly emergent (Whiteley, 2000). Additionally, Charmaz (2006:17) specifically highlights that researchers with a background in the area of focus need to ensure they keep an open mind.

Glaser (1998:120) provides a number of ways that a researcher can use to manage their pre-knowledge of the subject; undertake a self-interview; suspend knowledge of the literature; and/or write a literature review paper. In the case of this research, an extensive self-interview was undertaken prior to the data collection, this is further discussed in section 4.2.1. In addition, as a natural part of the PhD process, a literature review was written in part-completion of the transfer from MPhil status to PhD. That literature review provides a record of my understanding at the beginning of this research. Additionally, that literature review has been utilised to inform both this chapter and chapter 7, which addresses the Boardroom context.

Nevertheless, Glaser and Strauss (1967:46) identify that

> *"A discovered, grounded theory… will tend to combine mostly concepts*
> *and hypotheses that have emerged from the data with some existing*
> *ones that are clearly useful."* (Glaser and Strauss, 1967:46)

Therefore, a grounded theory researcher must be "theoretically sensitive" (Glaser and Strauss, 1967:46). Theoretical sensitivity is another core tenant of the grounded theory method. Theoretical sensitivity is a somewhat ethereal concept and many grounded theorists have expended considerable efforts to describe it since Glaser and Strauss (1967:48) first mentioned it (for

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example see; Bryant and Charmaz, 2007c:17, Charmaz, 2006:135-140, Glaser, 1978:27-30, 1992). Gibson and Hartman (2014:36) define theoretical sensitivity as

> *"the researchers should be aware of the different theoretical codes that could be used to explain what is happening in the field and, more generally, they should also know what a theoretical code is…This makes the researcher sensitive to known codes so that he or she recognises them when data is analysed. It also makes it possible for him or her to generate new ways of organising their data."*

In 1954 Blumer described the notion of "sensitizing concepts" contrasting them with "definitive concepts [which] provide prescriptions of what to see, [whereas] sensitizing concepts merely suggest directions along which to look" (Blumer, 1954:7). Charmaz (2006:16) goes further to specify that

> *"These concepts give you [the researcher] initial ideas to pursue and sensitize you to ask particular kinds of questions about your topic"*

'Sensitizing concepts' are general ideas that maybe relevant to the area of study, but may lack precision and "instead,… rest on a general sense of what is relevant" (Blumer, 1954:7). Kelle (2007:208) provides the example of 'identity' as a "heuristic device" as it is difficult to operationalise the concept of identity, nonetheless, it can be used to sensitise the researcher to underlying issues with the research. For example, the notion of 'being a Board member' may be core to how an interviewee identifies themselves and, as such, provide an avenue for further data collection within the research.

Nonetheless, as Charmaz (2006:17) goes on to clarify

> *"Grounded Theorists use sensitizing concepts as tentative tools for developing their ideas about processes [codes] that they define in their data. If particular sensitizing concepts prove to be irrelevant, then we dispense with them."*

Therefore, 'sensitizing concepts' provide a framework to begin considering the data without providing a fixed notion of the outcome of the research. As such, while this review of the literature, both here and in chapter 7, is utilised to provide possible directions in the research, it does not define the direction of the research; in short it provides 'sensitizing concepts' for the analysis of the data collected.

It is also noted that;

> *"Theoretical frameworks differ in grounded theory from traditional quantitative research"* (Charmaz, 2006:169)

Quantitative research uses established theories from which to deduce testable hypotheses (Charmaz, 2006:169). In contrast, grounded theory uses theoretical frameworks to locate the resulting theory, derived from the data, in the current literature and identifies how that theory "*refines, extends, challenges* or *supersedes* extant concepts" (emphasis in original, Charmaz, 2006:169). Therefore, prior to the data collection and analysis a theoretical construct is not usual, this is so as to avoid imposing a pre-existing framework on the, yet to be collated, data (Birks and Mills, 2011:24). Nonetheless, a review of the major corporate governance theories is undertaken in this chapter to understand the theoretical landscape.

Consequently, the following literature review draws on academic literature from areas surrounding Directors, and Boards, under the section entitled 'Corporate Governance', and information, under the subsequent section. Additionally, non-technical literature, particularly in the form of regulations, has been reviewed and

incorporated into the following discussions, both in this chapter and in chapter 7.

This provides clarity as to the area of dissonance this study will investigate without

risk of 'contamination' from pre-existing literature.

2.2   Corporate Governance Theories

There are a number of theories in relation to corporate governance (Stiles and

Taylor, 2001, Tricker, 2009). Roberts et al. (2005) argue that generally there needs

to be a greater level of pluralism relating to corporate governance theories.

Donaldson and Davis (1991) support this view and suggest that there is a time and

place for each of these approaches and that they are not mutually exclusive across

an organisation's lifespan. As Judge (2012) identifies, context is a core issue when

evaluating individual corporate governance theories, and in the development of new

theories.

This section provides a brief overview of each of the major theories. Each theory is,

in simple terms, based around the actors involved, the information flows between

them, the strength of influences between the actors and the basis of power for

decision making.

2.2.1 Agency Theory

Agency theory is the most frequently cited theory within the corporate governance

research context (Mallin, 2010:15). Agency theory is derived from the separation of

ownership and control as described in section 1.2. In short, the agents act on behalf

of the principals and have devolved responsibility for management decisions. The

theory presupposes that the agents' priority is their own best interest, which may be

at odds with the best interests of the organisation or the principals. As such, in order to ensure that agents work in the best interest of the organisation, principals must put in place incentives for the agent (such as bonus packages), which will incur costs to the principal (Jensen and Meckling, 1976). These costs, and the residual cost caused by not directly managing the business themselves, are referred to as agency costs (Jensen and Meckling, 1976).

Agency theory is based on information economics, as the theory assumes that if the principal has sufficient access to information the ability of the agent to deceive the principal is reduced (Eisenhardt, 1988). McNulty et al. (2011) argue that Agency theory is a theory of power, which is to say that the agents have power vis-à-vis the principals.

2.2.2 Stewardship Theory

Stewardship theory is based on the same agent and principal actors; however, it differs fundamentally on the assumptions around the agent's motivations. The theory is based in organisational psychology and sociology (Donaldson and Davis, 1991). This theory posits that agents are motivated by a sense of duty and a need for positive recognition and, as such, their "motives are aligned with the objectives of their principals" (Davis et al., 1997:21).

With regards to information asymmetry issues, the agent's knowledge is still perceived to be superior to the principals, as in Agency theory. In contrast with Agency theory, the agent is deemed to be working in alignment with the principals' aims and so they are using the information for the benefit of both parties. As such,

the principal requires less personal investment in information gathering and analysis (Nowak and McCabe, 2003).

2.2.3 Stakeholder Theory

"Stakeholder theory is distinct because it addresses morals and values explicitly as a central feature of managing organizations" (Phillips et al., 2003:481). Whereas Agency and Stewardship Theories focus on the relationship between the agents and the principals, Stakeholder Theory widens the pool of actors to include others such as employees, customers, suppliers and the wider community (Mallin, 2010:18). In essence, Stakeholder Theory posits that all decisions made within the organisation affect, and are affected by, these wider stakeholders and that all the stakeholders' interests are of value (Jones and Wicks, 1999).

Neely et al. (2002:1) believes that focusing just on the subset of stakeholders, (i.e. shareholders and customers), is "short-sighted and naïve in today's information rich society". As Rowley (1997:890) identifies, organisations do not

> *"…respond to each stakeholder individually; … rather, to the*
>
> *interaction of multiple influences from the entire stakeholder set"*

As such, the information flows between the organisation and its stakeholders define both the power and the influence each has on the other.

2.2.4 Resource Dependency Theory

Resource Dependency Theory could also be described as a power theory. In summary, organisations need resources to create value add and as such, whoever has these resources has the power, additionally, "organizations are viewed as

coalitions, altering their structures and patterns of behaviour to acquire and maintain needed external resources" (Ulrich and Barney, 1984:472).

Information is deemed to be one of the major resources within an organisation. Under Resource Dependency Theory, the Board can be utilised as an information resource to reduce uncertainty in the organisations environment (Stiles and Taylor, 2001:17).

2.2.5 Institutional Theory

> *"Institutional Theory addresses human behaviour within institutions … with respect not only to rational or formal rules but also to cultural variables like symbols, beliefs, and human will…[and] that organisations pursue legitimacy above economic efficiency." (Carver, 2010:150)*

Organisations are influenced by the people and environment both within and surrounding it. Institutional Theory posits that this pressure for legitimacy ensures that processes and structures become isomorphic with the norms of the particular organisation type (Eisenhardt, 1988).

In Meyer and Rowan's (1977) seminal paper on Institutional Theory they identify the issue of decoupling. That is to say that the value of information within the organisation is measured against the legitimacy of the organisation, with contrary information being ignored if it threatens the perceived legitimacy of the organisation. They give the example of hospital cure rate information being overlooked as the goal set is treatment, not cure, related.

2.2.6 Managerial and Class Hegemony Theories

Managerial and Class Hegemony Theories look at the power balance within the Board. In both cases the CEO is deemed to have the power, though, in Managerial Hegemony Theory the CEO's aim is to increase the management control over decision making (Rasmussen, 2010:21). Conversely, in the case of Class Hegemony, the CEO encourages the Board to work for the ruling elite class (Zahra and Pearce II, 1989). With regards to the information flow, in both cases the information is restricted to those who need to know, so as to reduce the input from others.

2.3   Information as a Dissonance

As can be seen in Table 1, most of the major corporate governance theories identify information as a dissonance between the parties involved. In many of the theories, information is perceived to be a source of power. Who has the information, how it is used and how it is shared are the keys to the effective use of the information (Ittner and Larcker, 2003). Culture, including the level of openness within the organisation, also plays a significant part in information systems. The organisation's culture is likely to impact how information is gathered, processed, accepted (or rejected) and used (Kappos and Rivard, 2008).

Dimension	Agency Theory	Stewardship Theory	Stakeholder Theory	Resource Dependency Theory	Institutional Theory	Class Hegemony	Managerial Hegemony
Board Role	Monitor actions of agents to ensure efficiency and to protect principles	Ensure the stewardship of the organisation's assets	Accountability to a broad range of stakeholders	Reduce environmental uncertainty but boundary spanning	Organisational structures become isomorphic with industry structures	Perpetuate ruling elite and class power	Board a 'legal fiction' dominated by management
Theoretical Origin	Economics and Finance	Organisational Theory	Management	Sociology	Organisational Theory & Sociology	Sociology	Organisational Theory
Limitation	Assumptions too narrow; ignores the complexity of organisations	Largely untested	Complexity of the size, scale and power relations of stakeholders	Focus on resource attainment not resource use	Excludes the possibility of institutional entrepreneurs	Partial view of Board motivation	Problems of definitions of 'control', owner networks underestimated
Studies	Berle & Means (1932) Jensen & Meckling (1976) Fama & Jensen (1983)	Donaldson & Davis (1991)	Freeman (1984) Jensen (2001)	Stiles & Taylor (2002) Pfeffer (1972) Pfeffer & Salancik (1978)	Meyer & Rowan (1977) DiMaggio & Powell (1983)	Domhoff (1969) Mills (1956) Ratcliff (1980)	Berle & Means (1932) Lorsch & MacIver, (1989)
Role of Information	There is information asymmetry between parties; the information is used for individual benefit	There is information asymmetry between parties; the information is used for organisational benefit	Information is a managed flow between the organisation and its stakeholders	Information is a resource to be utilised to reduce uncertainty	Information is measured against the legitimacy of the organisation and its self-view	Information is restricted to who needs to know it	Information is restricted to who needs to know it

Table 1 - Perspectives on Corporate Governance Theories and Information (adapted from Stiles and Taylor, 2001:11, Zahra and Pearce II, 1989:293)

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Businesses spend a significant amount of time, and resources, identifying and measuring aspects of the business (Simons, 2000:16). According to Orna (2006:76), every organisation needs to know:

- *"What is happening inside its boundaries*

- *What is happening in its 'outside world' of customers, member, clients…*

- *How to recognize, interpret and act on significant change within and without*

- *How to create appropriate 'offerings'*

- *How to communicate, with itself and with its outside world"*

Additionally, this information is often presented to the Board for input into strategic decisions, and investments. Therefore, it is often relied upon by the Board, particularly Independent Directors, when making decisions on the sound management of the organisation (Clutterbuck and Waine, 1993:33).

This information comes from many sources, both internal and external, and in many forms, both financial and non-financial. Ittner and Larcker (2003) identify the value of the information is in the outcomes of the decisions that are taken which have been made based on it. Therefore, the decision making processes, power and structure of a Board, that is to say the corporate governance of the organisation, is to an extent dependent on the information the Board receives.

2.3.1 A Note on Information

The defining of 'information' is complex, despite the daily usage of the term. Rowley (2007:172) reviewed sixteen post-2003 textbooks and concluded that

> *"Information is defined in terms of data, and is seen to be*
>
> *organized or structured data. This processing lends the data*

> *relevance for a specific purpose or context, and thereby makes it*
>
> *meaningful, valuable, useful and relevant"*

Data is, therefore, facts without context or meaning. Within a business setting this could for example be the percentage turnover of staff, however, without knowing the norms for the company or industry this fact has no context. When this contextual data is added the facts become information. Information is then transmuted into knowledge when the interpreter views the information in light of their own "experiences, skills and values" (Rowley, 2007:174). This is illustrated in Figure 3:
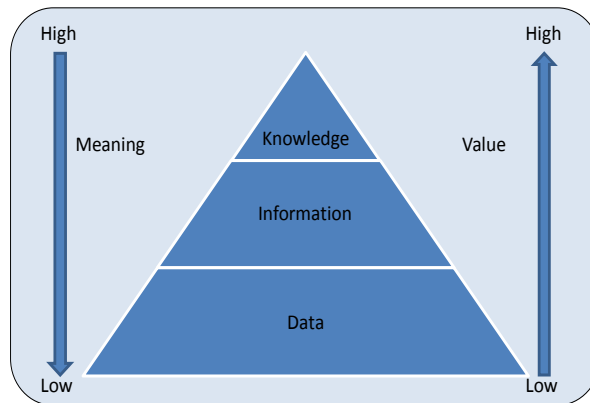
Figure 3 - Information Hierarchy (Chaffey & Wood, cited in Rowley, 2007:167)

Marchand et al. (2000:21) provides the following framework to further describe data, information and knowledge:

	Data	Information	Knowledge
Content	Events	Trends	Expertise
Form	Transactions	Patterns	Learnings
Information task	Representation	Manipulation	Codification
Human element	Observation	Judgement	Experience
Organizational intent	Automation	Decision-making	Action
Value test	Building Block	Uncertainty reduction	New Understanding

Table 2 – From Data to Knowledge (Marchand et al., 2000:21)

This framework identifies that the organisational intent for information is decision making; that is to say that the data is contextualised into information to enable decision making. A common thread throughout much of the information literature is the requirement for the measures to be of high quality, timely and to be trusted by the recipient to facilitate effective decision making (e.g. Ittner and Larcker, 2003, Kaplan and Norton, 1996, Phelps, 2004). This requirement is echoed within the corporate governance literature (e.g. Cadbury, 1992, Financial Reporting Council, 2014).

2.4   Summary

This chapter has provided a brief overview of the research field in which this study sits, specifically in relation to corporate governance theories. It has identified the link between the existing theories and has highlighted information as a dissonance suitable for further research.

3   METHODOLOGY – THE PROCESS

3.1   Introduction

This chapter focuses on the process of grounded theory and the processes used within this research; chapter 4 describes in detail the practical implementation of the methodology. Roberts et al. (2005:S20) identify the "necessity for qualitative primary research on the dynamics of governance relationships". Huse (2007:3) adds that there are "few theoretical, empirical and methodological guideposts to assist researchers through this minefield". This lack of coherence has led to many researchers using differing methodologies to investigate similar issues, adding complexity.

The research area lends itself to a qualitative approach for a number of reasons. The primary reason for selecting this approach is based around the lack of research previously undertaken in this area which would be sufficient to create testable hypotheses (Corbin and Strauss, 2008:25). That is to say, there is a lack of data, for example, to clearly identify the relevant questions to ask in a survey or to select appropriate pre-existing data sets to analyse. This research is aimed more at generating hypotheses than testing them (Corbin and Strauss, 2008:25).

A second reason for using a qualitative approach is to ensure a depth, and richness, in the understanding (Leblanc and Schwartz, 2007). The topic selected is under researched and, as such, there may be many significant, but as yet unidentified, erroneous influencers on the relationship between Directors and information. This research aims to identify at least some, if not the majority, of these aspects.

There are precedents for this type of research in the work of Stiles and Taylor (2001:24) who applied a grounded theory approach to 51 Director interviews and four case studies. Furthermore, Stiles and Taylor (2001:30) identified that their chosen methodology "attempted to reflect and understand the complexity of the functioning of organizational elites".

Therefore, the methodological approach will follow the grounded theory tradition. This is appropriate as the following three conditions, identified by Birks and Mills (2011:16) are met:

- "*Little is known about the area of study.*

- *The generation of theory with explanatory power is a desired outcome.*

- *An inherent process is imbedded in the research situation that is likely to be explicated by grounded theory methods.*"

3.2   Grounded Theory Approach

Grounded theory was originally developed in the 1960s by Professors Barney Glaser and Anselm Strauss (Charmaz, 2006:4). The method is an inductive/abductive approach that uses data to create a theory (Birks and Mills, 2011:11)[1]. The method allows the researcher to employ a range of data collection methods (Glaser and Strauss, 1967:18).

It has been argued that the output of the grounded theory approach

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[1] See section 3.2.2.1 for a fuller discussion on this debate.

"…*is more trustworthy for consultations because both laymen and sociologists [researchers] can readily see how its predictions and explanations fit the realities of the situation*" (Glaser and Strauss, 1967:98)

Glaser and Strauss (1967:98) go on to identify that, whilst a researcher has little risk related to the outcomes, that is to say their financial wellbeing is not predicated on the application of the findings, the layman will use it for action. As such, the layman must trust both the process and the outcomes. As this research is investigating the link between Directors and their use in practice of information, the application of grounded theory is appropriate. As Strauss and Corbin (1998:6) identify, researchers using this approach are most likely hoping that their research is relevant to both academics and non-academics alike.

Grounded theory is a methodological approach that enables theories to evolve from the data to produce a theory which is grounded in that data (Charmaz, 2006:4, Glaser and Strauss, 1967:3, Strauss and Corbin, 1998:12). The aim is to collate data on a research problem to facilitate understanding and to develop a theory. The theory is expected to be smaller than a Grand Theory but larger than a minor hypothesis (Glaser and Strauss, 1967:33).

3.2.1 A Family of Methods

"Anyone contemplating the GTM [grounded theory method] landscape must grasp the inherent complexity of what might be termed the 'family of methods claiming the GTM mantle'" (Bryant and Charmaz, 2007c:11)

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Glaser and Strauss' 1967 book, "The Discovery of Grounded Theory; Strategies for Qualitative Research" ('Discovery') provided an outline of the method they had used for their research on patients' awareness of dying (Glaser and Strauss, 1965). Since the publication of 'Discovery', much has been written about the grounded theory method (e.g. Birks and Mills, 2011, Charmaz, 2006, Corbin and Strauss, 2008, Glaser, 1978, 1992, 1998, 2012). The books vary in style and level of guidance; some such as Charmaz (2006) provides more of a 'how to' approach, whilst others, such as Martin and Gynnild (2011) provides the contextual setting for the method. As Bryant and Charmaz (2007c) summarise

> *"there is no 'GTM for Dummies'. GTM is based around heuristics and guidelines rather that rules and prescriptions. Moreover, researchers need to be familiar with GTM, in all its major forms, in orders to be able to understand how they might adapt it in use or revise it into new forms and variations."* (Bryant and Charmaz, 2007c:17)

A student of grounded theory has two distinct choices; to select a defined method, such as Classic Grounded Theory as defined by Barney Glaser, and use only that approach or to develop their own understanding and, therefore, their own approach to grounded theory. As Birks and Mills (2011:3) identify, in any research with an interpretive element "few things are ever black and white". As such, this research will not follow one approach to the exclusion of all others but will draw from the "family of methods" (Bryant and Charmaz, 2007c:11) to inform the research as and when appropriate. This selected approach is due, primarily, to this researcher's philosophical position.

3.2.2 Research Philosophy

This research is predominately influenced by my personal philosophical position, that of pragmatism. It is interesting to note that Glaser came from a positivist tradition and Strauss a pragmatist tradition (Charmaz, 2006:6). Strauss' personal, espoused, position extended to include symbolic interactionism. Conversely, Glaser is thought of as a critical realist, despite not personally labelling himself, as he believes this to reduce to the potential of grounded theory (Birks and Mills, 2011:5). Bearing this in mind, it is important to clarify my viewpoint so as to understand how it influences this research (Birks and Mills, 2011:50).

Corbin and Strauss (2008:8) identifies that

> *"There are no simple explanations for things. Rather, events are*
> *the results of multiple factors coming together and interacting in*
> *complex and often unanticipated ways."*

They go on to explain that, due to this complexity, any methodologies used to explain and analyse real world issues are, by nature, complex (Corbin and Strauss, 2008:8). In their view of qualitative research they draw on the pragmatist philosophies of Dewey and Mead (Corbin and Strauss, 2008:2).

According to (Dewey, 1997:166) there are both human and environmental factors interweaved in the creation of truth. Strauss believed that humans are active agents, rather than passive recipients, of their life (Charmaz, 2006:7). Under the definition of pragmatism, Easterby-Smith et al. (2008:76) identify that "meaning structures … come from the lived experiences of individuals". Additionally, Creswell (2009:6) lists four characteristics of pragmatism; consequences of actions, problem-centred, pluralistic and real-world practice orientated.

Pragmatism "orientates itself towards solving practical problems in the 'real world'" (Feilzer, 2010:8). That is to say; it is how the tools are used, and the subsequent results integrated and interpreted, that is the valuable aspect of research. As such, "methods are matched to the specific questions and purpose of the research" (Mackenzie and Knipe, 2006), therefore, research tools that can be adopted come from all research philosophy backgrounds.

This philosophy reflects itself in this research in two primary ways; choice of methods and interview approach. Pragmatism allows for multiple methods (Creswell, 2009:17) which supports the use of both interviews and observations. Additionally, within the interview approach it supports the notion of enquiring with regards to contextual factors. Peirce (5.196 (n.d.) quoted in Burks, 1946:306) concludes that pragmatism "is nothing else than… the logic of abduction"; as such, the following section further articulates the debates on the Glaser/Strauss approached to grounded theory.

3.2.2.1   Inductive, Deductive or Abductive

Charles Sanders Peirce (1839-1914), a noted pragmatist, identified three stages of enquiry: abduction invents the hypothesis; deduction identifies the consequences by which it can be tested; and induction tests the hypothesis (Burks, 1946). As Richardson and Kramer (2006:500) note

> "*Peirce did not want to banish the concepts of deduction and induction and replace them by abduction. Abduction, induction and deduction refer to different stages of inquiry.*"

There is, however, significant debate within the grounded theory literature as to where exactly the methodology sits within these stages of enquiry, see for example

Nathaniel (2011:196) and Reichertz (2007:214). It is worth noting that the Glaser-Strauss differences is believed to be illuminated to some extent by these differing viewpoints (Reichertz, 2007:215).

Glaser (1978:37, 1998: 117) asserts that grounded theory is an inductive process. Nevertheless, he goes on to clarify that

> "deductive work in grounded theory is used to derive from induced codes conceptual guides *as to where to go next for which comparative group… in order to sample for more data to generate a theory.*" (empahsis in original, Glaser, 1978:37)

As such, he labels grounded theory as "inductive-deductive" (1978:37) in which "deduction is in the service of further induction" (1978:38). The use of constant comparison of new data, from new samples, against the collated data provides a circulatory hypothesis testing/generation process.

Nonetheless, other grounded theorists query Glaser's definition and consider grounded theory in terms of an abductive process (for example Birks and Mills, 2011, Charmaz, 2006:102, Reichertz, 2007:214, Richardson and Kramer, 2006). Reichertz (2007:224) identifies that the circular nature of grounded theory supports the notion of abduction. That is to say, the constant comparison of data, memos and initial suppositions which enable the inference of a scientifically reasonable and logical hypothesis "exactly corresponds to the logic of 'abductive' research" (Reichertz, 2007:224). In summary, Bryant and Charmaz (2007a:602) define abduction as

> *"A type of reasoning that begins by examining data and after scrutiny of these data, entertains all possible explanations for the observed data,*

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and then forms hypothesis to confirm or disconfirm until the researcher

arrives at the most plausible interpretation of the observed data."

Reichertz's (2007:225) treatise on the logic of grounded theory concludes that Strauss' (and Corbin's) variant of grounded theory resoundingly "contain[s] the logic of abductive reasoning". Likewise, Nathaniel (2011:198) conclude that

"*Classical [Glaserian] grounded theory is highly consistent with Charles Sanders Peirce's philosophy of pragmatism… and [Peirce's basic philosophical assumptions] can prevent erosion and misinterpretation of the method*"

Therefore, despite Corbin (Corbin and Strauss, 2008:16) identifying that their work on grounded theory is based in the "Chicago style Interactionism and Pragmatism" philosophies; and Glaser as "dismiss[ing] the applicability of any specific philosophical or disciplinary position" (Birks and Mills, 2011) similarities can be drawn between the two 'camps'; or, as Bryant and Charmaz (2007b:46) conclude,

"*Abductive reasoning resides at the core of grounded theory logic: it links empirical observation with imaginative interpretation, but does so by seeking theoretical accountability through returning to the empirical world*"

In other words the use of constant comparison and theoretical sampling, utilised in both approaches, provides a loop within the research between the data and the analysis which aligns with the abductive principles.

3.2.3 Unit of Analysis

Glaser (1998:8) concluded that "All is Data", as such the source of the data collected can, and does, come from many sources. The unit of the source varies from an individual to, in this case, the observations of entire Boards. At the beginning of the research it is important not to limit the research by specifying a particular unit of analysis (Gibson and Hartman, 2014:34). It is important to remember that;

> *"The goal of grounded theory is to generate a theory that accounts for*
>
> *patterns of behaviour which are relevant and problematic for the*
>
> *participants. The core category is that pattern of behaviour which is*
>
> *most related to all the other categories and their properties in the*
>
> *theory which explain how the participants resolve their main concern."*
>
> (Glaser, 1998:117)

Therefore, in many ways the unit of analysis is 'behaviour' rather than a defined individual, role or societal group (Glaser, 1978:69).

3.3 Process

Figure 4 (page 48) provides an overview of the grounded theory process used within this research, from the start of undertaking data-related activities, which is to say beyond the selection of grounded theory as the methodology. The process, by its nature as well as philosophical underpinnings is circuitous. One of the basic tenants of grounded theory is the constant comparison of data with data, codes with codes, categories with categories that leads to higher levels of abstraction and, ultimately, to a theory (Birks and Mills, 2011:11, Glaser and Strauss, 1967:101-116) It is, therefore, usual - and encouraged - for researchers to go backwards and
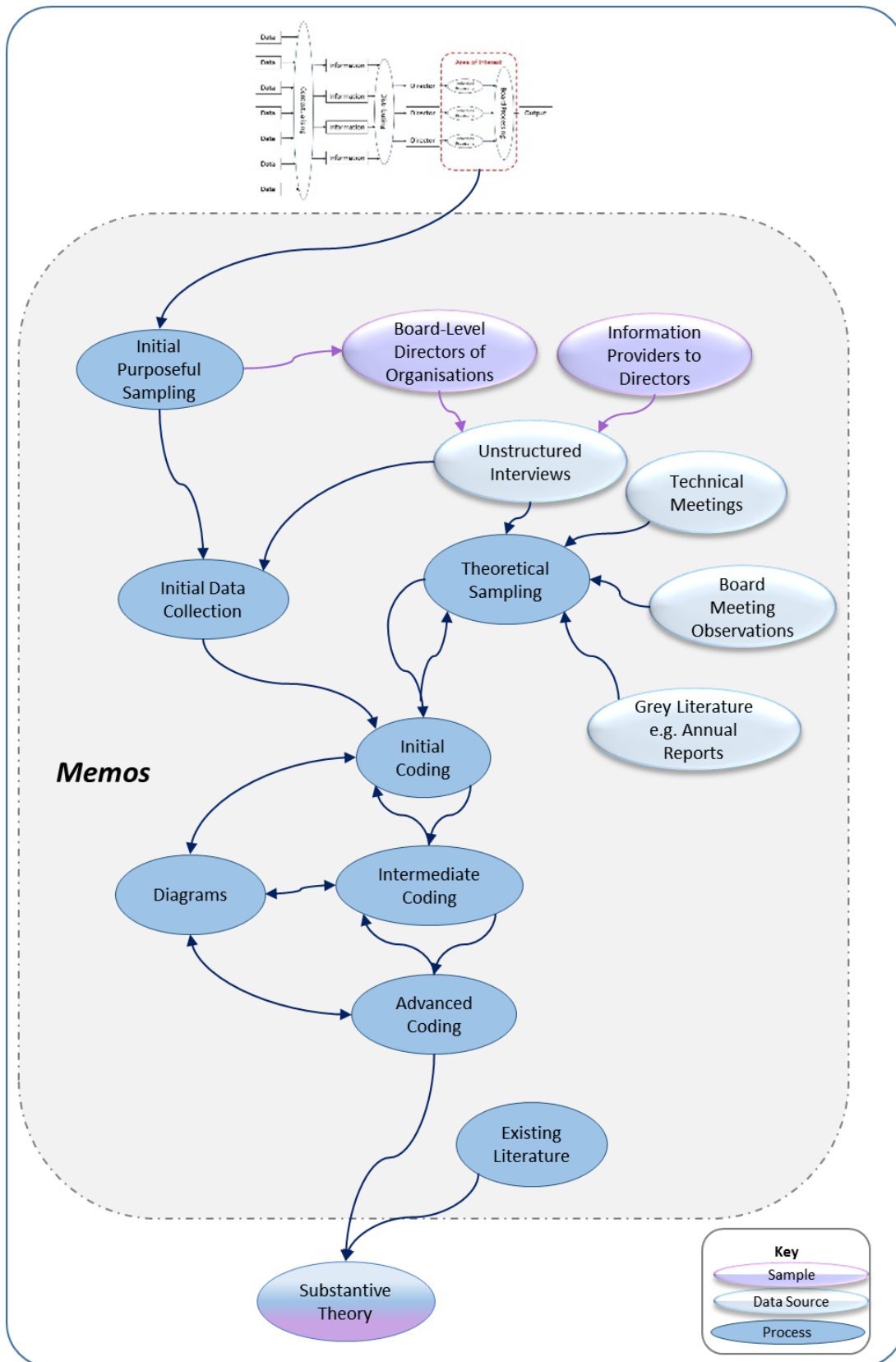
Figure 4 – Grounded Theory Process Used

forwards (and sideways) between the data, the codes and the categories during the process right up until, and including, the write up stage (Charmaz, 2006:154).

Within this chapter the data collection and the data analysis are discussed in separate sections for clarity, however, it is the analysis of the data that informs the next step of the data collection (Charmaz, 2006:96). As such, they are a circular, interlinked process, with no clear dividing lines between the stages.

3.3.1 Memos

Memos "are records of thoughts, feelings, insights and ideas in relation to a research project" (Birks and Mills, 2011:40). The grounded theory process begins with the area of research, as identified in Figure 1 (page 20). However, from the moment that the area of research is identified the researcher begins to memo. Like constant comparison, memos are a core tenant of grounded theory. Memo types have been described in many way such as; "code notes, theoretical notes, and operational notes" (Corbin and Strauss, 2008:118); in additional to this list Birks and Mills (2011:52) recommend that reflective notes on the grounded theory process are also written by the researcher; although they go on to say that the labels are not important, it is the habit of writing memos that is important.

Memos are a written record of the mental processes that underpin the grounded theory method. The memos are utilised for many reasons for example; to prompt further data collection, to articulate an unseen gap, to reflect on understandings to date but most importantly to enable and facilitate conceptualisation of the theory. They are a tool to promote theoretical sensitivity and reduce the forcing of the data analysis (Birks and Mills, 2011:60).

Memos have no set format, are free flowing in terms of both structure and English (Glaser, 1998:178); memos can be both in written form and in diagrams. Memos vary in length, from one line notes to pages of reflection.

In the case of this research, memos were written in many formats, for example; on scrap paper, on an iPad and in NVivo software. Even answerphone messages were used when paper could not be conveniently accessed and then transcribed at a more convenient time. Appendix 11.2 provides some illustrations of the memos. As Reichertz (2007:221) explains abduction often requires mental space in which to make connections and abstractions. Memos, therefore, were often written at inconvenient times, nonetheless they took priority over all other activities, with the one exception of during data collection interviews (Glaser, 1998:182).

All memos were dated to enable the evolution of thought to be tracked. In addition to 'standalone' memos a reflective diary of the research process was also kept to understand the research 'journey' (Birks and Mills, 2011:54). All memos, ultimately, ended up in paper format thereby allowing physical sorting of the contents. Throughout the research the memos were sorted into groups of inter-connected memos (Glaser, 1998:118). This sorting happened at intervals throughout the research journey, with each sorting having a different conceptual view (see section 3.4 for a fuller description). Memos were also written on the outcomes of sorting, which were then incorporated in the next sorting.

Memoing continued up until to point that the theory was fully developed and written up.

3.3.1.1 Diagrams as Memos

Diagramming is used to help identify, for example, the core concept, gaps in data and properties of categories (Birks & Mills, 2011:105). As they go on to identify, "[d]iagramming is *the* creative tool to use when operationalizing the logic of abduction" (emphasis in original Birks and Mills, 2011:105). As such, the diagrams can be used as a starting point for the discussions around the creation of theory.

Visualisation through the use of diagrams, and other graphical tools, enables large amounts of data to be viewed easily (Bazeley and Jackson, 2013:217). NVivo provides a number of tools to assist the researcher, nonetheless, in the case of this research the diagrams were hand drawn; this was found to be both easier and more conductive to evolving the diagrams and, ultimately, the theory developed.

The earlier diagrams are 'messy' and representative of the chaos of the early stages of grounded theory (Birks and Mills, 2011:105); the later diagrams are clearer, simplified illustrations as can be seen in Figure 5 (page 51). All diagrams were kept, for example those on the blackboard were photographed as they evolved, and were chronologically stored (Birks and Mills, 2011:106).
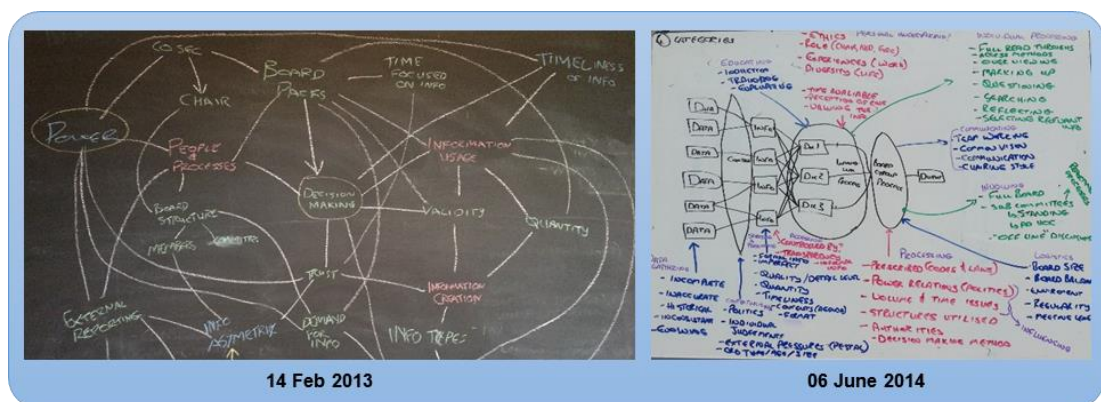
Figure 5 - Diagrams

3.3.2 Sampling

Sampling within grounded theory is separated into two types; initial purposeful sampling followed, swiftly, by theoretical sampling. The initial purposeful sample is suggested by the research area of interest; that is to say the first sample is directly relevant to the study (Birks and Mills, 2011:70). This initial data is then analysed and coded, as described in section 3.4. The coding then highlight gaps, further questions or avenues of interest for which theoretical sampling should be utilised to provide the data.

> *"Theoretical sampling is unique to grounded theory research and is the essential method for making the process emergent"* (Birks and Mills, 2011:69)

Theoretical sampling has two core aspects; "*what* you do next … [and] *how* you do it" (emphasis in original Birks and Mills, 2011:70). The 'what' looks at, for example, who is the source that may help the researcher to fill the knowledge gaps highlighted in the coding. In relation to the theoretical sample selection there are a number of considerations; however, as Stake (1995:4) identifies "the first [selection] criteria should be to maximize what we can learn". The 'how' identifies the data collection method, for example, in this study much was said about what happened within the Boardroom during the unstructured interviews. Hence, to understand the theoretical gaps being identified within the interviews further, observations of Board meetings were undertaken. As such, the "process of data collection is *controlled* by the emerging theory" [italics in original] (Glaser and Strauss, 1967:45).

Under purposeful sampling the researcher would normally set the sample size at the beginning of the data collection phase (Bryman, 2008:415). However, theoretical

sampling uses a more emergent process, as such, the sample size - and its nature - emerges as the data analysis processes develops. Thus it is not possible to predict the size or methods of data collection at the beginning of a grounded theory study (Glaser and Strauss, 1967:61).

Data collection finishes when theoretical saturation has been reached. Saturation is reached when further data collection does not add to the categories already identified in the data analysis (Glaser and Strauss, 1967:61). That is to say, despite further collection of data from different sources no new properties are yielded for the identified category.

In this research there are 42 samples. In total there were 33 unstructured interviews with 31 interviewees undertaken in two phases, see section 4.2.2.1 for further details. The first phase was used to generate initial data; the second phase was used to member-check and further explore early stage findings. Two of the interviewees were interviewed in both phases, with a further three only being interviewed in the second phase. In addition, five Board meetings were observed during the latter part of the first phase. In parallel with both phases, four technical meetings were undertaken to investigate specific aspects. After the final samples were analysed, as described in the following sections, no new codes, or dimensions of codes, were identified (Corbin and Strauss, 2008:263). Therefore, theoretical saturation had been reached (Birks and Mills, 2011:99) and no new data was collected.

3.3.3 Data Collection

Under Glaser's (1998:8) "All is Data" concept, four types of data collection were undertaken; unstructured interviews, technical meetings, Board observations and member-checking interviews (the latter is described in section 3.4.2.1). Surrounding that is 'grey' literature such as the Board packs of the observed Board meeting and the 2013 Annual Reports of a selection of FTSE100 companies.

3.3.3.1 Unstructured Interviews

> *"The grounded theory interview is dependent upon the ability of the*
> *researcher to travel a path through the interview with the participant.*
> *The greater the level of structure imposed, the less able the interviewer*
> *will be able to take the optimal route"* (Birks and Mills, 2011:75)

Therefore, unstructured, conversational, interviews are widely used within grounded theory research (Corbin and Strauss, 2008:28). Unstructured interviews are a style of interviewing designed to elicit the interviewee's perceptions of an issue without the interviewer's preconceived notions influencing the discussions (Firmin, 2008). The use of unstructured interviews enables the interviewees to direct the conversation and facilitated the identification of hitherto un-researched aspects (Corbin and Strauss, 2008:28). As Birks and Mills' (2011:75) goes on to explain, the interviewer's role is to coordinate the conversation and enable it to develop.

Each interview within a grounded theory study is an evolution of the previous one. After each interview the data gathered is analysed and compared with the data already analysed (Birks and Mills, 2011:94). The aim of the interview is, not only to develop coding and categories, but to provide both explanations and context for the

categories to enable understandings to be identified (Corbin and Strauss, 2008:148).

Within unstructured interviews

> *"guides are not as relevant as they are to structured forms of research because they tend to evolve and change over the course of the research"* (Corbin and Strauss, 2008:152)

That does not mean that there should be no pre-considered questions but that the questions should be of an open nature allowing the interviewer to initially prompt discussion then follow the interviewee's lead (Corbin and Strauss, 2008:153). The examples they provide are; "'Tell me what you think about' or 'What happened when' or 'What was your experience with'" (Corbin and Strauss, 2008:152). They go on to advise that using only the initial interview guide without the flexibility to learn as the analysis of the gathered data progresses limits the value of the data collection exercise. Nonetheless, an *aide-memoire* is a useful tool in the interview situation; this guide assists the interviewer by providing prompts for the conversation but it must be used with caution and reviewed after each interview is coded (Birks and Mills, 2011:75, Corbin and Strauss, 2008:28).

In the case of this research, two questions were regularly - though not always - asked of the interviewees:

- *"Can you tell me about a time when the Board worked well together?"*
  - o This question was often used as a first question to help the interviewee feel comfortable in the interview setting and provided them with an opportunity to feel positive with regards to sharing information

- *"Can you tell me a time when the Board did not work so well together?"*
  - This question was used to help the interviewee reflect on the differences between when the Board worked well together and when it did not

These two questions had the additional advantage of providing anecdotes for the interviewee to return to throughout the rest of the interview.

The interviewer is, inevitably, part of the conversation and, therefore, develops a relationship with the interviewee – even if only for the short time of the interview (Rubin and Rubin, 2005:33). This relationship is the key to eliciting the data from the interviewee, Rubin and Rubin (2005:34) suggest that the interview should be an agreeable experience for both parties. The style of the interview should be, and was, relaxed and open thereby enabling the interviewer to make the interviewee feel comfortable to open up (Corbetta, 2003:274). The key activities for the interviewer during the interview are; listening; prompting through the use of both the *aide-memoire* questions and follow on questions; as well as note taking (Mason, 1998:46). The aim is to engender trust, gain a rapport and enable the information to flow from the interviewee (Corbin and Morse, 2003), thus ensuring that value is derived from the time spent.

The interviews evolved as the interviewing skill improved with practise; as the interviewer became more skilled at the interviewing process, and reflected on the interview process, iterative improvements were made in the skill. Birks and Mills (2011:75) recommend a pilot interview to test the interviewer's technique. In this research the pilot was done with Prof Cherry, a highly respected academic with Boardroom experience.

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The phase one interviewees included: nine Board Chairs; ten Non-Executive Directors; four Board level Executives; three information providers to Boards; one Board advisor and one industry/academic expert; a full description of the interviewees can be found in section 4.2.2. The phase one interviews were conducted over eleven months from January 2013 to November 2013. Throughout that period 28 interviews were conducted.
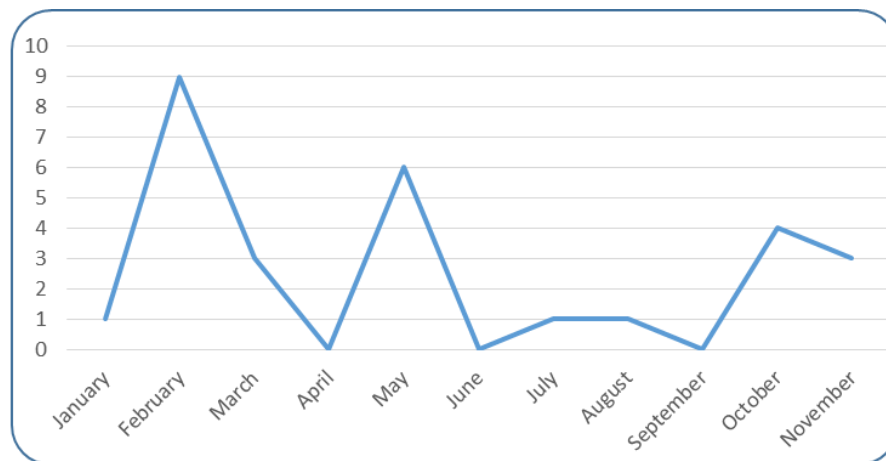
Figure 6 - Distribution of Phase One Interviews in 2013

The ebb-and-flow of the interviews were a consequence of both the need to analyse the data throughout and constantly comparing it with previous data - this by necessity taking longer as further data was located – as well as the complexity of accessing the interviewees. As can be seen from Figure 6 (page 57), there were three key peaks in the data collection, at times this meant that the interviews could not always be fully analysed prior to the next interview, though in all cases memos where written prior to the next interview. This is contrary to grounded theory processes but reflects the complexity of accessing managerial elites (Pettigrew, 1992), as such, during the peak periods priority was given to access over methodological processes.

The interviewees were identified through personal contacts, LinkedIn, the 'Women on Boards' organisation and by recommendations from previous interviewees. The interviewees were in two categories; Board member and advisors to Boards. In the initial sample considerations Board members were considered to be the most likely source of data. However, as the interviews progressed the question of why the Board members received various pieces of data became important, therefore, the interviewees sample grew to incorporate Board advisors.

Glaser (1998:107) argues that 'tape' recording an interview is counter to grounded theory for a number of reasons; recording creates waste in terms of too much data; delays the process whilst it is transcribed and quality checked; it records the words but not what is observed; and it constrains skill development. Conversely, Birks and Mills (2011:76) argue that recording the interview is supportive of the overall process, especially for novice grounded theorists. Recording the interview allows both for the review of the contents and the evaluation of the interview process (Birks and Mills, 2011:76, Charmaz, 2006:32).

All of the phase one interviews were recorded and professionally transcribed within three days of the interview. The transcripts were then checked for accuracy. In addition, field notes (memos) were written immediately after the interview, these included a richer picture of the interview than the transcription could provide (Mason, 1998:52). During this process all of the data was fully anonymised with both the participants and their organisations being allocated pseudonyms, see appendix 11.1 for vignettes describing the interviewees.

Prior to beginning the research it had been anticipated that most interviews would be conducted face-to-face. However, it quickly became apparent that scheduling

such meetings with Board-level individuals was significantly more complex than scheduling telephone calls. Therefore, 19 of the interviews were conducted by telephone, seven were conducted face-to-face and the remaining two were conducted using 'Skype' video conferencing facilities.

The interviews lasted an average of 42 minutes each varying from 25 to 85 minutes in length. This is comparable with Leblanc and Gilles (2005:272) who noted that their interviews ranged from eight minutes to over 90 minutes with the majority being between 30 and 60 minutes in length.

3.3.3.2 Technical Meetings

These meeting were held with the aim of further understanding specific issues raised by the interviewees in the unstructured interviews. These meetings are defined as technical meetings for two reasons; firstly the interview style was much more conversational in terms of a two way dialogue between interviewer and interviewee, as such they are referred to as a 'meeting'. Secondly, they focused on a single issue highlighted by the coding of the unstructured interviews. The aim of these meetings was to provide an in-depth, technical, understanding of the specialist area of the interviewee. The technical meetings were held with the following;

A. The CEO of a recruitment firm specialising in Board level recruitment

B. A Consultant working for a provider of specialised software for use in the Boardroom

C. The CEO of a provider of specialised software for use in the Boardroom

D. An entrepreneur in the process of setting up an organisation designed to enable smaller organisations to gain access to experienced NEDs

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These meetings averaged 52 minutes in length, two were face to face and the remaining two were conducted by telephone. The meetings spanned both phase one and phase two of the data collection. During the meeting brief notes were taken and these were expanded upon immediately after the meeting (Birks and Mills, 2011:78). These field notes were then coded in the same manner as the unstructured interviews.

3.3.3.3 Board Meeting Observations

Under the UK's Health and Social Care Act 2012 all NHS Trusts' "constitution[s] must provide for meetings of the board of directors to be open to members of the public" (HMG, 2012). As such, the Board meetings can be observed by any members of public. It should be noted that not all of the meeting can be observed by the public due the confidential, patient centric, issues discussed; nonetheless, more than three-quarters of the meetings' contents were observed. Two different Trusts were observed; 'Curie' NHS Trust for three meetings and 'Pasteur' NHS Trust for two meetings.

Both Trusts are large Home Counties (UK, South East) based organisations. The Board Secretary was contacted by email prior to the first attendance to gain permission for observation out of courtesy. At the first meeting, I made myself known to the Board Secretary at the beginning of the meeting and was, in both cases introduced to the CEO and Chair. The research was explained during these conversations as well as the confidentiality measures to be put in place to assure anonymity. Other Board members also expressed interest in the research.

The Trusts both published the Board papers online a week before the meeting, these were read in advance of the meeting. Throughout the meetings the behaviour of the Board was observed and extensive field notes were made. The field notes were typed up as soon as possible after the meeting. The field notes observed, for example: how the individuals on the Boards interacted; the level of preparedness the Directors exhibited; how they approached individual agenda items; as well as the progress and manner of the discussions. These field notes were then coded in the same manner as the unstructured interviews.

The limitations of these observations must be noted, the main limitation being, as stated above, only the public part of the meeting was observed, not the private session. Therefore, it was not possible to clearly identify what is 'normal' behaviour for the Board and what behaviour was for the 'audience's benefit'. As such, within this dissertation the analysis of the observations has been restricted to the factual aspects of the observations, for example observations of the timeliness of the meetings and the contents of the Board pack. Nonetheless, great benefit was gained by the researcher in being able to contextualise the interviewees' comments, which ultimately added value in the coding and analysis phases of this research.

3.3.3.4 Grey Literature

Throughout the data collection a number of documents were utilised; these included;

- Board reports
- Annual reports
- Internal documentation provided by the participants
- Other publically available information such as news reports

This wealth of information added to the rich picture of both the participant and their organisations. Nonetheless, it was important to understand the context of each document in terms of, for example, its production, timings and reason for sharing (Bryman, 2008:522). Each text was evaluated in terms of its; authenticity, credibility, representativeness and meaning (Bryman, 2008:516). The grey literature was then coded in the same manner as the unstructured interviews.

3.4　Data Analysis

As Glaser and Strauss (1967:254) identify, the researcher's job is "to transform insights into relevant categories, properties, and hypotheses". As such, the process of analysing the data is core to the grounded theory approach. Unlike most quantitative research, data analysis can, and must, begin from the point the first data is collected (Glaser & Strauss, 1967:47).

It is important to note that there is much contention between the major grounded theorists with regards to the data analysis phase. As such, within the varying approaches to this phase of grounded theory there are a variety of terms and language used to describe the processes. In the case of this research, for simplicity Birks and Mills' (2011:94) terminology of initial, intermediate and advanced coding will be used to describe the coding process. Birks and Mills (2011:116) map their terminology to other major grounded theory work as illustrated in Table 3.

	Initial Coding	**Intermediate Coding**	**Advanced Coding**
Glaser and Strauss (1967)	Coding and comparing incidents	Integrating categories and properties	Delimiting the theory
Glaser (1978)	Open coding	Selective coding	Theoretical coding
Strauss and Corbin (1990; 1998)	Open coding	Axial coding	Selective coding
Charmaz 2006	Initial coding	Focused coding	Theoretical coding

Table 3 - Phases of Coding (Birks and Mills, 2011:116 Table 7.1)

As with the data collection section, the coding phases will be described in a linear manner. However, the reality is that the researcher "alternate[s] between phases of coding throughout the study as they concurrently generate or collect data and analyse these" (Birks and Mills, 2011:95).

3.4.1 Initial Coding

Coding is a form of indexing that enables connection and a narrative to develop between the information (Mason, 1998:144). Gibson and Hartman (2014:91) describe the process of coding as

> *"…you take a lot of different examples that seem to be quite similar and you summarise them by* calling *them the same thing. You label them with a word or set of words that typically captures the content they have in common. It is not complicated."* (emphasis in original)

That being said, the various renowned grounded theorists have suggested differing approaches to how researchers should question the data when doing the initial coding. Corbin and Strauss (2008:90) suggest a structured paradigm, with

formulated questions relating to "conditions", "strategies" and "consequences" identified by the interviewee, as a tool with a matrix to locate events. Glaser (1992:4) raises concerns that this forces the data, therefore, preventing the development of a true grounded theory. In contrast, Charmaz (2006:51) takes a more constructivist view and recommends that the researcher asks such questions as, but not limited to:

- *"What processes(es) is at issue here? How can I define it?*
- *How does this process develop?*
- *How does the research participant(s) act while involved with this process*
- *What does the research participant(s) process to think and feel while involved in this process? What might his or her observed behaviour indicate?*
- *When, why and how does the process change?*
- *What are the consequences of the process?"*

She also recommends "looking for tacit assumptions" and "explicating implicit actions and meaning" (Charmaz, 2006:50).

Prior to beginning the coding, each of the recorded interviews was listened to again to ensure the nuances and inflections the interviewee used throughout the interview were captured. All other data sources were re-read prior to coding. The document was then coded line by line by the researcher. Glaser (1978:58) stresses the importance of line by line coding as it ensures that the data is read in depth and to avoid superficial coding. On occasions, the line may be coded multiple times as it may contain multiple aspects; conversely some lines may not indicate any codes at all. In addition, memos were written as and when thoughts occurred.

This process fulfilled Glaser's (1992:57-58) four rules of coding:

1. Ask questions of the data

2. Code the data line by line

3. Coding must only be done by the researcher

4. Always interrupt the coding to write memos as the ideas appear

The codes themselves are short words or phrases that describe the content or main feature of the data slice (Gibson and Hartman, 2014:91,158). Code labels are usually gerunds (-ing); this helps to prevent being too descriptive and to ensure focus on the actions (Bryant and Charmaz, 2007c, Charmaz, 2006:136). Additionally, it is usual to use *in-vivo* titles for the codes, that is to say the actual words of the interviewee are used to represent the data (Birks and Mills, 2011).

To assist in the coding process a computer-assisted qualitative data analysis software tool (CAQDAS) was utilised (Lewis, 2004). The selected software was NVivo, a well-known and widely used qualitative software program. NVivo was utilised to assist in the process of coding, that is to say, the coding was done interactively, i.e. 'by hand' utilising the software to facilitate the process not through the use of auto-coding features (Bazeley and Jackson, 2013:108, Birks and Mills, 2011:39).

In support of the coding, a code book was developed (Glaser and Strauss, 1967:106). Initially this was done within NVivo, however, it soon became apparent that the moving backwards and forwards between screens was cumbersome and unnecessarily time consuming. Therefore an index card was created for each code,

as illustrated in Figure 7, which was developed from Bernard and Ryan's (cited in Saldana, 2013:25) list of code specifications.

Name	Detailed Description (A 1-3 sentence description of the coded datum's qualities or properties)	
Inclusion Criteria (Conditions of the datum or phenomenon that merit the code)	Exclusion Criteria (Exceptions of particulars instances of the datum or phenomenon that do not merit the code)	
Typical Exemplars (A few examples of data that best represent the code)	Atypical Exemplars (Extreme or special examples of data that still represent the code)	
"Close, but No" (Data examples that could mistakenly be assigned this particular code)		

Figure 7 - Coding Card Developed from Bernard and

Ryan (2010:99 cited in Saldana, 2013:25)

The coding cards allowed for easy constant comparison of the codes as new data was coded (Glaser and Strauss, 1967:106). Throughout the process the codes were adjusted, discarded or rephrased as the data indicated (Glaser, 1978:60). During the course of these initial coding phases memos were written; as the coding evolved this was memoed also.

Through the coding process two aspects emerged; firstly, gaps in the data which are filled by collating further data. Secondly, categories of codes began to emerge and intermediate coding was begun.

3.4.2 Intermediate Coding

There is no clear dividing line between the initial and intermediate coding stages, as codes are created then begins the process of organising them. Figure 8 illustrates the linkages between the coding stages.
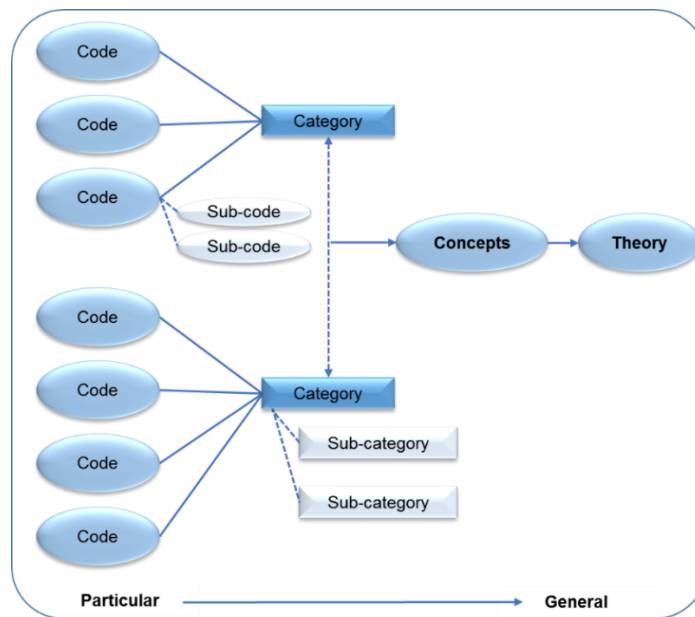
Figure 8 - A Streamlined Codes-to-Theory Model for Qualitative Inquiry (adapted from Saldana, 2013:13)

In this intermediate phase, the categories and their sub-categories will be identified and their characteristics fully explained (Birks and Mills, 2011:98). They go on to explain that the "properties of categories and sub categories should be considered in terms of their dimensions, or the range of variance that the property demonstrates" (Birks and Mills, 2011:98). To illustrate, Birks and Mills (2011:98) provides an example:
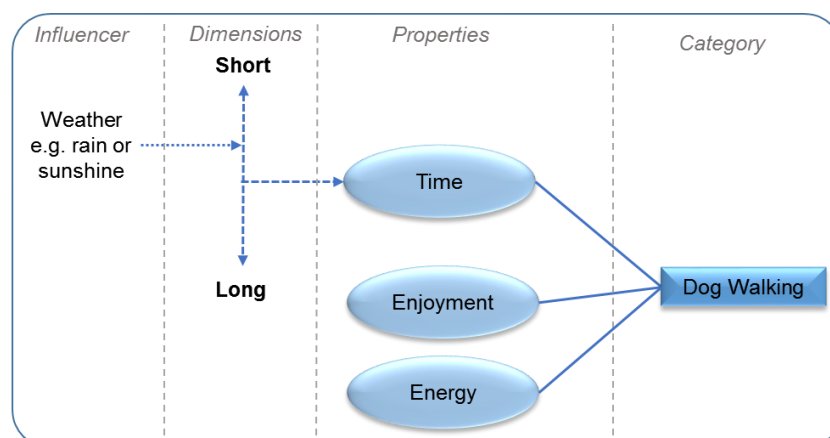
Figure 9 - Dimensions of Categories; Example Developed From Birks and Mills (2011:98)

During this phase it is usual that not all of the properties, dimensions and influencers can, or need to, be identified. Researchers then undertake theoretical sampling to fill the gaps, as described in section 3.3.1.1. However, it is not possible to fill all the gaps on all the categories, therefore, the researcher must begin the process of identifying the core category. This core category evolves out of the memos that have been written throughout the earlier stages (Glaser, 1978:89). The memos are sorted in to conceptual groupings over and over again, with each sort being memoed. The aim is to move beyond describing the issue to a level of conceptual abstraction. Glaser (1978:78) clarifies the "*conceptual specification* is the focus of grounded theory, *not conceptual definition*" (emphasis in original).

In the case of this research, the earlier phase of sorting codes into categories was done by hand then transferred into NVivo, see Figure 10 (page 69). Each sort was memoed and the structure captured for future reference. Additionally, an export of the NVivo structure was kept for future audit purposes. Gaps in the data were identified and further data collection was undertaken.
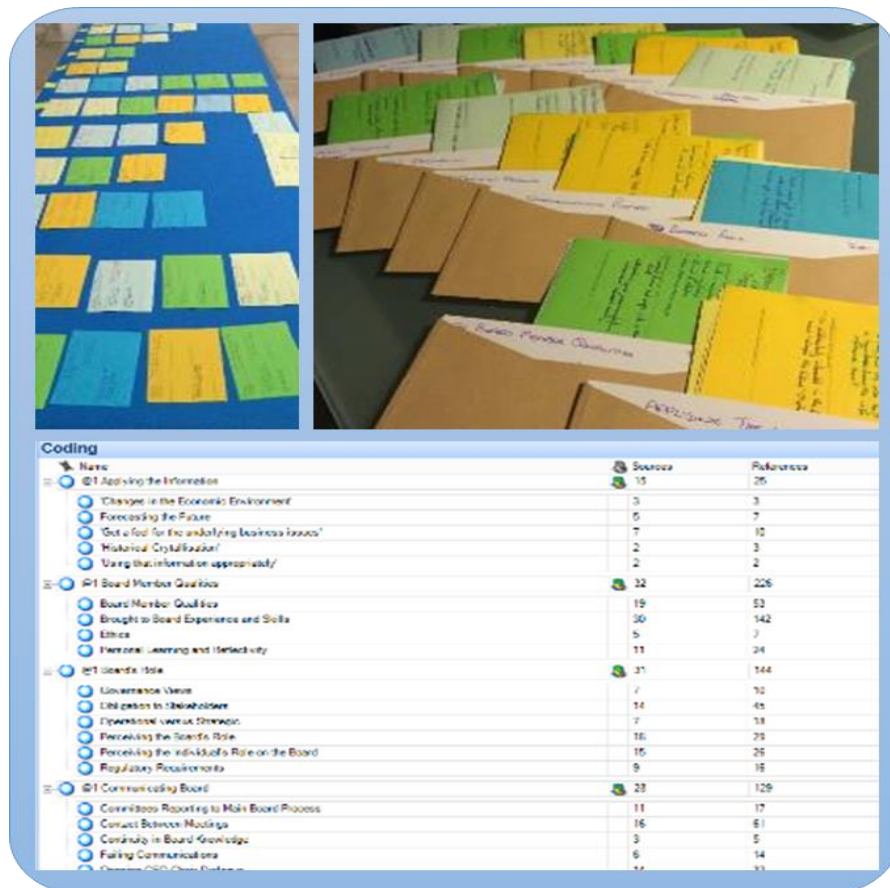
Figure 10 - Manual Sorting of Codes

The memos identified three major areas and three minor areas that needed further, focused data collection. This was undertaken through member checking.

3.4.2.1 Member Checking

Member checking "refers to taking the ideas back to the research participants for their confirmation… [or] to elaborate your categories" (Charmaz, 2006:111). Charmaz (2006:111) goes on to identify that within the recursive nature of grounded theory data collection, member checking is not necessary but she acknowledges that it is a useful term. Nonetheless, in this research it is used as a term to delineate the unstructured interviews from the interviews focused around the emerging categories.

A one page summary was produced of the research and the six areas requiring further investigation, see Figure 21 (page 117). This was emailed to the interviewees and the Company Secretaries of the observed Boards for onward circulation. It was additionally emailed to further potential interviewees. Four of the interviewees provided email responses, two phase one interviewees agreed to have follow up interviews and three interviews were conducted with additional interviewees.

The interviews focused specifically on the contents of the one page review, the aim being to understand how they resonated with the interviewees (Bowen (2008) cited in Birks and Mills, 2011:99). The aim was not to 'count' the number of people who agreed but to further stimulate conversation and, therefore, generate further data. As such, the interviewees also spoke about wider, related issues. This enabled the categories to be more fully developed and the ideas conceptualised. Further detail of this process is discussed in chapter 6.

The initial and intermediate coding phases continued until theoretical saturation was reached. Theoretical saturation is a key concept within grounded theory, as discussed in section 3.3.2. This is reached when each piece of data analysed provides the same properties for a category and there is no new development to the category as more data is analysed, even when outlying examples are analysed (Glaser and Strauss, 1967:61); or as Corbin and Strauss (2008:263) describe it;

> "*All categories are well developed in terms of properties, dimensions, and variations. Further data gathering and analysis add little new to the conceptualization, though variations can always be discovered*"

At this stage a core category is clearly identified. Gibson and Hartman (2014:96) summarise Glaser's (1978:95) list of considerations for identifying the core category as (see Table 4)

1	It must be central, and related to as many other categories as possible. It should be dominant and account for a large portion of the variation in the pattern of behaviour.
2	It must occur frequently. This leads to the perception that it is a stable pattern and can be related to the other variable.
3	It should take more time to saturate because of its relationship to the other variables.
4	It should be related easily with the other categories.
5	It may have 'grab' beyond the substantive field. This indicates its potential for formal theory.
6	The core category should enable the development of the theory rather than make it difficult.
7	It should be highly variable and ought to have frequent relations to the other categories. It should also be readily modifiable through these dependent relationships with other variables.
8	The core category ought to be closely related to a dimension of the problem.
9	The core category can be typed through the use of any kind of theoretical code.

Table 4 - Selecting the Core Category (Gibson and Hartman, 2014)

"The generation of the theory occurs around [this] core category" (Glaser, 1978:93)

3.4.3 Advanced Coding

"Advanced coding is at the heart of theoretical integration. It is through these processes that data ultimately become[s] theory" (Birks and Mills, 2011:116). Storyline writing is a tool for advanced coding that provides an order and narrative from which to develop the theory (Birks and Mills, 2011:118). It should be noted that, whilst many authors see the process of storyline development as assisting the grounded theory process (for example Birks and Mills, 2011:117, Dey, 2007:183), Glaser (1992:82) argues that they force the data to fit pre-conceived ideas.

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Storylining is "[a] narrative framework provid[ing] a vehicle for contextualizing and integrating the various elements… which characterize the social process" (Dey, 2007:183). A storyline enables the actors to be identified and their relationships articulated within an overarching plot (Dey, 2007:185).

Storylining has five guiding principles (Birks et al., 2009:408)

- *"Theory Takes Precedence"* – the theoretical constructs are the foundation of the story

- *"Allows for Variation"* – variation, such as data that does not fit, adds depth and richness to the story

- *"Limits gaps"* – gaps are identified and the researcher returns to the data (or even the field) to limit them

- *"Evidence is grounded"* – the storyline is based in the data

- *"Style is appropriate"* – the tone and language used must be appropriate to ensure readability

The storyline is developed through the sorting, and resorting, of memos. The earliest storylines are in the form of memos which are subsequently developed into a coherent whole (Birks and Mills, 2011:117). The story provides a narrative through the grounded data and subsequent conceptualisation (Birks and Mills, 2011:117).

The final stage is that of theoretical coding this is where "advanced abstractions that provide a framework for enhancing the explanatory power of your storyline and its potential theory" (Birks and Mills, 2011:123) is developed. Glaser (1978:73) identifies 18 coding families to consider when developing theoretical codes; nevertheless Charmaz (2006:66) explains that these are limited and many are

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missing from the list. In this research, a broad range of coding families were considered and the most relevant ones, as they are not mutually exclusive (Glaser, 1978:73), were applied to the storyline to develop the substantive theory.

Theory development is the end point, or goal, of the grounded theory methodology. Glaser and Strauss (1967:114) distinguish between two types of theories; substantive and formal. Substantive theories are theories that 'stand up' in relation to the population (or substantive area) studied. Formal theories go beyond that and are relevant to a conceptual area. For example, in this study, the population from which the data is drawn is predominately UK organisations, therefore the substantive theory will be relevant to all firms in this population. If the data were then cross referenced with other research and further data samples included, the theory could be proven to be relevant to other populations. Nonetheless, it is rare for substantive theories to be broadened to a formal theory (Birks and Mills, 2011:157). Glaser (2012:23) cautions to stay within the substantive boundaries of the data collection when developing the conceptual analysis.

At this stage the researcher can review the relevant literature to identify any other studies and theories which could enable the theory to be extended to a formal theory. For example, this literature includes works by Stiles and Taylor (2001), Rutherford and Buchholtz (2007) as well as Nowak and McCabe (2003). Other literature will also be reviewed to selectively further explain the dimensions of the theory (Glaser, 1978:138).

Glaser (1992:16) identifies that the end of grounded theory is a theory or hypothesis. The evaluation of the theory is discussed in section 10.4., in summary,

"A well constructed grounded theory will meet its four most

central criteria: fit, work, relevance, and modifiability … when new

data presents variations" Glaser (1992:15)

3.5   Ethical Considerations

As with any major research project, there are a number of areas that require ethical

consideration. The most significant ethical issue is the maintaining confidentiality of

the information. As such, it was important to work with the interviewee to manage

with what he or she felt they could release in terms of information, about both

themselves and their organisations. This relationship with the interviewee was

delicate and, whilst further information was elicited through questioning, the

interviewee was never pushed to provide further details when appearing to be

uncomfortable about an issue.

The data gathered often contained highly confidential, commercially sensitive data,

as such it needed to be handled with care, ensuring that all conditions of the Data

Protection Act 1998 were complied with as well as the Economic and Social

Research Council (2012) ethical guidance.

Additionally, Economic and Social Research Council grant holders are required to

offer their data to the ESRC Economic and Social Data Service (ESDS)

(Economic and Social Research Council, 2010). This creates two issues;

informing the interviewee and ensuring it is suitable for archiving. These issues

were addressed as part of the interviewee consent form, see Appendix 11.2.

3.6   Summary

This chapter has reviewed the methodological approach undertaken in this research. The chapter outlines the author's philosophical standpoint and the resulting approach to grounded theory. It also details the process that was followed in the data collection and analysis phases as well as the ethical considerations. Chapter 4 progresses this theoretical discussion in to the reality of the processes undertaken to complete this research.

4   METHODOLOGY – THE PRACTICE

4.1   Introduction

The aim of this chapter is not to provide a 'blow by blow' account of the data collection process, rather to highlight the narrative that evolved through the data collection. The chapter aims to provide reassurance to the reader of the integrity of this grounded theory research (Corbin and Strauss, 2008:297) and provides a descriptive summary of my data collection and analysis process.

This chapter also identifies some of the limitations of grounded theory in relation to the practical implementation of the processes and how this was managed within this research.

4.2   Prior Preparation

4.2.1 Self-Interview

As identified in section 1.5, a core tenet of the grounded theory approach is that there should be no preconceptions in the research relating to potential theories (Glaser and Strauss, 1967:185). However, I came to this research with a practical understanding of Boards and corporate governance, from previous work experience. In addition, I undertook studies on corporate governance as part of the preparation work for undertaking this research. As such, I did not come to this research as a *tabula rasa* (Glaser and Strauss, 1967:3) but with preconceptions; therefore I undertook a self-interview to ensure clarity of my position as suggested by Glaser (1998:120).

My self-interview was the first step in my data collection process or, to be more accurate, the final step of my preparation. As Birks and Mills (2011:59) state

"By identifying your baseline position before you begin, you can work at consciously developing your theoretical sensitivity during the research process"

The aim of the exercise is to illuminate the researcher's prior knowledge and assumptions (Glaser, 1998:120). By understanding one's own pre-conceived knowledge and understanding, it becomes easier to, keep an open mind (Charmaz, 2006:16).

The self-interview was based around seven questions:

- How did you come to be interested in this area?

- What assumptions do you have?

- What impact has the literature had upon you so far?

- Philosophically, where do you stand?

- What is your biggest fear about this research?

- What are you struggling most with in regards to grounded theory?

- What has been your biggest mistake to date?

These questions were inspired by the required preparation for attending the Grounded Theory Institute's "Trouble Shooting" course in Cork in February 2013 (Scott, 2012). The questions were combined with Birks and Mills' (2011:20) self-interview questions.

> What assumptions do you have?
>
> I have many assumptions based on my past experience . These include;
>
> - The better the data the better the board
>
> - The better the Directors are at interpreting the data the better the board
>
> - The information provided to the Directors by the company is the most valuable information they receive
>
> - The quality of the data is more important than the quantity of data
>
> - The data generators strive to make it as accurate as possible
>
> - The gatekeeper(s) between the data producers and the Directors (data consumers) will twist and bend the data to suit them
>
> - Short and to the point is of more value than long and comprehensive
>
> - Directors won't say if they don't understand the data, especially in the Board meeting
>
> - Information is applied data, knowledge is information in context and wisdom is the effective application of the knowledge

Figure 11 - Assumptions Section of Self-Interview

Figure 11 provides a sample of the overall self-interview memo. The initial memo was written over a number of days. It was added to during the early interview phases as the initial interviews were coded and the questions asked of the interviewee were reflected upon for pre-conceived biases in the questions. Over the coding phases this memo was referred back to so as to ensure unconscious bias was recognised and managed, as far as is possible (Glaser, 1998:120).

As discussed in section 1.3, there is doubt within the grounded theory scholars as to whether it is possible for researchers to truly be a "*tabula rasa* [blank state]" (emphasis in original Glaser and Strauss, 1967:3). The use of this self-reflection memo enables

> "*'triple loop' learning to capture the notion of continual reflection on the learning [research] process, the contexts within which learning occurs,*

> *and the assumptions and values motivating the learning and*
>
> *influencing its outcomes*" (Yuthas et al., 2004:239)

The articulation of my views and assumptions enabled me to reflect on my deeply held beliefs and their impact on this research. The process of self-reflection also enabled me to identify my own philosophical stance and how that influences my approach to grounded theory, as discussed in section 3.2.2.

4.2.2 Interviewee Sampling

In November 2012, I wrote to 122 UK Directors requesting interviews. These Directors were identified using the FAME Database searching for:

- UK mainland based private companies with
    - Older than five years
    - Minimum of 100 employees
    - Five or more shareholders and a high independence rating, as assessed by the data provider BvD
- A random selection from the 591 Directors in the sample frame

I anticipated that this would provide me with a starting point for accessing Directors. Six of the letters were 'returned to sender' and four people replied. All four replied to apologise that they could not help with the research. As such, it was felt that this may not be the most productive method for recruiting participants to the study.

Having worked in industry prior to beginning this research, I decided that a convenience sample might be a more effective way of recruiting participants. "A convenience sample is one that is simply available to the researcher by virtue of its

accessibility" (Bryman, 2008:183). As such, the initial contact list for interviewees was developed through a trawl of personal contacts. This provided a list of potential interviewees who were contacted; a proportion of whom agreed to be interviewed. To supplement this personal requests for interviewees, messages were placed on six LinkedIn groups, Facebook and Twitter. This resulted in a further four interviewees.

In many cases, interviewees then provided contact details of other potential interviewees; thereby generating a 'snowball' method of recruiting participants (Bryman, 2008:184). Nonetheless, each interviewee was considered on the basis of theoretical sampling; that is to say before an interview was arranged consideration was given as to whether this interviewee was a suitable source to fill the identified data gap. On occasions this meant that potential interviewees were either not contacted or contacted later in the data collection phase when it was identified that there was a gap that they may be able to fill.

In total 28 participants agreed to be interviewed in phase one of the data collection. A further three were identified during phase two of the data collection, utilising the same approaches. Two interviewees from phase one also agreed to be re-interviewed in phase two.

4.2.2.1 Interviewee Demographics

Prior to beginning the discussion on demographics is it important to note that absolute confidentiality was an important factor in gaining access to the interviewees, as discussed in section 3.4.3 (Ethics). As such, this section deals with the overall demographic of the interviewees in both phase one and two together. In

addition, the data has been collated in such a way as to minimise the possibility of identification of an individual. To support the understanding of readers of this dissertation, vignettes of each of the interviewees are provided in appendix 11.1. The data taken for this section, and the vignettes, wherever possible came from the interviewees either during the interviews or during the process of arranging the interviews. Additional details were identified through; their company's website, their LinkedIn profile or other career management websites.

Across the two interview phases there were twleve female and nineteen male interviewees. The age range of the interviewees was estimated from publically available data, where not volunteered during the interview. Figure 12 illustrates the age demographics by gender.
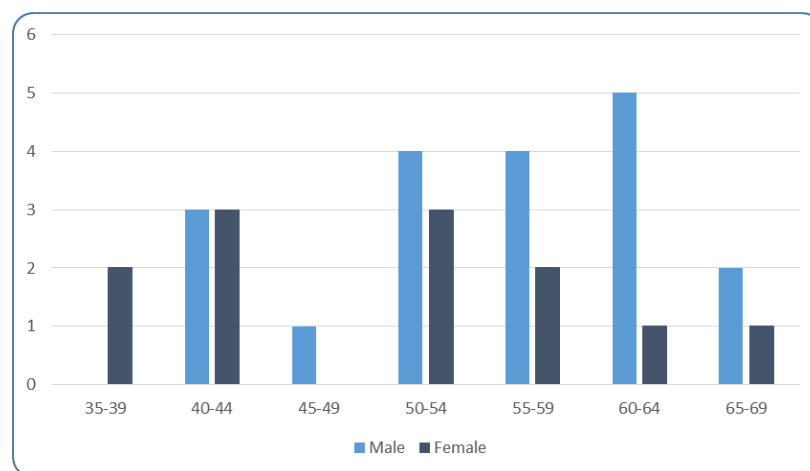
Figure 12 – Age Range of Interviewees by Gender

The interviewees had an average of 12.53 years Board level experience, ranging from two to 37 years, as illustrated in Figure 13 (overleaf).
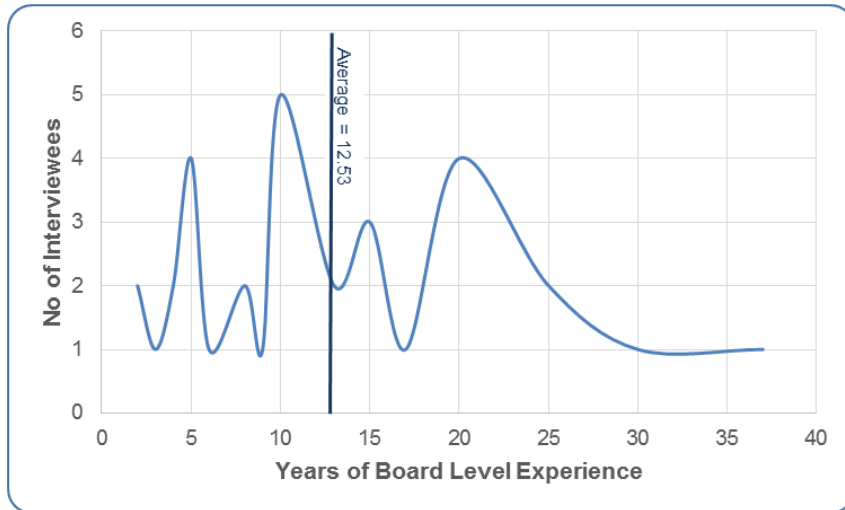
Figure 13 – Board Level Experience

The interviewees' primary roles included nine Board Chairs, eleven Non-Executive Directors, four Board level Executives, five information providers to Boards, one Board advisor and one industry/academic expert. Many of them also concurrently hold multiple Directorships in a variety of different organisations, as illustrated in Figure 14, thereby being able to draw on 68 current roles during the interview process. In addition, many of them also had prior experience of working on or for other Boards and overall they represented experiences from more than 100 Boards during their careers.
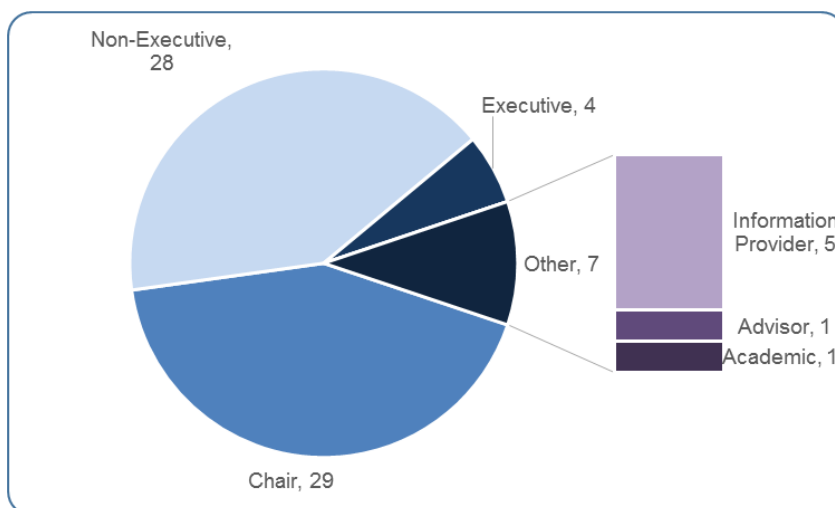
Figure 14 – Interviewee Current Roles

In regards of the organisations for which the interviewees' primary role was connected too, Figure 15 identifies both the organisation type and the industry. It should be noted that six of the interviewees were connected with one pension scheme for a major FTSE100 company, Picasso Trustee Board. In addition, two further interviewees were connected to one manufacturing organisation, Monet PLC.
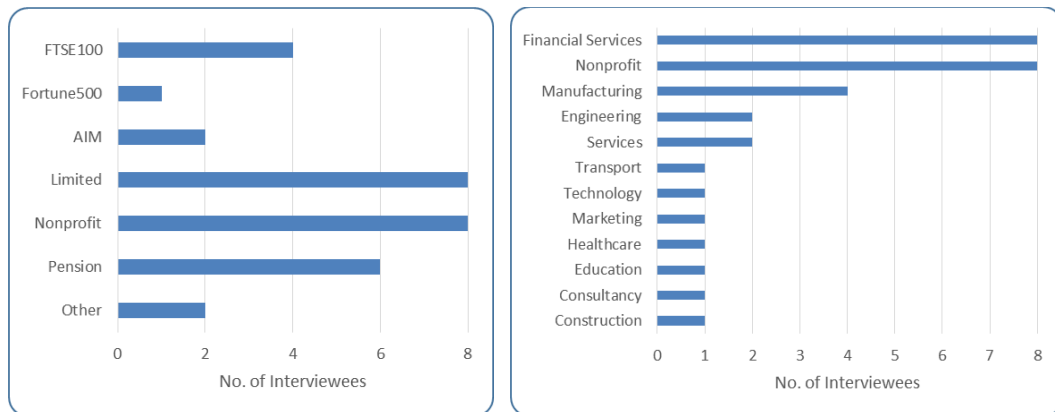
Figure 15 – No. of Interviewees by Organisation Type and Industry

All of the interviewees had UK experience, additinally, a number of them also drew on international experiences from throughout their careers. The following brought specific overseas knowledge to the interview process, though it should be noted all of these interviewees' used their international knowledge as a 'foil' for discussions about UK Boards:

- Two Directors had extensive USA experience; one as a citizen who had moved between the UK and USA; and the other as a Director for a Fortune500 company

- One interviewee was a recent immigrant to the UK from Australia and had Board experience in both countries

- One Director (a UK national) specialised in enabling Chinese firms to list on the UK Stock Exchanges

In summary, the interviewees came from a wide variety of background and experiences. This adds breadth to the research finding as the data was drawn from a variety of sources, nonetheless, it does reduce the depth of the research within anyone arena. This compromise enabled the research to follow a natural path through the theoretical sampling (Glaser and Strauss, 1967:45).

4.2.3 The Pilot

Birks and Mills (2011:75) advises grounded theorists to "[p]repare for your interviews by pilot testing your technique with a trusted colleague or supervisor". In the case of this research, Prof Cherry was interviewed for pilot study, prior to beginning the formal interview phase. Prof Cherry is an academic and practitioner within the corporate governance field. He has extensive experience in both arenas and, as such, was a willing candidate for my pilot interview.

As identified by Birks and Mills (2011:75) the aim of the interview was to test my technique. I have undertaken thousands of 'consultancy-style' business interviews, however, academic unstructured interviews require a slightly different technique. This is partly due to the motivation of the interviewee; in a consultancy exercise the interviewee is predominately there at their organisation's request, conversely in this research the interviewee had self-selected to partake in the research. As such, the interviewees for this research tended to be more open, and giving, with information than I usually found in consultancy interviews. Additionally, in consultancy interviews I generally had an understanding of the interviewee's background and organisational context, however, in these interviews I had only a limited understanding of the interviewee's context. This contextual understanding allowed for more focused questioning in the consultancy interviews, whereas the interviews

for this dissertation relied significantly more on listening in the interview, thereby enabling quality questions to be developed throughout the interview.

The interview was undertake in the café at Prof Cherry's university. Initially, this was a quiet environment and the interviewee was easy to hear. However, half way into the interview was the break time between lectures, at this point it became extremely difficult to hear him as multiple classes of students arrived for coffee. This provided my first learning lesson; be sure of the environment for the duration of the interview.

For this interview, I developed an interview protocol with a guide to be used throughout. This approach is in line with Leblanc and Gilles' (2005:270) approach, where they identified four initial questions, with sub-questions, for their pilot. The guide was designed to reflect Prof Cherry's unique academic and practitioner roles, it contained the following questions:

1.   What is your view on the role of the Board?

2.   What is your view on the role of the Independent Director?

3.   What information do you think an Independent Director needs, outside of the accountancy data, and why? (Definition: "information created outside the formal accounting system")

4.   What issues do you perceive around non-financial information?

5.   What governance theory(ies) do you agree with and why?

During the interview, it quickly became apparent that these questions were neither helpful nor useful in the interview. The guide contained too many assumptions in relation to the topic; for example that there is a difference between how Directors interact with financial and non-financial information.

During the interview the discussion was recorded and notes were taken. However, during the interview I realised that I was attempting to write the interview verbatim in my field notes. This gave the interview a stilted tone as I paused to write comments down. It quickly became obvious that I needed to focus more on the interviewee and less on the notes. The original field notes can be seen in appendix 11.4 - note, these have been edited for confidentiality only.

Upon returning home after the interview, the aim was that the recording would be uploaded to my laptop and transcribed. Unfortunately, my digital recorder was old and the download software was no longer available. Eventually, with significant assistance, the recording was transferred from the recorder to the computer. The next lesson learnt was to upgrade my recorder, which was done, and the newly purchased machine was checked to ensure that the recordings could be easily transferred to a computer.

Initially I attempted to transcribe the interview. During the transcription process I realised that I regularly typed what I thought Prof Cherry has said and not what he actually said. In addition, I discovered that I am very slow at transcribing. As such, a low cost transcription service was sourced, who provided a mid-quality transcription; the transcript was then checked through, amended where necessary and anonymised as required. This approach enabled the bulk of the work to be outsourced but the fine details to be managed by me. This ensured that I stayed close to the data but that it was accurate representation of the interview. As the turnaround time for transcription service was three days this proved to be only a small delay in the data process.

After the interview a memo was written reflecting on the process. The initial memo was supplemented with a further memo after the transcript had been completed. This highlighted a number of key areas for improvement of my interview technique. Firstly, I needed to concentrate more on listening to the interviewee, in contrast with the amount of both notes taken and comments made during the interview. Secondly, I needed to be more careful with the questions, not just the questions on the guide, as discussed above, but the follow on questions.

The field notes were imported into NVivo and coded. This was in line with Glaser (1998:113), who states that "field notes in the researchers own words are enough for illustrating generated hypothesis". This produced 46 codes with a total of 96 references, see list in appendix 11.5. Upon reflecting on the codes, it was clear that many of them were descriptive and not insightful. At this point, I tried coding the transcript, which created 76 codes and 142 references. Nonetheless they were still, in many cases, descriptive. In short, I had forgotten that code labels are usually gerunds to focus on the action and that this helps to prevent them being too descriptive (Bryant and Charmaz, 2007c:136, Charmaz, 2006).

At this point I stopped and spent some time reflecting on the issue. It became clear that I was, as Glaser (1998:126) describes it, "studying the wrong problem". I had assumed two significant variables:

- Executive and Non-Executive Directors information engagement was different
- The Directors engaged with financial information differently from non-financial information.

Prof Cherry (January 2013) clearly identified that, under UK law, a Director holds the same legal responsibility whether they are Executive or Non-Executive. This, as he identified, has been the case "for a good hundred years. It's been reinforced hugely in the 2006 Company's Act" (Prof Cherry, January 2013).

Prof Cherry went on to identify that Executive Directors have a significantly more information than Non-Executive and this, in its own way, prevents the Executive Directors from looking strategically at the organisation and keeps them looking at an operational level. He also acknowledged that Non-Executive Directors often have full time Executive roles outside of the organisation. Directors are often provided with extremely large packs of Board reports, as well as supplementing that with external information, and Prof Cherry asked "How on earth can they begin to make any sense, get any patter, any *gestalt* out of that data, so they can turn it into information?" (January 2013).

With regards to the financial/non-financial split, Prof Cherry explained that

> "*I'm not sure it's wise to even split it up like that because I'm not sure most Boards actually deal with the financial information very well either. It is assumed that everybody must know it but there are an awful lot of people sitting around the table who are bluffing. All talking [expletive]. And I see this all the time. So I personally think it's much easier [for Directors] to just agree with everybody. But for the most part we don't know much about the financials.*" (January 2013)

In summary, my pilot interview identified that, with regards to technique I needed to focus more on listening during the interview. I also needed to ensure I coded more effectively, specifically ensuring that I looked at processes and activities. Therefore,

the codes created at this stage were deleted. Finally, and most importantly, that I was looking at the wrong problem and that the issue is far broader, and more complex, than first thought (Glaser, 1998:129).

4.3   Phase One

4.3.1 Data Collection - Interviews

The first data collection phase began with Mr Poplar in February 2013 and continued through to Mr Pine in November 2013. The first five interviews, Mr Poplar, Ms Maple, Mr Ironwood, Ms Willow and Mr Cedar were general fact-finding interviews. The aim of these interviews was to understand the landscape of the problem area.

After each interview, and all subsequent interviews, the recording was transcribed, verified, anonymised and coded. On a small number of occasions the next interview was undertaken prior to the coding of the previous interview. In all cases this was due to the interviewee's availability in relation to the previous interviewee, in short, access to interviewees was given priority over the detailed coding process. Nonetheless, the field notes and memos written after each interview were consulted prior to the next interview in each of these cases.

Mr Ironwood was a former information provider to a FTSE100 pension Board, Picasso Trustee Board. The pension Board was a legal entity in its own right and had seven members of the Board. Through Mr Ironwood, access was granted to interview four Trustee Directors, Mr Hawthorn, Mr Boxelder, Mr Chestnut and Ms Magnolia, as well as one further current information provider, Mr Elm. This provided

the opportunity to see one Board from multiple perspectives, thereby enabling triangulation within the theoretical sampling process (Glaser, 1978:49).

In parallel with this, two interviews were conducted with people from organisations with unusual company structures. Mr Hickory is an information provider to a Board which is responsible for both a Limited company and a charity. Mr Hemlock is a CEO of a newly formed spin-off company that was in the process of creating a Board. Both of these interviewees were selected for their ability to provided different viewpoint on the research area.

At this stage, time was taken to reflect on the process so far and to review the coding. The first memo sorting was undertaken and a number of key issues were identified. The codes that had been created through the coding of Prof Cherry's (January 2013) interview were deleted prior to Mr Poplar's (February 2013) interview. This enabled a coding book to be developed for the sampled interviewees, free from the previous assumptions. The coding for each interviewee was iterative, as such, Mr Poplar generated approximately 25 codes, however, by the time that Mr Elm (March 2013) was coded, Mr Poplar's interview was linked to over 30 codes. This was due to the constant comparison of each interview with the previous interviews, whereby, when a new code was generated it was checked against previous interviews to identify if this topic had previously been raised. The use of coding cards, as illustrated in Figure 7 (page 66), facilitated the constant comparison of the codes.

After the first twelve interviews a number of the 70 or so codes generated had started to group together to form categories. However, most of the codes, and all of

the categories, lacked clear dimensions and properties. As such, further data collection was required.

In May 2013, a campaigning organisation focusing on increasing diversity on the Board allowed me access to their recruitment website. This website allowed members to post basic CV's of their Board experience for potential Board recruiters to view. The organisation gave me permission to approach a small number of suitable candidates for interview. Eleven potential interviewees were approached and six agreed to be interviewed. The interviewees were chosen for their diversity of experience, Board roles and Board types. Whilst it is usual in grounded theory to select data sources (interviewees) one at a time, given the limited window of opportunity it was felt best to arrange the interviews allowing for as much variety as possible, then focus on the data gaps. As such, Ms Juniper, Ms Elderberry, Ms Ginkgo, Ms Persimmon, Ms Camellia and Ms Lilac were all interviewed in May 2013. These interviews were both general, to ensure that no problem areas were overlooked, and specific to help fill gaps within the data collection phase.

Ms Silverbell is an Executive Director for a large NHS Trust and, upon hearing about this research from third party, volunteered to be interviewed in July 2013. This interview proved to be a pivotal point in the data collection phase. As well as providing useful information in term of the codes, Ms Silverbell noted that the NHS Chirico Trust "has regular Board meetings that are formal and held in public" (July 2013). From this it was established that the NHS are required to hold all Board meetings in public and that they can be observed. This provided me with the opportunity to see Board meetings in practise; which is further discussed in section 4.3.2.

The 21st interview was with Mr Buckeye, who had also heard about this research from a third party. This interview, whilst interesting, provided little further data. As such, the data collection effort was paused briefly for reflection.

The next interviewee, Mr Fothergilla, is a Chair of a major FTSE100 company. His experience and knowledge enabled a number of gaps to be filled within the categories and codes. Nevertheless, there were still outstanding gaps. A number of potential interviewees were contacted via LinkedIn – an online professional networking site. This resulted in a further, final six interviews with; Mr Mulberry, Mr Linden, Mr Cedrela, Mr Larch, Mr Oak and Mr Pine.

4.3.2 Data Collection - Observations

Ms Silverbell's (July 2013) comment that NHS Boards meet in public provided an opportunity to understand the dynamics of the Boardroom in action. The observations not only provided new data but offered the opportunity to verify some of the comments made by interviewees. As Glaser (1998:8) identifies "All is Data", as such this facilitated the gathering of alternative data.

NHS Boards conduct the majority of their business in public. Two large local NHS Trusts were selected for observation. Curie NHS Trust meets monthly with three hours of the meeting being open to the public and the final hour in private. The private session is reserved for sensitive discussions, for example named patient issues. Pasteur NHS Trust, in contrast, meets in public every alternate Board meeting. Over a three month period from September 2013 to November 2013 five meeting were observed; three of Curie NHS Trust's and two of Pasteur Trust's. A full description of the access process can be found in section 3.3.3.3.

During the initial observations at Curie NHS Trust, the Directors were initially conscious of being observed, however, this lessened once the Board meeting was in full flow. During these observations there were usually only one to two other observers. In contrast, Pasteur NHS Trust Boards had ten to 15 observers and appeared comfortable with the open nature of the meetings.

In the meeting every Board member was allocated a code based on where they sat in the first observed meeting and their role, for example, 1 DF was Seat 1 - Director of Finance. The agenda and papers were published on the internet seven days before the meeting in all but one case, the second Pasteur Trust's were posted four days before the meeting. These were reviewed prior to the meeting, however, only a copy of the agenda was taken to the meeting itself.

The meeting was observed for; discussion, interaction, apparent preparedness and body language. During the meeting copious field notes were made. Immediately upon returning home the notes were typed up. The notes for each agenda item were separated in to notes about the agenda item and notes about what was going on in the Boardroom (in italics), see Figure 16, overleaf, for a sample of a field note.

Agenda Item 4
This was presented by 1 DF [Seat 1 Director of Finance]. 1 DF outline the issues, 11 DN qualified some of the points and 4 Chair then asked if he could reiterate in his own words to ensure clarity. This aspect is a complex issue with a lot of confusion at the Board with regards to the actual facts. There was much discussion about "creating perverse incentives" (3 CEO) and that the targets are short term not long term (11 DN).

6 NEDB and 7 DS are reading the report which is on a fold out A3 size paper. 10 NEDD is also flicking through the paper as if in search for a particular fact. All three look like they are reading it for the first time. 1 DF asked if this was enough information as the last meeting the lack of data was highlighted – I got the impression that he was going for a 'drown them in data' approach – he also pointed to "the tab on the spreadsheet" when most were using paper copies. 11 DN appears to really the 'power house' of this Board. She regularly answers questions and only occasionally defers to her boss, 9 COO. During the discussion, 1 DF pointed at his laptop and said that he was just sending an email to clarify a point.

Figure 16 - Observation Memo Sample from Curie NHS Observation 1

The observations provided the opportunity to not only verify the previous interviewees' comments but to see Directors undertaking their role in context; acknowledging the limitations discussed in section 3.3.3.3 (page 60). The Board meetings had 12 or 13 attendees in the case of Curie NHS Trust and 16 or 18 in the case of Pasteur NHS Trust. At the meetings there were a small number of people engaged in the conversations, this was particularly evident in the case of Pasteur NHS Trust.

The meetings contained standing agenda items, such as the review of the minutes. Reports were presented by both Board members, such as the Director of Finance, and invited guests, internal and external to the NHS Trust. The Board's level of engagement varied in relation to the report and the presenter.

The field notes were coded in line with the interviewee process. The observations in some cases strengthened or clarified the interviewees' points. In contrast, the observations contradicted the interviewees' comments; for example, Mr Fothergilla (September 2013) asserted that Board members "came prepared, having read the

paperwork", however, in the observed Boards this did not appear to always be the case.

4.3.3 Data Collection – Technical Meetings

Across phases one and two of the data collection, four technical meetings were undertaken, as described in section 3.3.3.2. These meetings were, as previously described, unstructured conversations with subject matter experts who specialised in a particular aspect identified within the coding. The interviews straddled the first and second phases of the data collection. The meetings were not recorded and field notes were used to record the key points of the conversation. These were expanded on immediately after the meeting and then coded.

The first technical meeting was with Mr Yellowwood, with the specific objective of understanding why individuals chose to be on a Board. The aim was to further understand what attracts, and retains them on the Board. This was to provide context to the interviews.

The second, Mr Fir, and third, Mr Cypress, both are experts in Board software. The use of 'Tablets', e.g. iPads, within the Board was a regular topic mentioned by interviewees. These meetings, straddling phases one and two, were designed to provide further insight into the software on offer and how it works.

Finally, Mr Walnut is in the process of setting up a company to provide smaller organisations with access to experienced Non-Executive Directors. This conversation was particularly focused on the value of experience in relation to Non-Executive Directors.

4.4   Phase Two – Further Clarification

Phase one culminated in a number of issues and potential storylines. As these storylines started to emerge further clarification was sought from the interviewees and a one page feedback report was developed for the interviewees. This phase is further discussed in Chapter 6.

Comments were received via email from four of the phase one interviewees. Additionally two of the initial interviewees were re-interviewed based on the findings. A further three interviews were conducted at this stage, using the one page report to structure the interview. All of this data was coded as per the process outlined previously.

4.5   Next Steps

This chapter has described the methodology in terms of the steps undertaken in this grounded theory study by this researcher to generate the data for this research. The rest of the dissertation focuses on the data collected and the evolution of the theory. However, prior to developing the theory, chapter 5 follows the journey of a 'Board Pack' to provide the context for the theoretical development and chapter 6 provides an insight into the context of the Boardroom.

5   THE JOURNEY OF A BOARD PACK

5.1   Introduction

This chapter aims to describe the journey of a 'Board Pack' to provide the context for the rest of this dissertation. This chapter is drawn from the initial interviews, meetings and observations undertaken prior to the member checking stage. The Board pack is a colloquial term for the collated reports that are provided to the individual Board members (Directors) in advance of the Board meeting. These packs will usually include reports such as; previous minutes, the financials, the CEO's report and items of note. The Board pack is the Board's, in particular the Non-Executive Director's, primary source of information about the organisation.
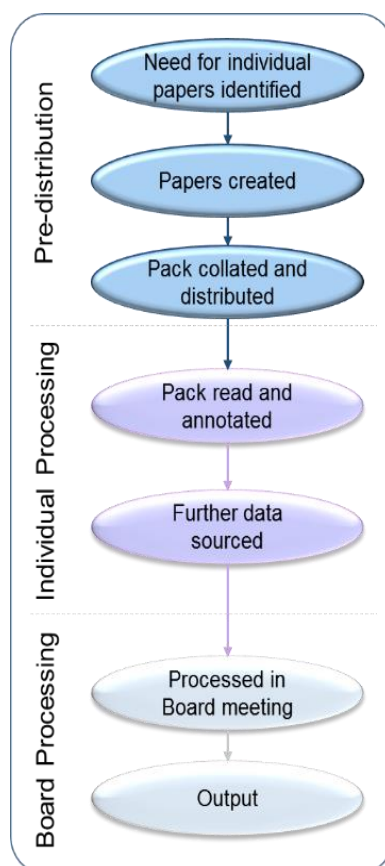
This section splits the journey of the pack into three distinct phases; pre-distribution, individual processing and Board processing. Each phase has a number of individual stages within it, as illustrated in Figure 17.

This chapter uses data collected and grey literature to highlight the key aspects and issues of the journey.

Figure 17 - The Journey of a Board Pack

5.2 Pre-Distribution

5.2.1 Need for Individual Papers Identified

The Board pack development begins well in advance of the Board meeting. The reports vary in nature and include: regular reports; cyclical reports; specific reports requested by the Board; and reports identified within the organisation that senior employees identify that the Board needs to understand.

The first action is for the agenda to be set, Mr Oak (November 2013) describes how this process begins

> *"Well there are two ways really. One is there is actually a sort-of rhythm and a calendar and the drum beat is often financial results. So that sort-of provides one frame of reference. There is then undoubtedly periodic reflection of strategy that needs to be woven in and then what I like to do is make sure there is an opportunity to reflect, to scan back on particular businesses and reflect on them as businesses and maybe also key functions. Then finally there are the inevitable topical issues that come up that the Board needs to think about and you need to weave all that together and make sure that during the course of the year you've covered all that ground, in a sensibly balanced way."*

It is this cycle of annual activities, such as the annual report, that provides the rhythm to the meeting. Whilst this cycle provides the core of the meeting, there are judgements to be made for each meeting as to the exact contents of it. Mr Larch (November 2013) identifies how he goes about this process

"I sat down [today] as I would ordinarily ahead of a Board meeting coming up in two weeks' time actually…and set the agenda. [I] Look at the agenda, look what needs to be on it, what we need to be covering off. What the outstanding issues are. And the level of the detail again that we need to have on that agenda to keep it punchy, to keep it appropriate from a strategic perspective and any operational issues that they need to be aware of and performance indicators, etc., that the Board needs to be considering."

Under the *UK Corporate Governance Code* "the chairman is responsible for setting the agenda" (Financial Reporting Council, 2014:8). However, Mr Pine (November 2013), a Chairman, identifies that he sets the agenda with the Company Secretary. Alternatively, Mr Poplar (February 2013) and Ms Juniper (May 2013), both Chairs, set the agenda in conjunction with the CEO. In contrast, Ms Persimmon (May 2013), as a CEO, sets the agenda on her own. In summary, from the interviews, there are three key players; the Chair, the CEO and the Company Secretary; in almost all cases, there is a three-way discussion to finalise the agenda, usually undertaken by telephone. Other Directors do have the opportunity, and the authority, to request that items to be added to the agenda, however, this very rarely happens (Ms Magnolia, March 2013).

At this stage, the paper type is identified, these are generally separated into, for example; 'for decision', 'for report', 'for approval' and 'for note' (Ms Ginkgo, May 2013; Pasteur NHS Trust; Currie NHS Trust). This classification is dependent on the desired outcome from the Board and the appropriate time is then allocated to each paper within the meeting.

5.2.2 Papers Created

Once the agenda is agreed upon, the relevant individual papers are created.

Ms Camellia (May 2013) identifies that

> *"the content of Board papers will vary, depending on the organisation*
>
> *and the person who's preparing it. So different people will take*
>
> *different approaches so, for example, the Finance Director will*
>
> *generally provide a very factual kind of objective, cost benefit analysis,*
>
> *that kind of thing and sometimes understanding a bit more colour of*
>
> *where the proposal fits, so for example if it's a proposal for a capital*
>
> *expenditure or it's a strategic paper for discussion, depending on who*
>
> *has prepared it, there will be enough information in it for you to*
>
> *understand fully kind of, or at least in advance of the Board meeting,*
>
> *where it fits within the company's thinking strategy."*

The author of the paper may be either a member of staff or an external supplier; it is very rare for a Non Executive Director to author a paper.

The format of the papers varies widely. Ms Gingko (May 2013) identified that the papers she received had a very set format with a "covering page, the background papers, the purpose of it, and what the presenter is asking the Board to do... And at the very end that person's contact details if you have any questions". In contrast, others had no set format and received the papers in a variety of mediums including, for example, MS Excel, MS Word and MS PowerPoint documents. Some papers, in particular performance reports, often report trends; whilst others may be more narrative in format. Ms Maple (February 2013) noted that the papers have evolved over the years as both needs and styles have changed. Cadbury (2002:85)

recommends that "[r]eports should be presented in a consistent form to save the time of the Board members and to enable straight forward comparisons to be made"; though he goes on to express that Board members should "be encouraged to express their views on presentation" (2002:85).

The papers, once drafted, in most cases had an approval process to pass through before being included in the final pack. For example, Ms Silverbell (July 2013), an Executive Director, identified that she would "proof read and sign off papers that come from my [her] team".

Many of the Chairs interviewed noted that they ran the Board on the basis of "no surprises" (Mr Poplar, February 2013; Ms Juniper, May 2013). As such, if the paper contained anything "controversial or difficult [then]… often we'll [they'll] see iterations of papers before they get finalised" (Ms Silverbell, July 2013).

5.2.3 Pack Collation and Distributed

Once individual papers have been approved, the pack is collated in readiness for distribution. Changes in technology are influencing the structure and style of the papers (Mr Fir, October 2013; Ms Yew, February 2014). The papers traditionally were printed and posted to the Board members (Mr Ironwood, February 2013). However, the study has found that an increasing number of directors request the papers to be provided in electronic format (Mr Buckeye, August 2013; Mr Hemlock, March 2013). This varies from simply attached to an email to the use of a bespoke Board management software package. The move to electronic Board packs has two drivers as Mr Ironwood (January 2014) identifies

"It started because of wastage, so I was concerned that we were

printing I think it was 16 packs of about 2 inches worth of

documentation and of those packs all bar one were being shredded

after the meeting and so I had a two-fold [motivation], one was I didn't

like the wastage and the paper and secondly I didn't like the cost of the

printing and the binding, the time taken and I felt that going for an

electronic medium would be cheaper for the company in the long run

and also environmentally better."

The move to electronic distribution has allowed Board members to access the papers quicker (Mr Birch, January 2014). This is due to not needing to allow for the postage time. Typically, the Board pack is posted, or couriered, seven days before the meeting date (Mr Larch, November 2013). Though this is not always the case, as Mr Cedar (February 2013) highlighted that sometimes it is "far too short notice, in a panic at the end". Mr Fothergilla (October 2013) requires that the Board members should receive the papers prior to the weekend in advance of the meeting; thereby assuming that the Board members will read the pack over the weekend.

The size of the board pack varies considerably, for example Mr Ironwood (January 2014) described them as being two inches thick but in contrast, Mr Cedrela (October 2013) describing his as a "dozen sheets of the key things". The largest pack described was by Mr Oak (November 2013) who identified his as being "1,200 pages and it is crazy!" he went on to note that "it's not done deliberately at all but is has the effect of burying the Non-Execs".

In regards to format, Ms Elderberry (May 2013) stated that she did not "have any particular hang ups about particular formats … I'm really not interested". However, Ms Maple noted that the Board packs for one of her Boards were

"*the most beautiful Board papers I've [she had] ever met, … they're colour coded, so strategic papers are blue, regular reporting is pink, finance is green, everything else is white, helps keep it all together, they're beautiful...*"

It is important to note that;

"*Under the direction of the chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors*" (Financial Reporting Council, 2014:13)

In the case of Mr Hickory (February 2013) the CEO acted as the "gate keeper" and managed the paper production process. The CEO, in this case, was the focal point for all communication with the Board members. However, in most cases the Company Secretary undertakes this gate keeper role. As such, it is usually the Company Secretary that formally distributes the Board pack.

5.3 Individual Processing

5.3.1 Pack Read and Annotated

Upon receipt of the pack, each interviewee approached the processing phase uniquely. Some interviewees highlighted specific routines and processes; where as others were more *laissez-faire*. For example, Ms Elderberry (May 2013) described her process as

> "*I read all the papers twice and I read them the first time just to get a feel for them and I read them fairly quickly and then I go back and re-read them in detail*"

In contrast, Mr Chestnut (February 2013) stated that he

> "*would certainly [sic] to make sure I understood all the papers and why they were and the purpose of them being on the agenda but I might not read literally them all verbatim, word for word, I would pick up things I thought I needed to question or challenge*"

Ms Persimmon (May 2013) specified that she planned in advance to ensure that she had sufficient time in her diary to fully read the papers as "you're not doing yourself or the organisation justice if you don't get through them all". Ms Juniper (May 2013) for example will

> "*typically take them somewhere and sit and read them over a period of an hour. So getting out of the office and the distraction of emails and just focussing on them, yeah, so in a stand-alone setting*"

Ms Silverbell (July 2013) noted that her, and most of her fellow Executives, usually read the papers at home as there was not time during office hours to focus on them.

The order and focus placed on individual papers varied by interviewee. Mr Boxelder (February 2013) noted that he "read through the papers in chronological order", which was common to many of the Chairs interviewed. In contrast, Mr Cedar (February 2013), a Non Executive Director, stated that

> "*I obviously pay particular interest and attention to things that would be most in my area of interest …I tend to look more carefully at those and sometimes do a bit of additional research to see if I can find out more,*

… so through other means I tried to find out as much about it as I

could."

Mr Elm (March 2013) also identified that other Directors have an expectation the

Board member who is experienced in that area will have a more thorough

understanding of the paper.

Ms Gingko (May 2013) highlighted the importance to her of thoroughly

reading the papers though. She explained that she

"read them properly because if I don't I won't get the gist, and then

when they talk about it I can't put an informed decision through or an

answer, or ask appropriate questions if I don't really know what they're

talking about."

Mr Fothergilla (October 2013) stated that he read the pack for two purposes; firstly

to be informed and secondly to ensure the suitable allocation of time to the

discussions.

During the process of reading through, most of the interviewees revealed that they

made notes in advance of the meetings. Ms Juniper (May 2013) identified that she

makes her *"*own notes and comments about what I want to question or any points I

want to make". The method of note taking varied by interviewee, for example Ms

Elderberry (May 2013) described her process

"*I usually make notes, not electronically, on the [printed] agenda of*

specific points or questions or whatever that I have got that I want to

make and I do that on the agenda rather than in the papers and then I

mark the papers, I put on the Board agenda, item 3 might be page 3 or

section twelve or whatever it is just to remind myself of where it is."

Others, such as Mr Linden (October 2013) made notes on the electronic copy. This appeared to be personal preference, with the main decision being based on personal convenience.

Once the papers have been read some of the interviewees highlighted that they occasionally have questions which require further information before the Board meeting.

5.3.2 Further Data Sourced

Under the *UK Corporate Governance Code* Directors are required to "seek clarification or amplification where necessary" (Financial Reporting Council, 2014:13). Ms Camellia (May 2013) stated that she regularly requested further information

> "O*ne of my tactics is often to have an offline conversation with the member of the executive team who is presenting a paper, just to make sure that I really understand what they're talking about. And that allows me also just to get a bit more of an informal feel for things that they might not have put in the paper.*"

In contrast, Ms Juniper (May 2013) identified that her Board members would very rarely request further information.

Conversely, Mr Fothergilla (October 2013) explicitly elicits the need for further information from his Directors. His process is to allow the Directors time to read the pack then

> "*Having read the paperwork properly, digested it and thought about what they want to talk about and my usual practice, … is to ring all the*

Non-Executive Directors and have a sort of pre-Board meeting chat

about what they thought was important, what particularly fussed them,

what they thought the Board papers missed out on, not in any sense in

order to rig the discussion but so that I can then alert the Executives

about the fact that 'Fred's a bit worried about such and such and

'Elizabeth' thought that maybe you should of given us a paper on X

because she is a bit worried about it', that sort of thing, so that the

executive is prepared about the big things that are going to be raised at

the Board meeting."

Directors also noted that they would incorporate information from outside the Board pack and the organisation itself. Ms Camellia (May 2013) noted that whilst the Directors "all have our own specialism's,… [they] keep an eye on the news and that kind of thing to … input into those decisions". This broader knowledge and the "various skills and disciplines and backgrounds relevant" (Mr Cedar, February 2013) to the organisation that the Directors bring supports them in interpreting the Board pack.

The use of bespoke Board pack software has also provided an efficient method for requesting information. Some Board pack software provides a 'chat' style area within the software where Directors can post comments and the paper's author can respond for all the Board members to see (Mr Fir, October 2013).

At this stage, the Directors are usually prepared for the Board meeting with sufficient knowledge, in their personal opinion, to contribute to the discussion (Mr Poplar, February 2013).

5.4   Board Processing

The majority of Boards discussed by the interviewees meet in person, with some

using telephone calls either for the meeting, especially where the Board members

are international, or for between meeting catch ups. Though, most Directors noted

that they had little contact with each other between meetings (Mr Cedar, February

2013).

The number of Board meeting per year varied from once every six months (Mr

Hemlock, March 2013) to monthly (Ms Camellia, May 2013). The majority of the

Boards represented by the interviewees met either quarterly or bi-monthly. The

length of meetings varied between Boards with most describing their meetings

lasting between two and four hours. The observed meetings all lasted approximately

three hours, except Pasteur NHS Trust's first observed meeting which lasted two

hours as it followed the Annual General Meeting (AGM). Mr Poplar (February 2013)

noted that Board meetings should be "[i]deally a maximum three to four hours, if

they go beyond that then that [is] when they get lost."

5.4.1 Processing in Meeting

Pasteur NHS Trust and Currie NHS Trusts' meeting agendas clarified the action

expected for each item on the agenda, for example; 'to note', 'review', 'discuss'. Mr

Elm (March 2013) highlighted that the Board pack has

> *"a number of sections, so we have a section which is just documents*
>
> *'for noting' so those don't typically get discussed, but they're an*
>
> *opportunity to share sort of governance items or information that*
>
> *trustees probably should have or might find useful, but it's not*

necessarily for them to sort of formally review it as part of the meeting.

And almost some of it is just the fact that there isn't an issue, you know,

so it's sort of... and if there were issues in that we would raise them, but

otherwise the papers are just 'for noting'."

This separation of types of papers allows the Board discussions to be focused and for all Directors to be clear on the expected outcome or action. This is translated in to the time allocated for each paper during the meeting, as Mr Fothergilla (October 2013) explains

> *"each item on the agenda has a time slot allotted to it… at the start of*
>
> *the meeting is [I] say, 'look you have got a big agenda, I think the*
>
> *things we really need to focus on are A, B, C and D' and I hope that*
>
> *they are going to get through the other ones very quickly, so I try and*
>
> *steer it, so you don't spend long going through the minutes of the last*
>
> *meeting, you don't have hours on matters arising, you don't spend too*
>
> *much time on the boiler plate stuff and make sure that you do focus*
>
> *on the areas where you know you need to spend the time."*

This enables the Chair to manage the meeting effectively. Nonetheless, on occasions the discussion go on longer than timetabled and "it's down to me [Mr Fothergilla] as a Chairman to sense that" (Mr Fothergilla, October 2013). In all of the observed meetings the agenda over ran with the latter topics, usually the subcommittee reports, rushed through or not discussed.

In the meeting the style of paper delivery varied, for example;

> *"it will sometimes be presented or it will be taken as read and maybe*
>
> *some additional comments added. There's then a fairly general*
>
> *discussion around the table. The [Holbein Ltd] is an interesting*

example, because quite often what's being discussed will be industry

specific and there are some industry experts around the table, so quite

often we'll ask for their input and we'll listen to what they have to say."

(Ms Camellia, May 2013)

The presenter of the report will sometimes be a Board member, on other occasions a non-Board member may be invited to present. In the case of Picasso Trust PLC the presenters at various times included lawyers, advisors and suppliers (Mr Ironwood, February 2013). During observations of Curie and Pasteur NHS Trust Boards the presenter was, in most cases, sat at the open end of the 'horse shoe' of the Board table and they presented from there.

The term "taken as read" was used often when referring to papers under discussion. During the Board observations, this usually caused a bout of page turning as the Directors read/refreshed themselves on the papers content. It was observed that, when this phrase was used, less attention was paid to the presenter compared to when the presenter précised the paper's contents.

During the meetings a variety of technologies were observed. Mr Linden (October 2013) noted that he takes his tablet, in his case an iPad, into the meeting. During the observations tablets and laptops were used by the Board members in the meeting, as well as the occasional smart phone. Nonetheless, most observed Directors still referred to the paper copies in the meeting.

5.4.2 Outputs

The outputs from meetings included;

- Noted but not mentioned, e.g. the Director's conflict of interest report

- Mentioned and noted – sometimes with minor queries - e.g. financial report

- Discussed and an action identified e.g. staff survey and resulting actions

- A request for further information e.g. strategic review

In the case of a request for further information, this was usually for one of two reasons, either; the information provided was insufficient or it was a complex issue. In the case for the former, this was generally identified early in the discussion and the discussion was terminated at that point. However, in the case of a complex issue the discussion often filled the allotted time and many of the Directors contributed to the discussion. Mr Chestnut (February 2013) described how one such issue was managed

> *"The way that particular project has worked and most others is that it*
> *effectively gets together a sort of sub-group so that the heavy lifting is*
> *done by three or four people and then any recommendations or*
> *decisions are taken before Board for discussion and if they need*
> *clarification."*

A number of interviewees mentioned the use of sub-groups or, as Mr Hawthorn (February 2013) described them "ad hoc committee created for that [a] specific purpose", to assist the Board in coming to a conclusion (e.g Ms Maple, February 2013; Mr Linden, October 2013; Mr Larch, November 2013).

5.5   Summary

The journey of a Board pack has three distinct phases with stages within each one. The journey has a number of inputs and one set of outputs as summarised in Figure 18.

This journey provides the backdrop for the categories and conceptualisation identified within this research. It begins the process of identifying the core category and the grounded theory of this research.
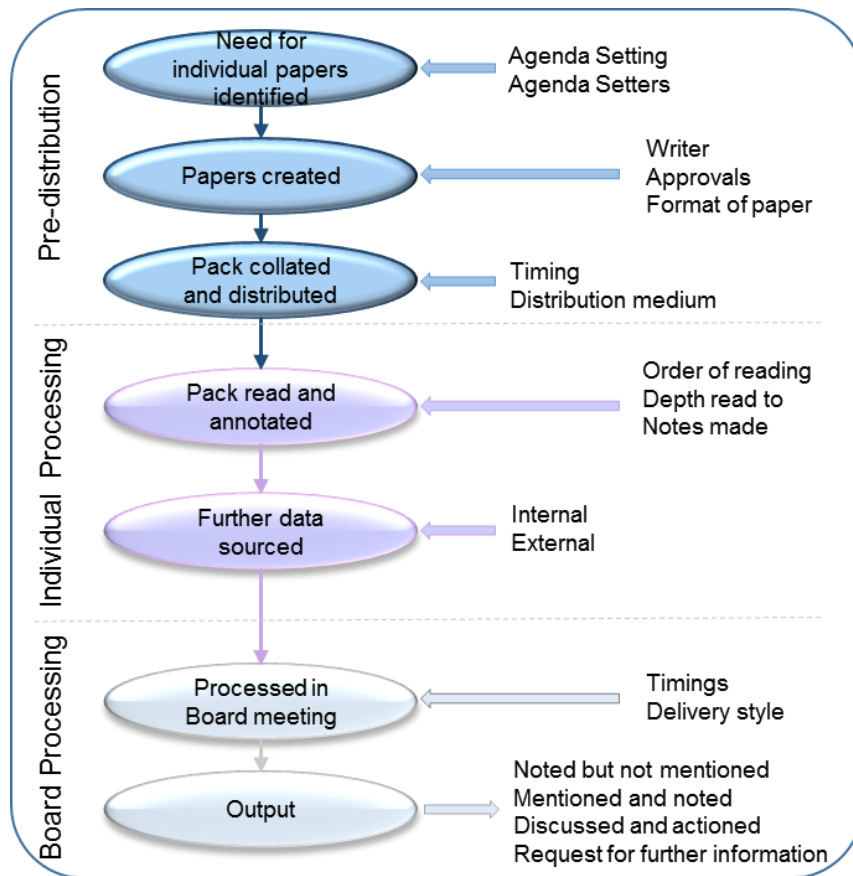
Figure 18 – The Journey of a Board Pack with Inputs and Outputs

6 RETURNING TO THE DATA

6.1 Introduction

In chapter 5 the journey of the Board pack was defined utilising the data collated

through this research. This chapter will expand on the data collected by looking

initially at the codes and categories identified in phase one of the data collection.

This chapter will then go on the look at specific areas of the data collection where

the early analysis identified gaps in the understanding.

6.2 Codes and Categories

As discussed in section 4.3, in phase one of the data collection there were

interviews, observations and technical meetings. The interviewees included nine

Board Chairs, ten Non-Executive Directors, four Board level Executives, three

information providers to Boards, one Board advisor and one industry/academic

expert. The observations were of two NHS Trusts' Board meetings, for a total of five

meetings. In addition, there were two technical meetings in this phase looking at

specific issues identified in the interviews and observations.

The data was coded after each data collection activity, as described in section 3.4.

At the height of coding there were in the region of 110 codes, which were regularly

reviewed, and amalgamated into 71 final codes. All of the code titles were either

gerunds or *in vivo* titles. Through a series of sortings, that is to say grouping and re-

grouping of the codes, they were collated in to ten categories. These were then

overlaid onto the 'journey of a Board pack' diagram, as can be seen in Figure 19

Journey of a Board Pack

Pre-distribution

- Need for individual papers identified
  - Agenda Setting
  - Agenda Setters
- Papers created
  - Writer
  - Approvals
  - Format of paper
- Pack collated and distributed
  - Timing
  - Distribution medium

Individual Processing

- Pack read and annotated
  - Order of reading
  - Depth read to
  - Notes made
- Further data sourced
  - Internal
  - External

Board Processing

- Processed in Board meeting
  - Timings
  - Delivery style
- Output
  - Noted but not mentioned
  - Mentioned and noted
  - Discussed and actioned
  - Request for further information

Codes and Categories

Data Gathering
Incomplete
Inaccuracies
    Imperfect
    Inconsistent
Historical
Evolving processes

Controlling
Effecting Power
    Relationships
    Volume
    Timing
    Transparency

Selecting & Presenting
Formalising Information
Quality
    Detail Level
Quantity
Timeliness
Contents
    Agenda Setting
    Paper writing
Styling
    Evolving
    Structuring

Contextualising
Politicking
Individual Judging
PEST

Personal Undertaking
Ethics
Role Understanding
Allocating time
Perceiving Role
Valuing the Information
Enjoying the Role

Individual Processing
Reading Through
    Overviewing
    Marking Up
Accessing Methods
    Paper
    Electronic
Questioning
Searching
    Informal information gathering
Reflecting
Selecting Relevant Information
    Utilising Appropriately

Educating
Inducting
Training
Evaluating

Communicating
Team Working
    Interacting
    Balancing Board
        Background
        Experiences
        Diversity
        Board size
Unifying Vision
Communicating
    No Surprises
Chairing Style
    Perceiving Role

Group Processing
Pre-prescribed processing
    Organisation typography
Granted Authorities
Utilising Structures
Decision Making Method
    Voting
    Agreeing

Involving
Full Board Discussing
Supporting Subcommittees
    Standing
    Ad Hoc
    Reporting Processes
Off-line discussing

Key:
Journey of a Board Pack
Category
Code
    Sub-code

Figure 19 – Journey of a Board Pack overlaid with Codes and Categories

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As illustrated in Figure 19, there are a significant number of codes and categories. During the data collection, memos were written on; the codes, the categories and on groups of categories, as illustrated in appendix 11.2. These memos were sorted and resorted, with more memos written throughout the sorting phases (Glaser, 2012:31). These memos provide the starting process to identify the core category and, ultimately, the theory. The eventual aim is to move from the codes up to a conceptual level that identifies the underlying issue. As such, this chapter does not focus on individual codes, or even categories, but the higher level conceptualisation, as developed throughout the rest of this dissertation.

During the latter stages of phase one, storylining began, as described in 3.4.3, utilising both written stories and diagrams. The storyline technique has two valuable attributes; as a process for developing the theory and as a tool for presenting the outcome of the grounded theory (Birks and Mills, 2011:118). Initially the developmental storylines were a combination of short memos and diagrams which evolved extensively over the early stages, as illustrated below.
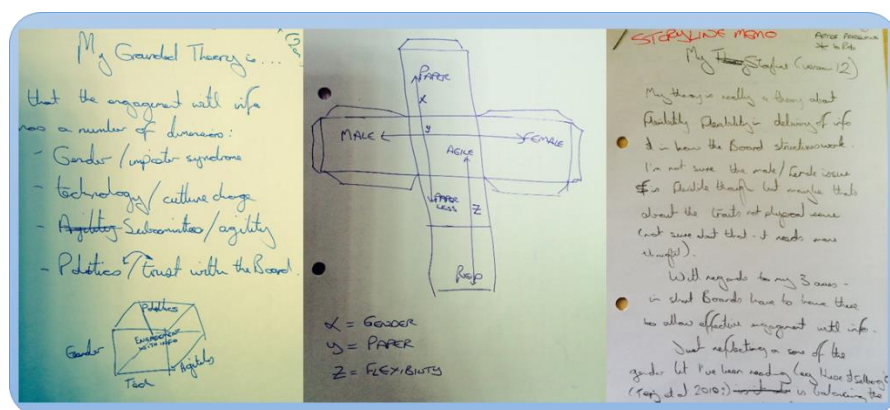
Figure 20 - Early Storyline Memos and Diagrams

During the advanced coding stage, a number of gaps in the data were highlighted. As such, a return to the field was necessary to look at a small number of areas that

appeared to be underpinning key elements of the draft stories. These issues were around six specific codes:

1. "Accessing Methods" – what impact is technology having on the individual's process for accessing the Board pack?

2. "Supporting Subcommittees" – How does the use of both standing and ad hoc subcommittees influence the Board's processing?

3. "Reading Through" – was there a gender difference in the reading through process?

4. "Chairing Style – Perceiving the Role" – how critical was the relationship between the CEO and Chair?

5. "Decision Making Method" – what was the impact of voting on the Board's processes?

6. "Enjoying the Role" – how much did being content in the role contribute to the individual's level of preparation within the role?

In order to gather more data on these six aspects, a one page summary sheet was produced (Figure 21, page 117) and sent to the phase one interviewees for comment. The summary focused primarily on codes one to three, as early storylines had identified them as being potentially important to the theory. The code titles were transformed into easily accessible language and described using quotes from the interviewees.

PhD Research:
Participant Feedback

Cass Business School
CITY UNIVERSITY LONDON

This report outlines the preliminary findings of my PhD research. The data has been gathered via 28 interviews, two meetings and five Board observations. The interviewees included nine Board Chairs, ten Non-Executive Directors, four Board-Level Executives, four Board advisors and one industry expert. With regards to the demographics, ten of the interviews were female and the most common age group was 60-64. The interviewees represented 100 Boards and had an average of 12.8 years Board level experience. The research identified a number of common themes across the data collection. These can be grouped into three; disruptive technology, utilisation of sub-groups and meeting preparation.

Disruptive Technology
"[I]it's not a case of just issuing iPads...it's actually about a cultural change" (Mr Larch). The introduction of technology has created a change within the Board. Many of the participants identified that the Board Pack is evolving from a paper based document to electronic, with a number of Boards making the leap to 'Tablet' based Board packs with bespoke applications. This change in format has allowed Boards to be more flexible with how meetings are conducted, such as utilising Skype and conference calls to facilitate participation. Nonetheless, a number of the electronic and 'Tablet' users noted that they needed to *"still print certain stuff [for example] if someone's produced a set of comparative graphs, you can't look at them on the same page"* (Mr Hawthorn). This highlights that the information providers are not yet fully engaged in the change of technology. It is worth noting that, when observing Board meetings, the contributions to discussions by 'Tablet' users was higher than Laptop users but lower than paper users.

In summary, the use of technology is beginning to change the way Boards operate at a superficial level but has not yet created a cultural change.

Utilisation of Sub-Groups
The use of sub-groups enables Boards *"to separate out the business and [enables] greater scrutiny"* (Ms Silverbell). Almost all of the interviewees' Boards had formalised sub-committees, such as Audit, Nominations and Remuneration. These are well established and recognised by global regulations. Nevertheless, the illustrations of when Boards worked well together had two defining features in relation to sub-groups; communication and ad hoc formation to focus on a specific issue. Effective communication from the sub-committee to the Board is more than providing minutes of the meeting, it about having an *"allocated time to talk to that report"* (Mr Hawthorn) and ensuring that *"any recommendations or decisions are taken [to the] board for discussion"* (Mr Chestnut).

The second feature is about the creation of ad hoc groups for specific purposes, as Mr Hickory describes *"when we've got particularly major decisions to take or ... a particular challenge and then we've convened a small group to work [on it]"*. This agility, and flexibility, within the Board to focus on a particular issue, and communicate it effectively, enables and facilitates the workings of the Board.

Meeting Preparation
The final theme is that of preparation for the Board meeting, and sub-committees. The process of preparation was different for every interviewee from one who admitted he did not look at the Board papers in detail to Ms Elderberry who reads them twice *"first time just to get a feel for them and ...then I go back and re-read them in detail"*. Ms Elderberry added that she annotates the papers with her own notes and may, on occasion, contact the Chair or the paper's author for clarification. This level of preparation was generally consistent across the female interviewees. The male interviewees, in contrast, *"might not read literally them all verbatim, word for word"* (Mr Chestnut). In summary, whilst in no way could the males be described as being unprepared, the females feel the need to ensure that they understand enough to provide *"an informed decision .... or ask appropriate questions"* (Ms Ginkgo).

Other Observations
There were a significant number of other findings within the data collection, some of interest are;
- The Chair's role is predominately seen as a 'mentoring' role for the CEO and a relationship of trust between them is key to the organisation
- Where voting is used as a decision making tool, not just a legal confirmatory action, the Board is often seen as fractious, political and unproductive
- 'Enjoying the role' was key to both ensuring preparation and engaging in the decision making process

I would, once again, like to thank you very much for your input to my research. I would be delighted to hear any feedback that you have on the enclosed. I can be contacted on 07771

Figure 21 – Participant Feedback One Page Summary

As a consequence of the one page summary the further data was collected:

- Three round one interviewees provided feedback on the summary via email – Mr Chestnut, Mr Cedar and Ms Camellia

- Two round one interviewees agreed to have follow up interviews – Prof Cherry and Mr Ironwood

- Three additional people were interviewed – Mr Birch, Ms Eucalyptus and Ms Yew

- Two further technical meetings were undertaken; one with a Board software provider, Mr Cypress, and another with an entrepreneur setting up a Non-Executive Director skills sharing scheme, Mr Walnut.

All of this data was coded as per the process outlined previously.

6.3   Further Data

6.3.1 "Accessing Methods" - Disruptive Technology

In the phase one interviews over half of the interviewees mentioned that either they themselves, or other members of their Board, used an iPad or other Tablet device. Almost all interviewees had the option of receiving the Board papers electronically. A number identified that they received them both electronically and in paper format.

Nonetheless, the ability to have them in a format other than paper in itself created issues. As Interviewee Mr Larch (Nov 2013) identified that "it's not a case of just issuing iPads … or anything else, it's actually about a cultural change". This cultural change stretches throughout the organisation from the Board members to the information providers. As one information provider identified, even simple aspects

such as the orientation of the page - landscape or portrait - needs to be considered when presenting electronic formats (Ms Yew, February 2014). Nonetheless, for the majority of interviewees the Board papers contents, size and style has not significantly changed as a result of the transfer to electronic versions.

The interviewees identified a number of both positive and negative issues with regards to the incorporation of technology. Mr Birch (January 2014) highlighted that the use of electronic Board papers enabled him, as an information provider, to issue the papers to the Board two days earlier as he no longer had to allow for postage time. This allowed the Board members to have more time to read the papers prior to the meeting; however, it had the consequence of increasing Mr Birch's expectations with regards to their level of preparedness.

The issue of security was a major concern to a number of the interviewees. For many of the interviewees these security issues were solved by use the of a Third Party software solution that facilitated the management and distribution of the Board papers. As Mr Ironwood (2nd Interview, January 2014) explained one of the reasons for converting to an electronic Board pack software system was the increased data security compared with "just emailing documents". The software is usually in the form of an electronic portal, hosted on a highly secure IT platform, where papers are uploaded to and the Directors can then access remotely. The access is, usually, controlled via a secure logging-in process (Mr Cypress, January 2014). Access to the papers is usually via laptops or Tablets and, occasionally, by mobile phone.

The use of Third Party software, for some, also provided the solution of how to make notes on the papers themselves. All of the Board member interviewees identified that, when reviewing the Board papers in preparation for the meeting, they

made notes of thoughts, issues and questions they wished to raise. For some of the interviewees they found technology too restrictive to do this effectively (Ms Persimmon, May 2013). The majority of interviewees found that there was a compromise of having electronic papers and printing certain pages, for example "set of comparative graphs, [as] you can't look at them on the same page because they're separate pages of the report" (Mr Hawthorne, February 2013).

The interviews and observations confirmed the increasing prevalence of technology within the Boardroom. This is consistent with the 'grey literature', such as trade journals, where there is extensive discussion of the use of, and value of, technology within the Boardroom, especially in relation to costs (for examples see Governance Institute of Australia, 2012, Skalkotos, 2011, Steinert-Threlkeld, 2013). Nevertheless, there has been relatively little academic research into how changes in technology affect Board members and their role at a governance level.

Abraham (2012) asserts that information technology (IT) enables, and supports, governance processes. In her paper she identifies that IT can empower four aspects of decision making; gathering, storage, manipulation and transmission of information. Furthermore, Brandas (2011) concludes that with the complex information requirements of a governance system IT can provide effective support. Mr Cypress (January 2014), when describing the software his firm sells to Boards noted that, in his opinion, there are the following advantages:

1. Better informed decisions due to better access to information
2. More information of a relevant nature can be provided
3. Audit trail of decisions and access to past precedents on issues
4. Speed of decision making as items do not need to wait for the next meeting
5. Efficiency of information distribution

He went on to note that the software enables decisions to be grouped by type, for example "financial decisions". Mr Fir (October 2013) also demonstrated that his, competing, software product stored the papers by type. This use of paper types supported the structure of the Board pack, and agenda, reflective of those discussed in section 5.2.1.

6.3.2 "Supporting Subcommittees" - Utilisation of Sub-Groups

As discussed in section 7.3.5, many Boards have defined, standing, sub-committees. For those regulated by the *UK Corporate Governance Code* these are the nominations, audit and remuneration sub-committees. However, these permanent standing committees are not the only sub-groups to be found within the governance structures of Boards. When particularly large or complex issues are brought before the Board it is common for a sub-group of Board members, often supported by the Executive, to create a temporary, 'ad hoc' committee to look in more detail at the issue. This may include strategic reviews, major investments or other significant Board level decisions.

The interviewees were asked to describe a time when the Board worked well together; a common theme in the responses can be summed up by the following quote from interviewee Mr Boxelder

> "*a sub-group of the Board [was formed] to discuss the sort of nitty gritty of it [a specific issue] and then once they'd reached certain stages and there was something of substance to discuss with the Board it came back to the Board.*" (February 2013)

This was echoed across a third of the Board member interviewees. Mr Chestnut (February 2013) identified that these ad hoc groups allowed the "heavy lifting" around an issue to be "done by three or four people". The people involved were usually a mix of both Executive and Non-Executive Directors occasionally joined by subject matter experts from within, or external to, the organisation.

Ms Maple (February 2013) and Ms Ginkgo (May 2013) both described these ad hoc committees as temporary groups which form for a specific purpose and disband once a solution is agree upon by the main Board. In all the cases the interviewees described creating ad hoc groups when there was a large issue, which was complex and usually involved multiple actors, options and/or solutions.

In general the interviewees identified the creation of ad hoc sub committees to be a positive activity for the Board. Nonetheless, a negative example was also highlighted by Mr Boxelder (February 2013) where he identified that an ad hoc committee was set up to appoint an outside organisation to undertake some work and the appointed did not go smoothly. Upon reflection he felt that this was due to a lack of "direct involvement" by the Board because, though they had regular reports, there were no formal discussions between the Board and the ad hoc committee.

The use of formalised sub-committees is well documented within both academic and non-academic literature (e.g. Rezaee, 2010, Stiles and Taylor, 2001). Many of the regulations and codes either recommend, or mandate, the use of specified sub-committees (Leblanc and Gilles, 2005). Rezaee (2010:243) identifies that the use of sub-committees makes "efficient use of time and expertise" of Board Directors.

Reeb and Upadhyay (2010) identifies that sub-committees within the Board structure create information asymmetry between the Board members. This is manifested within the interviews by references to the requirement for the ad hoc committee to have a clear structure and boundaries for responsibilities as well as agreed upon reporting processes.

In summary, the use of ad hoc committees appears to be a significant, and common, tool within the day-to-day management of Board processes. They provide a method to improve effectiveness within the Board's process. The interviewees highlighted three key aspects in relation to the effective use of ad hoc groups:

- The issue needs to be large and time consuming causing it to be beyond the practical scope of a standard Board meeting
- The issue needs to be complex with a number of facets to be considered and different solutions identifiable
- The ad hoc committee needs to have a clear outline of their responsibilities, decision making powers and reporting process

6.3.3 "Reading Through" - Meeting Preparation

In the early stages of data collection there appeared, potentially, to be a difference between how the male and female interviewees prepared for the Board meeting. In data collection phase two this was further explored, noting that the sample sizes are not large enough to be generalised.

Overall, the process of preparation was different for every interviewee, for example Ms Elderberry described her approach to the Boards papers

"I think I am slightly unusual, I read papers twice, I read all the papers

twice and I read them the first time just to get a feel for them and I read

them fairly quickly and then I go back and re-read them in detail. Then

from that, with the agenda, if I print anything out, it's the agenda, and…

I usually make notes" (May 2013)

In contrast, Mr Chestnut identified that since the introduction of subcommittees the size of the Board pack has reduced. Nonetheless, he notes that he

"*would be a little bit more selective in my reading, I would certainly …*

make sure I understood all the papers and why they were [included]

and the purpose of them being on the agenda but I might not read

literally them all verbatim, word for word, I would pick up things I

thought I needed to question or challenge" (February 2013)

Mr Chestnut did go on to qualify that "[t]here might be papers which I need to spend more time on and I go back to them" (February 2013).

In terms of coming to the Board meeting prepared, Mr Fothergilla identified that

"*you can always tell in a meeting, if somebody really hasn't read the*

papers, because they will make comments that indicate that they

haven't." (October 2013)

In her interview Ms Camellia (May 2013) noted that she put time aside in her diary to read the papers. Likewise, Ms Persimmon identified that

"*unless you plan, unless you know when those papers are going to*

arrive and you can plan to read them, you're not doing yourself or the

organisation justice if you don't get through them all." (Ms Persimmon,

May 2013)

During the phase two interviews Ms Eucalyptus (January 2014) strongly identified with the gender split on preparation; additionally, Ms Yew (February 2014) intuitively felt it to be true. In contrast both Mr Birch (January 2014) and Mr Ironwood (Interview 2, January 2014) had not observed a difference between the genders in relation to preparation.

Prof Cherry (Interview 2, January 2014) discussed the concept of 'imposter syndrome' as a potential, partial, explanation of the issue. Imposter syndrome is defined as where an individual does not believe that they deserve credit for their own success, e.g. attributing it to luck rather than their own intelligence (Pedler, 2011). In general they fear being found out as being unsuitable for the role and, therefore, risk being exposed as a fraud (Clance and Imes, 1978). It is usually, but not exclusively applied to women (Pedler, 2011). One of the methods used by sufferers to overcome the feeling is "diligence and hard work" (Clance and Imes, 1978), though as Ms Eucalyptus identifies it can be seen as "uncool …it's almost an admission of weakness that you actually have to do the prep." (January 2014).

6.3.4 "Chairing Style – Perceiving the Role" - Mentoring

Mr Fothergilla stated that one of his primary roles as Chair was

> "*to build a close and effective and trusting working relationship with the Chief Executive, so he feels able to share with me what's going on in his head, what his worries are, talk about his senior people issues, any strategic thoughts that are going through his mind, not with a view necessarily to discussing it elsewhere, but just so that I am up to date with where he is heading on things.*" (October 2013)

Mr Larch (November 2013) added that a significant part of his role was to be available to the CEO. This was echoed by Mr Oak (November 2013) who identified that there is coaching role for the Chair in relation to the CEO. These views were supported by all of the interviewees who held either a CEO or Chair role.

Mr Oak highlighted a time when the relationship between the CEO and Chair was of poor quality, he explained that

> "*the Chair ended up feeling quite isolated and the Board become slightly fractionalised and I think what we got into was quite a dysfunctional situation … it led to was, us, as Non-Execs, asking that Chair to stand down and appointing a new Chair who was able to do the job well.*" (November 2013)

In the second interview with Mr Ironwood, he highlighted the key aspect of the relationship was that "there were never surprises. If either of them [the CEO or Chair] was going to raise something that was likely to cause trouble, the other person was aware of it before the meeting" (January 2014).

Given the perceived importance by the interviewees of the relationship between the CEO and Chair, surprisingly little academic research focuses on this area. In Stiles and Taylor (2001:107) they note that the relationship is "of crucial importance". Their interviewees argue that the relationship must have; respect, understanding of role boundaries and an understanding of each other's working style to be effective. Nonetheless, Cadbury (2002:121) concludes that the relationship is vitally important but it should not be to the exclusion of the rest of the Board, or the Senior Executive, and it is important that all parties are included in the Board's processing.

6.3.5 "Decision Making Method" – Voting

Voting in a Board meeting falls into two categories: to make a decision where there is no clear consensus or to formally confirm an agreed decision. The latter is usually procedural and relates most often to items such as confirming the minutes. In contrast, the former is a much rarer occasion, as Mr Cedar explains

> "*we don't vote often, but from time to time. It isn't often we have a vote, where we need a vote [it's] because there's any dissent.*"
>
> (February 2013)

Mr Cedar went on to explain that on a previous Board

> "*[the decision making process] was driven by the attitude [of the] chairman, and he was a peer of the realm and he made it his business never to have a vote. He didn't want to have a vote and we tried to sort things out, and the only vote we ever took was when the rest of us outvoted him to put the company into liquidation before it went bust.*"
>
> (February 2013)

As these two examples illustrate, the use of voting as a decision making tool is complex. In most of the interviews the aim was to have a collegiate decision making process, where all parties agree on the outcome. Nonetheless, occasionally voting is required and "it's usually reasonably unanimous." (Mr Elm, March 2013). As Ms Eucalyptus explains

> "*it's a last resort to be honest, you want to try and get the Board all thinking on the same hymn sheet but of course you do need to challenge*" (January 2014)

Malenko (2014) in his study of open and closed voting in Boards concludes that in open votes, that is to say where Directors see how others vote, Directors are likely

to vote with the majority even where their information supports them voting the other way. As such, voting may not provide an effective decisions making tool. Nonetheless, the Boardroom software that was discussed in the technical meetings facilitates the voting process under the guise of enabling Boards to make timely decisions outside of the Board meetings (Mr Cypress, January 2014).

6.3.6 "Enjoying the Role" – Engagement

Mr Larch identified that enjoying the role was an important part of an individual Director's contribution to the Board. He explains that his former Board

"*was really made up of individuals to a large extent, and individuals*

who had been there for eight [years]…and they were getting tired. And

they needed to recognise that actually they weren't enjoying it as much

as they were previously. They were not contributing to much, as they

were previously. And in fact it was becoming almost tedium for them to

be there. So there needed to be change" (November 2013)

Ms Eucalyptus adds that

"*it's also about dynamic[s] as well because you can have a lot of*

frustration, if you've got a chairman who's just saying well I don't want

to hear what everybody else says then that's going to be hopeless,

you're not going to enjoy that. If you've got a Board where it's a point

scoring exercise you won't enjoy that. If you've got one where actually

people don't conduct it with great politeness which I think is quite

important in a Board, you're not going to enjoy that either" (January

2014)

In addition, Ms Eucalyptus (January 2014) clarifies that enjoyment is linked to an understanding of the role and that, if you understand the role, you will undertake the preparation work to make the process an enjoyable experience.

Engagement in the Board processes is linked to the need to feel important and that the individual is adding value (Guerrero and Seguin, 2012). Virtanen (2012) concluded that women take more enjoyment than men from being on the Board due to the opportunity to exercise power.

6.4   Summary

This additional data collection provided clarity on a number of key issues for the interviewees. The supplementary interviews and meetings enabled a more detailed understanding of how six key areas impact on their understanding and approach to their role. As such, at this stage

> "*All [the] categories are well developed in terms of properties,*
> *dimensions, and variations. Further data gathering and analysis add[s]*
> *little new to the conceptualization, though variations can always be*
> *discovered"* (Corbin and Strauss, 2008:263)

The data has identified a number of key issues for the participants; however, they sit within a complex environment with both internal and external pressures relating to how they undertake their roles. The next chapter looks at the role of Director in the wider context in which the Boardroom decisions are made.

7 BOARDROOM CONTEXT

7.1 Introduction

The journey of the Board pack is one aspect of the information engagement by the Directors; the other part is the corporate governance context within which the Directors operate. This chapter steps away from the data and looks at how the Board works in relation to the expectations and constraints within which the Directors undertake their role. The aim of this chapter is to provide clarity on the mechanisms that influence, and to an extent, control the Board's processes.

This chapter is in two parts; firstly the perceptions of the Board's role and secondly rules, regulations and best practice. The former identifies how the Board sees its role in relation to the organisation with the latter section discussing the constraints and expectations within which they are expected operate. In this chapter the corporate governance literature, both academic and grey, has been combined with the interviewees' perceptions. This approach enables an interlink of the theoretical and practical aspects of the issues influencing the Board.

7.2 Perceptions of the Board's Role

As identified in section 1.2, the Board has a number of roles which they may be expected to fulfil, including: providing direction, monitoring progress, guiding senior management, enhancing the organisation's reputation, bringing resources, as well as creating legitimacy (Hillman et al., 2000, Zahra and Pearce II, 1989). Additionally, the Boards' decision making role varies dependent on the Board's characteristics,

which can "range from working with management to develop strategic direction to merely ratifying management's proposals" (Stiles, 2001:631).

Prof Cherry (January 2013) perceives the role of the Board as trying "to resolve a perennial imbalance. On the one hand driving the other guys [the Executive] forward, and the other keeping an element of control", he refers to this balancing act as the "Board's dilemma". He went on to explain further, paraphrasing Sir Brian Pitman, that the Boards need to

> *"…deliver the reasonable short-term demands of the owners, to always assess the cost of capital in any proposed way forward and then to ensure their fiduciary duty by ensuring the long-term health of the business"* (Prof Cherry, January 2013)

Alternatively, Mr Mulberry (October 2013) had a broader understanding of the Board's role

> *"[T]he Board is there to develop the vision of the business and understand where it needs to go or where it should be, and then it's to deliver that vision or strategic direction for that business to either themselves or to the employees should it have some. … Ideally it's about the looking forward part, being able to stabilise a business in a way that sits between the visionary leadership and the day to day administration and management of the business from sort of middle management down to ensure that the employees get it and want it too. And then that business can be stable and profitable going forward."*

With regards to the Board's role there were a variety of definitions, as illustrated above. Almost all of the interviewees agreed that there is a controlling role for the Board. The greatest variety could be found in how far into the operational work of

the organisation the Board strayed, for example, Mr Larch (November 2013) noted that there were areas "[w]hich actually they [The Board] weren't even needing to make decisions on because they were operational matters as opposed to strategic matters."

The role of the Board is a significant area of focus within the academic literature ;(see for example Bongjin et al., 2009, Huse, 2007:36, Stiles and Taylor, 2001:11, van den Heuvel et al., 2006). Furthermore, many of the corporate governance theories are predicated on differing assumptions of the Board's role (see Table 1). Jonsson (2005) classified the Board's role into four types, based on power and involvement, see Figure 22; though he notes that Boards can sit in more than one quadrant and that they move between quadrants over time.
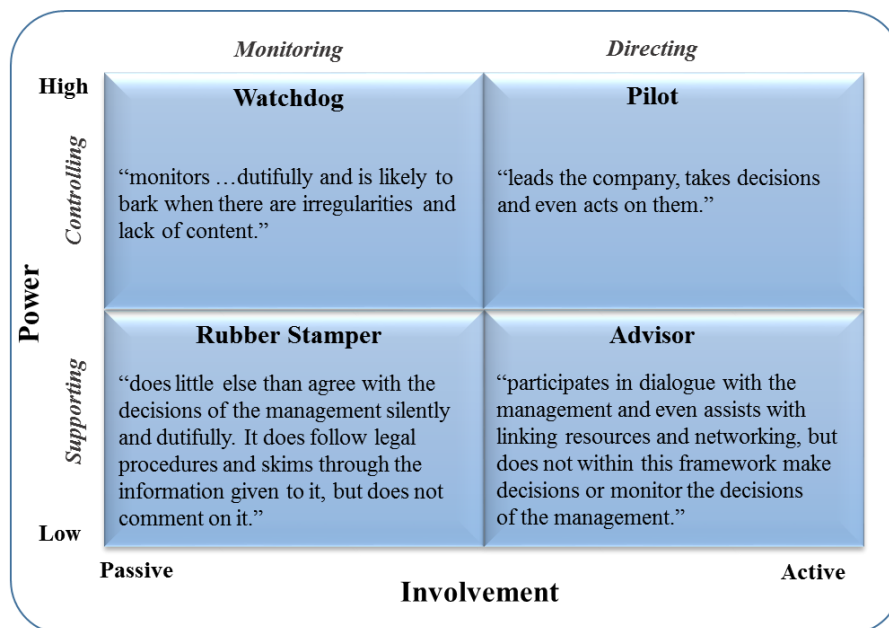
Figure 22 - The Role Model of the Board (adapted from Jonsson, 2005:712)

Regardless of the specific roles that the Board undertakes, Mr Chestnut (February 2013) identified that "like any team - and that's effectively what the Board of directors [is] - it is important you have a clear understanding of one's role". That is to say, a clear, common, agreed vision of the Board's role. The role is often laid out in the 'Articles of Association' for the organisation (Mr Linden, October 2013). "The Articles of Association are the 'rules' of the company" (Young, 2007) and, in the UK, are a legal requirement under the Companies Act 2006; these rules include the decision making power, responsibility and processes of the Board (House, 2014). The law, and therefore the organisation, is supported by rules, regulations and best practice guidance.

7.3   Rules, Regulations and Best Practice

As noted in section 1.2, there are a significant number of regulations, and codes of conduct, in place for organisations to comply with depending on their location, industry and ownership status. Each of these regulations provides an insight into the social norms, historical scandals and the role organisations play within that environment. This nuanced context influences the corporate governance structures, approaches and priorities within the organisation. Organisations themselves are also individual; they have their own history, traditions, norms and strategies, all of which influence both the corporate governance philosophy and structures they create.

In January 2014 the European Corporate Governance Institute listed 409 corporate governance codes worldwide (European Institute for Corporate Governance, 2014). This is an increase from 264 in October 2009 (Rasmussen, 2010:4). This increase in codes has many reasons including the recent economic down turn and a number

of large scandals, such as the collapse of Lehmann Brothers in September 2008. These have caused both the renewal of existing codes and the development of new codes.

The target audience of the codes varies from: those listed on a country's stock exchange, a particular company ownership structure through to all companies operating in a jurisdiction. They also vary in strength of enforcement from best practice guidance to laws with penalties for non-compliance. For example, UK listed companies must comply with the *UK Corporate Governance Code* issued by the Financial Reporting Council in 2014. In this case a "comply-or-explain" model is applied to this code (Financial Reporting Council, 2014). This model requires the organisations bound by the code to

> *"[S]tate whether they are complying with the Code and to give*
> *reasons for any areas of non-compliance. This requirement will*
> *enable shareholders to know where the companies in which they*
> *have invested stand in relation to the Code."* (Cadbury, 1992:10)

This approach allows for organisations to provide clarity on their compliance, and if they deviate, why and to what extent.

It should be noted, however, that the UK's approach to corporate governance is not universally supported, for example Mr Poplar (February 2013) believes that "[s]ome of this corporate governance stuff, … just gets in the way of business" he goes on to explain that organisations have "got a tick box mentality to all of this stuff". Likewise, Hampel (1998:17), in his committee's report, identified that

> "*Public companies are now among the most accountable organisations*
> *in society…But the emphasis on accountability has tended to obscure*

a Board's first responsibility - to enhance the prosperity of the business over time."

Mr Poplar (February 2013) believes that effective corporate governance "comes down to the absolute quality and integrity of the individuals who you have in the organisations". Prof Cherry (January 2013) notes that under English law there are only statutory Directors and, through the development of the regulations, "we [have] managed to create a nonsense corporate governance framework". Bloomfield (2013:203) notes that the issues around corporate governance mechanisms, in the widest sense, may be due to the underpinning theories upon which they are based being "incorrect or inadequate". These issues may also help to explain why so many codes exist, however, there are aspects that are common to many of them, such as:

- The role of the Board

- The leadership of the Board

- The composition of the Board

- Expected behaviours of Board members

- The Board and subcommittee structures

- Remuneration of Board members

- Relationship with stakeholders

- The information requirements of the Board members

- Risk Management

For clarity, only the *UK Corporate Governance Code* is referred to in the following sections as the majority of organisations discussed in the interviews were based in the UK. Whilst not all of the UK organisations were listed, thereby subjected to the code, many of the codes and best practice guidance are based on similar principles

to the *UK Corporate Governance Code*. The *UK Corporate Governance Code* is utilised in the following sections as the framework within which to discuss the context of the Board.

7.3.1 The Role of the Board

The Board has a number of roles which they may be expected to fulfil, though each Board will have its own individually defined terms of reference. According to the *UK Corporate Governance Code* (Financial Reporting Council, 2014), in summary, these should include:

- Providing entrepreneurial leadership – as Mr Mulberry (October 2013) described "there's got to be the aspect of innovation and creativity" in the leadership of the organisation.

- Risk management – Prof Cherry (January 2013) notes that "it's about taking risk not avoiding it."

- Setting the organisation's strategic aims – for example "strategically getting to think what business are we in, what business aren't we in, what business do we want, what business don't we want" (Mr Cedrela, October 2013).

- Ensuring financial and human resources are available – though, as Ms Maple (February 2013) noted "if you don't have the money you can't do it".

- Reviewing management performance – this might, for example, include 'inviting' the CEO to retire (Mr Cedar, February 2013).

- Setting the organisation's values and standards – In Mr Larch's (November 2013) "view it's about setting the standards, about setting the moral direction"

- Ensuring shareholder and other stakeholder obligations are understood and met – or as Mr Poplar (February 2013) described it "I'm there to create a value for shareholders and I'm also there for a wider responsibility in terms of stakeholders".

During the interviews, all of the roles listed were mentioned, though 'setting the organisation's values and standards' was rarely explicitly mentioned. In contrast, almost all of the interviewees mentioned risk management, as will be discussed further in section 7.3.9.

7.3.2 The Leadership of the Board

There are two roles at the head of an organisation; the management head of the organisation, normally referred to as the Chief Executive Officer (CEO) who is responsible for managing the enterprise, and the Chairman of the Board (Chair) who is responsible for managing the Board. In the UK and Europe it is usual to have these roles separated so that "no one individual should [can] have unfettered powers of decision" (Financial Reporting Council, 2014:5). In contrast, in the USA the majority of organisations have a unified CEO/Chair position.

The separation of Chair and CEO has been a topic of debate within the literature for a number of years. Davis et al. (1997) identify this as one of the areas of difference between Agency and Stewardship Theories. Their analysis identifies that a joint CEO/Chair is "dysfunctional" under Agency Theory; in contrast, Stewardship Theory encourages the "high authority and discretion" of the joint role. Daily and Dalton (1997) identify that the empirical evidence does not strongly support either joint or

separate CEO/Chair. Their own research identifies that there may be a time and place for either option dependent on the organisation's financial health.

Proponents of the joint role identify that the CEO, by nature of their executive position has more access to organisational information, therefore a joint CEO/Chair has greater internal knowledge with which to make decisions. Whereas, an independent Chair, by the nature of their independence, has less knowledge of internal information; however, given their independent status, they may have access to greater external information with which to influence the decisions. This information asymmetry continues to be an ongoing debate in the literature (for example Nowak and McCabe, 2003).

In only one case in the data collection was the CEO and Chair the same person (Mr Poplar, February 2013 – in one of the companies discussed). However, the relationship between the CEO and Chair was a noticeable topic of discussion. Mr Fothergilla, a prominent FTSE100 Chair, noted that one of his key functions was, as explained in the previous chapter

> *"[T]o a build a close and effective and trusting working relationship with the Chief Executive, so he feels able to share with me what's going on in his head, what his worries are, talk about his senior people issues, any strategic thoughts that are going through his mind, not with a view necessarily to discussing it elsewhere, but just so that I am up to date with where he is heading on things."* (October 2013)

Mr Oak, similarly identified that the relationship between CEO and Chair

> *"[H]as to be a blend of trust, some challenge so you absolutely don't, and shouldn't be, bosom pals but I do think it's got to work chemically*

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otherwise there won't be the trust … If it doesn't work then it can

jeopardise the whole working of the Board." (November 2013)

The style of the Chair elicited a number of comments within the interviews. Both good and bad chairing styles were noted, with good described in terms such as; "Non-threatening, very supportive" (Mr Cedrela, October 2013); "always allows plenty of time to debate" (Mr Chestnut, February 2013); "able to give everyone a chance to talk" (Mr Ironwood, February 2013).

Mr Larch sums up the role of the Chair as

"I see it very much as leadership. As actually being that, not just

inspirational we'll fight on the beaches or whatever, but actually giving

the Board the confidence to be able to make the decisions it needs to

make and understand the potential implications of those decisions."

(November 2013)

7.3.3 The Composition of the Board

A Board is made up of two distinct groups; Executive and Non-Executive Directors, of which the latter can be separated, as previously discussed, into Independent and Non-Independent. Executives, generally, work full time within the organisation normally undertaking such roles as CEO, Chief Financial Officer (CFO) or Chief Operating Officer (COO). The Non-Executive Directors, generally, work part-time for the organisation and are focused on the Board's activities and separate from the day-to-day operations of the organisation (Young, 2007:54). Nonetheless, as noted previously by Prof Cherry (January 2013), all of the Directors are statutory Directors

under English law; that is to say, the 2006 Companies Act makes no such distinction.

The majority of large companies will also have a Company Secretary. The appointee will work with the Board in relation to its statutory duties, corporate governance as well as managing communications, reports and meetings (ICSA, 2011). Whether the Company Secretary is a full member of the Board, which is to say has voting rights, will depend on the individual organisation. Nonetheless, they are in most cases the conduit between the Board and the organisation (Mallin, 2010:168). Mr Pine (November 2013) noted that he, as a Chair, spoke at least twice a week to both the CEO and the Company Secretary to ensure that he has a full picture of the organisation. As such, regardless of their voting status, the Company Secretary undertakes a crucial role within the organisation and the Board's processes.

Many of corporate governance codes contain a requirement for Independent Directors to be appointed to the Board. The codes may also prescribe the proportion of Board members that must be independent, for example, the *UK Corporate Governance Code* specifies that for FTSE350 companies over half the Board must be independent (Financial Reporting Council, 2014). In addition, the *UK Corporate Governance Code* identifies the position of a

> *"senior independent director to provide a sounding board for the*
> *chairman and to serve as an intermediary for the other directors when*
> *necessary"* (Financial Reporting Council, 2014:7)

The Institute of Directions (IoD) identifies that an Independent Director on the Board "can help in focusing the Board on the corporate interest" (Institute of Directors 2010:23). This independency can enable the Director to "bring an independent judgement to bear on issues of strategy, performance, resources…and standards of conduct" (Cadbury, 1992:4.11).

Board members are expected to have

> *"the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively."* (Financial Reporting Council, 2014:5)

Mr Chestnut (February 2013) noted that "in the last couple of years it [the Board] has worked particularly well" and he ascribed that to having "the right mix in terms of skills, experience and personalities" on the Board. Mr Hemlock (March 2013), who was at the time of interview setting up a new Board for a divested company, noted that he had requested of the recruitment agency to

> *"if at all possible to have a lady as a Chair, the reason being we employ a lot of ladies and the management team are old, bold, middle aged white haired men."*

Ms Magnolia (March 2013) noted that, in her opinion, she was "not sure that men think in the same way". Mr Fothergilla (October 2013) "sense[d] that having two women on the Board is better than just one, because it makes the role of both of them easier".

Diversity, particularly gender diversity, has been extensively researched in relation to Board composition (for example Geiger and Marlin, 2012, McCann and Wheeler,

2011). The diversity in corporate governance research includes a range of issues including: gender, ethnicity, age, faith and education (Hudson, 2011, Hyndman and McDonnell, 2009). Nonetheless, Board diversity is not limited to just these issues as Ms Magnolia (March 2013), a Director for a Pensions Board, illustrates; "the majority on the Board are rich … these people are seriously rich and I sometimes think they lose sight of the 'little man' [the pension members]".

There have been a number of benefits identified from a diverse Board including; an increase in creativity, reduction in group think, access to resources and conferring of legitimacy (Ferreira, 2012:227). Conversely negative issues have also been identified such as: ineffective communication, lack of experience and conflicts of interest (Ferreira, 2012:228). Ferreira (2012:238) goes on to conclude that there is a relationship between diversity and performance in the corporate world; although there are a number of characteristics of the organisation that might influence this such as the size of the organisation and the size of the Board (de Andres-Alonso et al., 2009, Ostrower and Stone, 2010). However, in our research on diversity in the nonprofit environment, we concluded that

> *"Diversity and representativeness on a non-profit Board may have*
> *additional functionality. Firstly, the conveyance of legitimacy, in a sense*
> *providing the authority for the individual non-profit [organisation] to be*
> *in the sector. Secondly, it provides a signal to individuals [such as*
> *benefactors] related to the non-profit that the Board values the*
> *relationship, whether that is in terms of time or money."* (Palmer et al.,
> 2014:14)

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Conversely, the need for diversity in the composition of the Board is not uniformly supported, whether related to the roles the individual holds or their personal diversity, as Mr Poplar noted

> *"it comes down to the integrity of the individuals that you have at Board level and their ability to know the difference between what's right and wrong and in terms of risks; you should have Board members on your Board that actually understand the risks of the business that you're in"*
> (Mr Poplar, February 2013)

It is important to note that, whilst the code require the Board members to have suitable "skills, experience, independence and knowledge" (Financial Reporting Council, 2014:5) there is no explicit mention of competency to undertake the role. In Lee and Phan's (2000:207) research in to Director's competencies, they define competence as "underlying traits, attitudes or skills that lead to superior job performance". They utilise Dulewicz and Herbert's (1999:15) twelve "supra-competencies" which were deemed to be important when rating senior management, which are:

1. Strategic Perspective
2. Analysis and Judgement
3. Planning and Organising
4. Managing Staff
5. Persuasiveness
6. Assertiveness and Decisiveness
7. Interpersonal Sensitivity
8. Oral Communication

9. Resilience and Adaptability

10. Energy and Initiative

11. Achievement-motivation

12. Business Sense

These twelve competencies are seen as "core competencies of a Director" (Lee and Phan, 2000:207). Nontheless, whilst the regulations go on the identify that the nominations committee should specify the "capabilities" of any potential new Board member (Financial Reporting Council, 2014:11), there is no further definition of what is meant by this requirement. In short, the competency to undertake the role of Director is assumed in the regulations to be of a suitable level for the role undertaken. Additionally, throughout the interview process, none of the interviewees explicitly mentioned competency of individual Board members though, for example, Mr Mulberry (October 2013) noted that the leaders of an organisation should

> *"have the ability to take risk, there's got to be the aspect of innovation and creativity, they've got to be passionate, they've got to instil confidence and trust in those around and below them, without a doubt. They've got to have a tenacity and self-belief"*

7.3.4 Expected Behaviours of Board members

> *"All directors must act in what they consider to be the best interests of the company, consistent with their statutory duties" (Financial Reporting Council, 2014:9)*

Under the UK Companies Act 2006, the key statutory duties are listed as (Young, 2007:55):

- Duty to act within powers (in accordance with the company's constitution/Articles of Association)

- Duty to promote the success of the company

- Duty to exercise independent judgement

- Duty to exercise reasonable care, skill and diligence

- Duty to avoid conflict of interest

- Duty to declare interests in proposed transition or arrangement

- Duty not to accept benefits from third parties

- Other duties such as; ensuring proper record keeping of accounts, timely payments of liabilities and submission of accurate data to Companies House

Additionally, the recent Kay Report, issued on behalf of the Department for Business, Innovation and Skill (BIS), emphasised that it is "the obligation of Directors to promote the success of the company and that such success is to be measured over the long-term" (Kay, 2012:57).

As well as their legal responsibilities, Directors are expected to have a wider duty to the organisation, for example, attending meetings, preparing for meetings and being available as and when for ad hoc issues. As Mr Oak explained, as Chair it is his

> *"…duty to actually to find the right way of saying that if they haven't got time to read the papers then they probably shouldn't be on the Board"* (November 2013)

The balance of power within a Board of Directors is dependent both on the structure and the personalities within the group. The power balance within the Board will, to a large extent, dictate the behaviours and norms within the Board and its decision making processes. McNulty et al. (2011:93) describe power in terms of "creating

intended effects" and is "likely to be a product of awareness, possession, control and tactics". Power can belong to either an individual or group of individuals. In the case of Ms Juniper, she identified that she is

> *"… quite a powerful personality who's used to being in charge, I would*
> *have, from my perspective, I would have got to a good conclusion one*
> *way or the other [on the issue being described]. So I think in that*
> *respect, the Chair is in a slightly different position in that they can*
> *control a good outcome*" (May, 2013)

In parallel with power comes trust. Trust is a key ingredient in the behaviour of Boards, in terms of both team interactions and decision making. Schoorman et al. (2007:347) define trust "as the willingness to be vulnerable to another party". Mr Oak identified that "the right level of trust and mutual understanding" was required within the Board to ensure that they were "able to get the right levels of conversations happening" (November 2013). Schoorman et al. (2007) identifies that there is a positive relationship between trust and the strategic actions of the organisation or, as Ms Juniper summaries "a Board operates best when people know each other" (May, 2013)

Roberts et al. (2005) argue that the conduct of the Independent Directors in relation to the Executive Directors is the key to determining the effectiveness of the Board. Whilst the rules and regulations may require a proportion of the Board to be independent, their value is dependent on how they behave, for example, seeking to act as an Executive within the organisation dilutes their credibility. Mr Linden explains that he sees the Non-Executive role as being

> *"a critical friend … and you have the same legal responsibility but*
> *you're not as hands-on. It does mean that you can step away for a bit*

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and just ask the questions, do the probing and offer support, guidance,

help, introductions and a different paradigm." (October 2013)

7.3.5 The Board and Subcommittee Structures

Boards normally delegate some tasks to subcommittees, of which the most

important are generally accepted as being the nominations, audit and remuneration

sub-committees (section 7.3.6 addresses remuneration). Occasionally an

organisation may also have specialist standing committees, such as at Pfizer, which

has a committee for Science and Technology responsible for the company's

research and development direction (Pfizer, 2013).

The subcommittees form a significant part of a Board member's role. Mr Boxelder

explained that, within his Board

> "*Everybody sits on at least one committee, as do I … I would say, probably I*
>
> *spend twice as much time outside the Board meetings as I do around the*
>
> *Board meetings.*" (February 2013)

Mr Chestnut noted that since they introduced subcommittees "the volume of paper

for the main Board has reduced" (February 2013). He went on to clarify that the

> *"sub-committee[s] deal with issues and then most of them are dealt with*
>
> *unless they need a full Board decision and in that particular case we would*
>
> *either wait for the next Board meeting or [the Chair] would call a conference*
>
> *call"* (February 2013)

As such, the introduction of subcommittees has, in many ways, changed the role of

the Board and the individual Directors in relation to the decision making processes

as well as how the Board works on a practical level. Mr Ironwood explained that

"each of the committees had specific terms of reference and that included [the]

delegated powers that they had" (January 2013). The subcommittee meeting

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minutes are, usually, included in the full Board's pack (Ms Willow, February 2013). In the case of both Pasteur NHS and Currie NHS Trusts' meeting agendas, the subcommittees had time allocated to them in the main Board meeting agenda, at the end of the main meeting, for any questions from other Board members.

The nominations committee is charged with finding suitable candidates for the Board. This committee should ensure that there is a process to fill any knowledge, skill, experience or independency gaps (Financial Reporting Council, 2014). Mr Hickory explained that they utilised the nominations committee "to make sure we [the committee] engineer the right skill sets across that with the Trustee body [Board]" (February 2013). However, Ruigrok et al. (2006) identifies that nominations committees are unlikely to increase the gender or educational variety within the membership of the Board.

Allegrini et al. (2009:2) explains that

> *"since the issue of the Treadway Commission report in the USA in the late 1980s, it has generally been recognized that one of the major causes of corporate bankruptcies lies in the lack of a sound internal control system. As a consequence, corporate governance codes now explicitly require disclosure by companies on the soundness of their internal control system"*

As such, audit committees are usually utilised to monitor and review both the internal and also external auditors; in addition they also usually review the financial controls and monitor the organisations financial report (Financial Reporting Council, 2014). The *UK Corporate Governance Code* also lists the responsibility "to review the company's…risk management systems" (Financial Reporting Council, 2014:14)

as being part of the Audit committees responsibilities, where there is not a separate Risk committee. Overall, the audit committee

> "*exercise[s] a greater degree of focus and challenge, I suppose, to the financial performance and they're [the members] people with, I suppose, with even more [financial] experience within that trustee Board. So they're able, they're in a position to be able to interrogate the data even more effectively and we meet twice a year and that audit committee will then report back up into the main Board as well, so there's that extra level of scrutiny, if you like, of the more detailed areas of performance.*" (Mr Hickory, February 2013)

Nevertheless, Spira (1999) concludes that the evidence that the Audit committee effectiveness and their ability to detect fraud is inconclusive.

Ms Elderberry (May, 2013) was the only interviewee to mention a separate Risk committee; all other mentions were in conjunction with either Administration or Audit committees. However, most of the interviewees explicitly mentioned the managing of risk, predominately through the use of risk registers. The 2014 update to the *UK Corporate Governance Code* "focussed on the provision by companies of information about the risks which affect longer term viability." (Financial Reporting Council, 2014:2). In a number of the interviews risk management was raised as an ongoing issue with the management of the process being an evolving issue (Mr Boxelder, February 2013).

In addition to the standing committees, many of the interviewees described the creation of a "working party, so that's, if you like, an ad hoc committee created for that specific purpose" (Mr Hawthorn, February 2013). Mr Hickory explains that

> "*We've done that several times actually, over the last four or five years when we've got particularly major decisions to take or you know, a*

particular challenge and then we've convened a small group to work

very directly with management team and that might be facilitated by an

external, normally has been but not necessarily and so yes, it is kind of

part of the way we operate, so it's, that's a tool that's always available

to us." (February 2013)

These temporary, ad hoc, committees are usually created on instruction from the main Board with a focus on a specific task or issue that is deemed too complex for discussion within the main Board meeting.

7.3.6 Remuneration of Board Members

Remuneration of Directors has been a controversial issue for a number of years and had risen in prominence during the recent financial crisis, particularly in relation to public companies. *The Guardian* reported that FTSE100 CEO's pay rose 55% in the year to June 2010 (Goodley and Wearden, 2010). It rose on average a further 12% in 2011 (Treanor and Neville, 2011). Prof Cherry explained that remuneration is

"*[A] can of worms. We have [handled] remuneration policies most of*

the time with kid gloves. I think Jonathan Charkham, who used to do

the corporate governance for the Bank of England, had it right when he

said … "Dear boy, remuneration, yes, that's very easy. If you've got a

remuneration committee with a loaded wallet and a chief executive with

a loaded revolver - guess who wins every time?" (January 2013)

In October 2010 the UK's Department for Business, Innovation and Skill (BIS) launched a consultation on the Long-term Focus for Corporate Britain, (known later as the Kay Review). The report, amongst other aspects, asked questions about the remuneration of the Board. The majority of the respondents supported

"…the idea that executive pay has risen to unacceptable levels in some or all cases and that this often has no correlation to an increase in talent or success." (Department for Business Innovation & Skills, 2011:6)

The remuneration committee is required to ensure that pay is consistent in relation to comparable organisations and that the pay is "designed to promote the long-term success of the company" (Financial Reporting Council, 2014:6). It is, therefore, in the interests of both the Directors and Stakeholders to ensure that all aspects of performance, both financial and non-financial, are monitored to facilitate decisions on pay levels, regardless of the companies' form of incorporation. Throughout the interviews there was very little mention of the remuneration policy with only Mr Oak (November 2013) mentioning that ensuring there is a "proper remuneration framework" in place is part of the Board's role.

7.3.7 Relationship with Stakeholders

The relationship with stakeholders is a key part of a Board's role. The main, formalised, process for stakeholder communication is the annual report. Historically, this has been aimed at the shareholders. However, Stakeholder Theory identifies the stakeholders are a broader group than just the shareholders (Mallin, 2010:18) including, for example, employees and local residents. Additionally, worldwide there is an increased focus on sustainability and the impact organisations have on their surroundings as well as the development of the concept of a 'Corporate Citizen' (for a fuller discussion on this concept see Matten and Crane, 2005). However, as Mr Poplar noted

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"*My roles and responsibility - I'm [as the Chair] ultimate custodian of shareholder value. I'm there to create a value for shareholders and I'm also there for a wider responsibility in terms of stakeholders but my primary responsibility is to protect and increase shareholder [value].*"
(February 2013)

The Chairman is, under the *UK Corporate Governance Code*, required to "ensure effective communication with shareholders" (Financial Reporting Council, 2014:8). As Mr Pine explains, as the Chair "you've got to be able to be a good communicator with all stakeholders" (November 2013).

The Board is required to report on the organisation's: strategy, accounts, risk management review and confirm that the organisation is a going concern (Financial Reporting Council, 2014). Nonetheless, there is increasing pressure on organisations to provide more rounded annual reports. Prof King, in his third report, theorises that

> "*By issuing integrated reports, a company increases the trust and confidence of its stakeholders and the legitimacy of its operations. It can increase the company's business opportunities and improve its risk management. By issuing an integrated report internally, a company evaluates its ethics, fundamental values, and governance, and externally improves the trust and confidence which stakeholders have in it.*" (Institute of Directors Southern Africa, 2009:12)

The change in thinking relating to corporate governance and stakeholders has also influenced how companies are increasingly expected to integrate the stakeholder opinions into business decisions. For example, under the King III requirements South African organisations are required to take into account the legitimate

concerns of stakeholders when decision making (Institute of Directors Southern

Africa, 2009). Ms Maple provided an example of stakeholder engagement

> "*When we engage in strategic planning processes... the last time we did a*
>
> *really big one we actually commissioned somebody to do scenario planning*
>
> *for us and to interview external stakeholders and compile a report*" (February
>
> 2013)

Many of the interviewees also mentioned engagement with stakeholders, either on a

formal or informal basis. From the interviews, there appears a clear pattern of

constant dialogue between the organisations and their stakeholders; however, the

impact of these discussions was less clear.

7.3.8 Information Requirements

Chapter 5 looked in detail at the journey of the Board pack, in this section the focus

is on the contents of the pack. As previously stated, Sir Adrian Cadbury identified

that to enable Directors to undertake their duties they need accurate, timely and

valid information (Cadbury, 1992). Additionally, under the UK Companies Act 2006,

in the case of insolvency the Directors need to be able to show that they had up to

date information (Young, 2007:137).

This information comes from many sources, both internal and external, and in many

forms, such as financial, non-financial and narrative. Financial information, in the

main, has standard, pre-determined formats that, whilst tailored to each company's

reporting preferences, are well known across organisations. Additionally, financial

information management is highly regulated with standards such as the

International Accounting Standards Board's framework. As Mr Hickory noted, in

relation to the finance report his Board

"tr[ies] to make sure that we are as standardised as possible, so that

the trustees are able to engage and understand as quickly as possible

and one of the things we're very acutely aware of with our trustees is

that they're all very busy people with professional lives" (February

2013)

Non-financial information has no such equivalent framework; there are two types of

performance measures and narrative reports. This lack of framework stems from the

individuality required within each company to identify the non-financial performance

measures that support their strategy (Ittner and Larcker, 2003). This requirement for

individuality provides a level of complexity in developing and interpreting non-

financial measures; for example Kaplan and Norton identify that their Balanced

Scorecard "should be considered a template, not a strait jacket" (1996:34). This

level of complexity is problematic and often proves a barrier to the use of non-

financial performance measures. Nonetheless, non-financial measures do have a

clear definition as "quantitative data created outside the formal accounting system"

(Simons, 2000:234). Examples include performance measures such as customer

satisfaction, orders processed within schedule and staff turnover as well as risk

management. Non-financial measures are a significant proportion of the non-

financial information Directors receive.

Leblanc and Gilles (2005:70) interviewed almost 200 Directors and identified that,

on occasion, Independent Directors were unable to understand financial reports Ms

Ginkgo identified that she was in this position as she explains

"In fact, with the director of finance I told him I didn't understand a

word… and he said if you call me I'll clarify anything you want, and I

said, I don't understand what I was reading to be able to call you to

clarify anything. So what happened there, they sent me on a training

course, and I went to London for a financial thingamabob [training] for

trustees." (May, 2013)

Additionally, Leblanc and Gilles (2005:70) identified that new Independent Directors

knew very little about the organisation whose Board they had joined. As a

consequence, "their effectiveness turns to a considerable extent on the quality of

the information which they receive and on the use which they make of it" (Cadbury,

1992:4.14).

Horner (2010) suggests that the better the quality and quantity of information

provided about the organisation the more 'independent' Independent Directors are

able to be. The high speed turnover of information has also facilitated the quantity of

information available to Directors though this increase in quantity is not always

perceived as an increase in quality. As Ms Lilac explains

> *"We were getting none of the background information that you really*
>
> *need to put things in context, so we were getting an awful lot of*
>
> *information that didn't really tell us very much at all… We were getting*
>
> *swamped with all the operational information and not enough strategic*
>
> *information"* (May 2013)

Mr Chestnut summarises by saying that "the most important thing is the

papers that you are being asked to read and consider are relevant to the

subject matter" (February 2013).

Information is commonly perceived to be a source of power. Who has the

information, how it is used and how it is shared are the keys to the effective use of

the information (Ittner and Larcker, 2003). Culture, including the level of openness

within the organisation, also plays a significant part in information systems. The organisation's culture is likely to impact how information is gathered, processed, accepted (or rejected) and used (Kappos and Rivard, 2008).

The information provided to the Board is often managed and collated by a 'gatekeeper'. In this case, the gatekeeper's role is to manage the information flow between producer and recipient. This gatekeeper varies by organisation from the CEO to the information producer within the organisation (Eccles, 1991). Whilst the Chair is responsible for ensuring that the Directors have the information they need to reach an informed decision, the Company Secretary is responsible for ensuring that the information flows effectively (Mallin, 2010:168). In practise, who governs the flow of information is rarely clear, as the information often represents power (Eccles, 1991). As such, within Boards one way this power can be exercised is through both the sharing and withholding of information (Nadler, 2004), or as Ms Juniper put it "I took quite a lot of control over what information do we need to provide the Board, to make this a useful meeting".

However, the information that they receive is the 'glue' that enables the Board to be effective, or as Ms Lilac summarises

> *"We've got the right people in the right roles with the right skills really and now we're starting to see some really good reports coming to the Board about their [the organisation] activities for us to make strategic decisions on"* (Ms Lilac, May 2013).

7.3.9 Risk Management

"The board is responsible for determining the nature and extent of the

principal risks it is willing to take in achieving its strategic objectives. The

board should maintain sound risk management and internal control systems."

(Financial Reporting Council, 2014:5)

This is echoed in the Institute of Directors (2010) guidance to unlisted companies.

There are many types of risk, the most commonly known is financial risk. In

addition, businesses face risks relating to; operations, reputation, environment,

pensions, and people as well as health and safety. As Mr Pine explains

"The risk is a major issue today, especially political risk. There's

political risk, there's financial risk, there's reputational risk and all these

issues today unfortunately play a part, especially in the emerging

markets." (November 2013)

In regards to the variety of risks facing an organisation, the Institute of Risk

Management (2002:9) identifies that a Board of Directors should:

- *"Know about the most significant risks facing the organisation*

- *Know the possible effects on shareholder value of deviations to expected*

  performance ranges

- *Ensure appropriate levels of awareness throughout the organisation*

- *Know how the organisation will manage a crisis*

- *Know the importance of stakeholder confidence in the organisation*

- *Know how to manage communications with the investment community*

  where applicable

- *Be assured that the risk management process is working effectively*

- *Publish a clear risk management policy covering risk management philosophy and responsibilities"*

The risks are usually assessed using a matrix of likelihood (probability) against severity (impact). This information is normally presented to the Board in the form of a risk register detailing: the impact, probability and mitigating actions. Mr Boxelder described the process of creating the register

> "*Well we have quite a detailed risk register which has evolved. It evolved, first of all we were given a template by one of our consultants. We then discussed the major risks that we thought the scheme faced at an away day a couple of years ago. We broke into groups and we pooled all that. We then brought that back and sort of put it into the risk register. This was done on the [Administration and Risk] committee … and having got that, we review it, well we used to review it twice a year, we've now decided that we'll review it once a year.*" (February 2013)

Additionally, it is the Board's responsibility to set the 'risk appetite'. The risk appetite is the amount of risk a company is willing to accept to enable it to achieve its strategic goals (KPMG, 2008). This risk appetite must encompass both positive and negative risks. Though, as Mr Mulberry highlights, the Board may not all agree with the risk appetite

> "*So when I come in with my sort of new-fangled entrepreneurial ideal, they nod and they like it, but then when I've gone they become very risk averse again and then nobody moves forward and you sort of - you can come back to the same conversation again a week, two weeks later*" (October 2013)

7.4   Summary

Using the rules and regulations as a framework, it can be seen that there are a significant number of constraints and influencers affecting the Board as a whole and individual Directors. The processes, procedure and actions undertaken by the Board are an amalgamation between their understanding of their role and the external expectations of their role. It is this balance of understanding that allows a Board to understand and undertake its role.

At this stage, it is possible to overlay the perceptions, expectations and regulations onto the journey of the Board pack. As can be seen in Figure 23 (page 160), most focus is in the 'Board Processing' phase, nonetheless, the context influences all stages of the Board pack's journey.
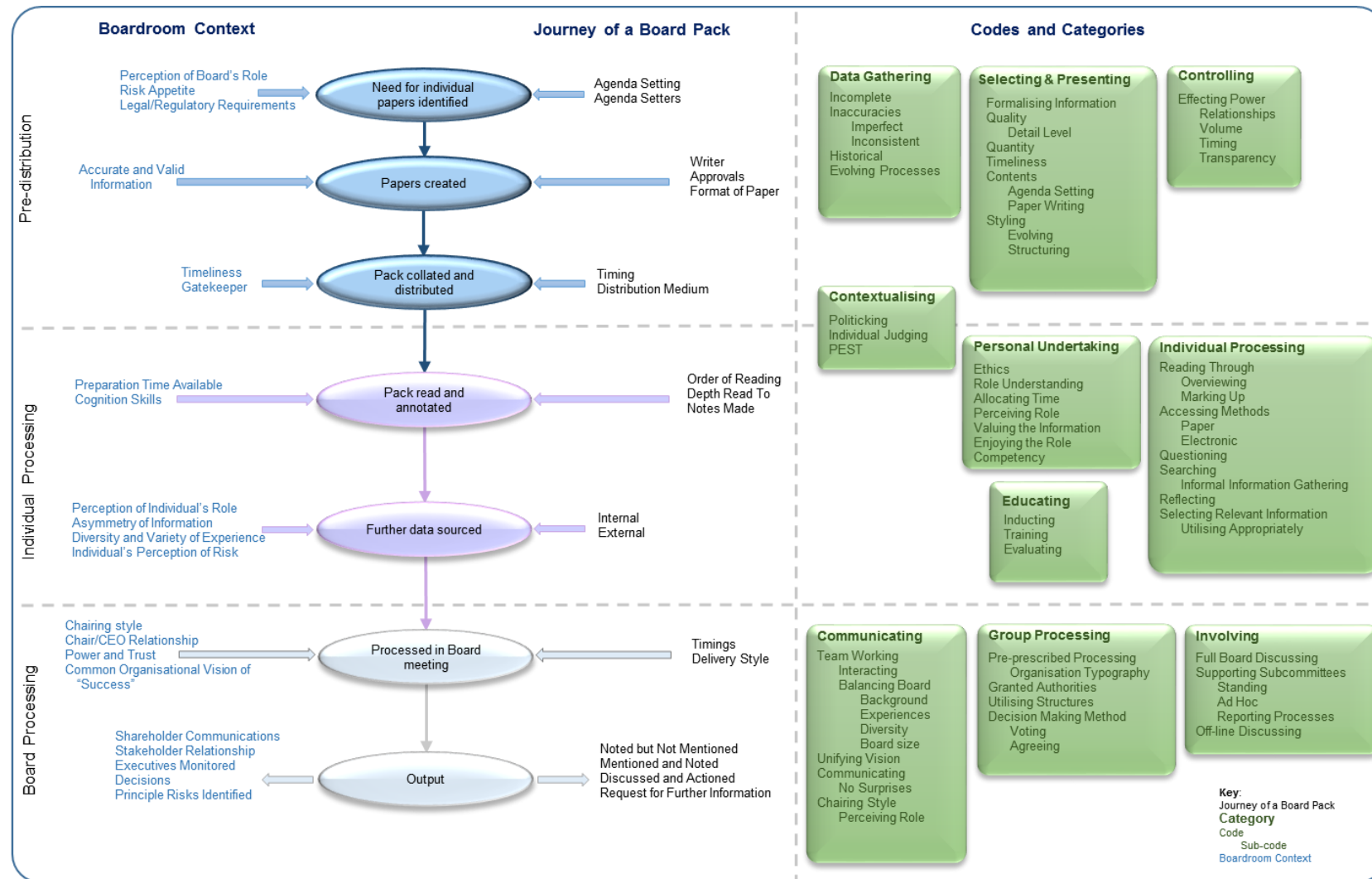
Figure 23 – Boardroom Context's Influence on the Journey of a Board Pack

8 KEY STORYLINE

8.1 Introduction

This chapter focuses on the identification of the core category through to the development of the substantive theory. This chapter moves from the concrete to the abstract; the aim of the chapter is to identify the underlying problem that the Directors face in relation to engaging with the information and to conceptualise that into how they resolve their issues and, ultimately, develop a supporting theory.

The first activity in this chapter is to identify the core category. Glaser and Holton (2004, summarised in Holton, 2007:280) explains that the

> "*criteria for establishing the core variable (category) within a grounded theory are that it is central, that it relates to as many other categories and their properties as possible, and that it accounts for a large portion of the variation in a pattern of behaviour. The core variable reoccurs frequently in the data and comes to be seen as a stable pattern that is increasingly related to other variables. It relates meaningfully and easily with other categories. It is completely variable and has a 'carry through' within the emerging theory by virtue of its relevance and explanatory power*"

It is important to note that "there are many different stories that can be constructed from [the] data", as such, there is no one 'right answer' but many options which all need to be reviewed before selecting one which "reflects the 'essence' of what the participants are trying to convey" (Corbin and Strauss, 2008:47).

This chapter utilises the storylining technique, as outlined in section 3.4.3., to identify the core category. The next section provides a short vignette of the storyline to introduce the underlying problem faced by Board members.

8.2   Storyline – Vignette

"It's busier than the one I signed up for" laughed Mr Hawthorn (February 2013) when asked if the role of Director was a busy job; he went on to note that he is "sending emails to people most days". As Ms Persimmon (May 2013) noted "I don't do it full time. Well, I say I don't do it full time but there are weeks... But that wasn't the plan".

In response to being asked about how well his fellow Directors engage with the Board papers, Mr Chestnut (February 2013), the Chair of a FTSE100 Pension Board, noted that

> "*they are all very good at it because obviously it takes a lot of time and particularly when you're [working full time]…I'm now retired and so I arguably have more time. When you've got a very busy job and you're travelling a lot finding the time to get your head round all the papers can often be a challenge so I have to say that I put my trust in the Directors to find the time and they come to the Board pretty well armed with important questions and suggestions.*"

This issue of time available to Directors is also recognised by the information providers, for example Mr Hickory (February 2013) identified that

> "*one of the things we're [the organisation] very acutely aware of with our Trustees is that they're all very busy people with professional lives*

outside of Richter Trust and so we get very little of their attention span,

so we need to make sure that we get and use that attention span as

effectively as possible."

As Company Secretary, Mr Birch (January 2014) saw one of his main roles being to

decide when the Board needed to be informed of an issue within the organisation,

particularly between Board meetings. That is to say, he made decisions on their

behalf as to how best to allocate their time. This is not to say he did that alone,

rather in conjunction with internal experts, external experts, the CEO and/or the

Chair as was relevant to the issue at hand.

Likewise, when setting the Board meeting agenda, Mr Larch (November 2013)

highlighted that he ensured that agenda for the meeting was "punchy". He went on

to note that he has restructured the agenda to be "sharper" with the emphasis being

to talk about the detail of an issue outside of the Boardroom meeting, not in the

meeting. Ms Silverbell (July 2013) identified that

> *"the agenda might have between 12, usually between 12 and 16 items I*
>
> *would say, and it's divided into strategy and policy and performance*
>
> *management and there's a set of items for information which are… for*
>
> *noting."*

As such, the process of writing the agenda, and the supporting papers, assists the

Directors to identify the primary focus of their time allocated to the Board's work.

8.3   What is the Real Problem?

> "*The grounded theorist researcher starts with an area of interest, not a*
>
> *professionally preconceived problem… [and] has no preconceived*

view of what problems they may encounter in the research or how the

participants resolve their problem or main concern" (Glaser, 1998:118)

In the case of this research the main concern of the Board member interviewees was the ability to focus their time, and energy, into providing effective support for the organisation. Likewise, the interviewees who played a supporting role in relation to the Board were also focused on assisting the Board members to ensure that their time was well spent in relation to the organisation's needs. As such, the conceptualisation of the underlying problem is that of 'Allocating Effort'.

'Allocating Effort' incorporates almost all of the codes and categories identified in Figure 19 (page 114), as Glaser and Holton (2004, cited in Holton, 2007:280) identified would be the case. It also underpins many of the principles discussed in Chapter 7; that is to say, many of the rules and regulations around corporate governance relate to Directors taking an active role in the organisation. Finally, effort is required at each stage of the Board pack's journey to ensure that the Directors are able to make the necessary decisions for the organisation.

As illustrated in Figure 9 (page 67), all categories, including the core category, have properties. These properties have dimensions which, in their turn have influencers. In the case of 'Allocating Effort' there are two distinct properties: complexity of the issue and perception of risk.

8.3.1 Issue Complexity

Schweiger et al. (1986:51) succinctly summarises Mason and Mitroff's (1981) work on the characteristics of complex issues as having the following dimensions:

1. "*Numerous complicated linkages among organizational and environmental elements;*

2. *Dynamic and uncertain environments;*

3. *Ambiguity of available information;*

4. *Lack of complete information; and*

5. *Conflicts concerning the outcomes of decisions among interested parties*"

Schweiger et al. (1986) go on to identify that these issues make for a complex decision environment where there is rarely a single correct answer. When these characteristics are applied to this research, it is clear to see that many of the issues identified by the participants are related to the area of complexity.

In the pre-distribution phase, the complexity is related predominately to the gathering of the data. This extends from setting the agenda to sourcing the data and on to presenting the data. Mr Chestnut (February 2013) identified that a Board paper sometimes "cannot be very, very brief because the subject matter is complex and you wouldn't be doing it justice". As Ms Maple (February 2013) identified, some issues are so complex the "data doesn't exist".

When it comes to individual processing, Mr Chestnut (February 2013) noted that "some papers that you have to go back over and over again [when preparing] and some cases it's the complexity of the subject matter" which he identifies as the issue. Complexity is also an issue when the Director lacks the cognitive skills and experience to understand the issues, for example, Ms Ginkgo (May 2013) identified that she "didn't understand a word" of the finance report. As such, she needed further training to enable her to understand the nuances of the issues presented.

However, much of the complexity is related to the contextualisation of the information received. The context includes many variables such as: internal to the organisation; competitors' actions and wider industry issues; as well as political, economic, social and technological issues. These complexities sit within the individual Directors ability to process such a wide variety of uncertainty and ambiguity. This ability is as much about their individual cognitive ability as it is the skills, and background, that they bring to interpreting the issues (Mr Poplar, February 2013). Ruigrok et al. (2006:120) summarise that

> *"According to the behavioural view of the firm, decision-making may be intendedly based on rational motives but is also influenced by cognitive human limitations… Hence, organisational decisions are limited first, by the cognitive limits of decision makers, such as limited knowledge of the factors relevant to the decision or the influence of personal values, preference and previous decisions and second, by not considering and evaluating all possible alternatives"*

Within the Board Processing phase, much of the complexity revolves around the nature of the individuals involved in the decision making. The Board needs to understand its role, and have a common vision of that role, before it can make the required decisions. Boards also need to understand the stakeholders, their interactions and power, and how any decision will impact on their relationship with them. As Mr Larch (November 2013) summarises "this is part of getting the Board to understand the decisions it's got to make".

Mr Birch (January 2014) identified that issues put before the Board vary in complexity, with some being simple but most being highly complex. However, much of the Board's agenda contains standard, non-complex items such as policy items,

standing committees' minutes, conflict of interest reports, all of which are low complexity (Mr Chestnut, February 2013; Ms Silverbell, July 2013). Therefore, the issues presented to the Board for decisions are often of a highly complex nature requiring a significant amount of information, often requiring further research; in contrast, much of the information they receive in their Board packs are of a non-complex nature. As such, the individual Director, the Board and the organisation need to make a judgement for each piece of information as to how much effort they must make in relation to the paper, thereby 'Allocating Effort' in relation to the perceived complexity of the information.

8.3.2 Risk Perception

A significant amount of academic literature has been written with regards to risk perception in the fields of, amongst others: philosophy, psychology, sociology, finance and management. Definitions of risk vary from: objective - probabilities and measureable outcomes; to subjective - events relating to uncertain outcomes (Adams, 1995:7, Aven and Renn, 2009). However, Knight (1921:19) notes that a risk is materially different from uncertainty as a risk can be quantifiably measured, unlike an uncertainty where it is not possible to specify all of the variables. Nonetheless, Knight (ibid) acknowledges that the term risk is used in common parlance to describe both quantifiable and unquantifiable aspects.

Regardless of the definition of risk is it intrinsic in human behaviour, as all decisions carry some form of risk, however, as Adams (1995:15) identifies behaviours are a balance of: propensity to take risks, the reward gained from taking the risk, the perceived danger of the taking the risk and the negative consequences of taking the risk.

Aven and Renn (2009:6) identify that "that risk perception does not only cover perceived seriousness of risk but also acceptability of risk"; that is to say risk and risk perception are not the same as the latter has a value judgement attached to it. Individuals "*construct* reality out of their experience[s]" (emphasis in original Adams, 1995:9) when making value judgements about risk. Therefore, an individual's perception of risk is multifaceted based on their experiences, background and cultural norms. In summary

> "*risk perception is socially constructed, … it is psychological elements which guide peoples' responses to a particular hazard rather than the technical risk estimates traditionally provided by experts*" (Frewer, 1999:569)

Risk perception in relation to the Board has three aspects: the individual's perception of risk; the Board as a group's perception of risk; and the organisations perception of risk. These three aspects are not mutually exclusive, for example the balance between the Board controlling an organisation and providing a service to enable it to drive forward (Prof Cherry, January 2013) is correlated with the Board's powers and the trust an organisation (represented in Zhang's research by the CEO) places in the Board (Zhang, 2013). Nonetheless, as Sjöberg (2000:2) summarises "people do not make the same estimate when they rate the risk to themselves, to their family, or to people in general".

The role of the Board can be seen in each of the aspects in relation to the risk perception. As Figure 22 (page 132) identifies, there are four classifications of Board role types; 'Rubber Stamper', 'Watchdog', 'Advisor' and 'Pilot' (Jonsson, 2005). Each of these roles can be correlated to the level of risk accepted, or avoided, by each of the aspects; for example, a 'Rubber Stamper' Board may have

a very low risk threshold and are therefore unwilling, or unable, to make decisions

beyond approvals. In contrast, a 'Pilot' Board may be willing to take a higher level of

risk in order to lead the organisation. As Jonsson (2005) conclude, these roles are

not mutually exclusive and vary over time.

In relation to risk perception, the Director's individual perception of their role may

differ from that of the Board, as a collective, and the organisation. That is to say

there may be a miss-alignment between:

- The individual's perception of their role and their perception of risk in relation
  to the role

- The collective Board's unified view of their role and risk perception

- The organisation's perception of the Board's role and the amount of authority
  allocated to the Board either through controlling of the information or through
  the authorities granted to the Board to make decisions

For example, Mr Boxelder (February 2013) noted that on one Board they

> *"get pretty poor information flow. The Board is treated much more as a*
> *rubber stamp… So we're forever having to ask for more information*
> *and saying: 'no we want more time to think about this'. We're*
> *presented with things as though they've been agreed or they're* fait
> accompli*, whereas the Board needs to make its own decision about*
> *things and have the information to do it."*

This miss-alignment is also illustrated by Mr Fothergilla's (October 2013) process of

telephoning each Board member in advance of the meeting to identify areas of

concerns raised from the Board papers. This process enables him to align the risk

perception between the individuals, the Board and the organisation in relation to a particular issue in the Board pack.

The majority of the Board members interviewed referred to their background when discussing their contribution to the Board's discussions. Mr Elm (March 2013) identified that individuals bring "their own personal experience" to their "reading and understanding" of the Board packs in advance of the meeting. This fits with the concept of risk being socially constructed, however, the format of risk-based information, e.g. frequencies versus probabilities, presented to an individual may have a greater impact on risk decisions than their culture or background (Fraser-Mackenzie et al., 2014). As such, the information providers are also playing a part in controlling the individual's risk perception, either consciously or unconsciously.

Weber at al's (2002) research into risk perceptions identified that women are less likely to engage in risk-taking behaviours in most environments, except in a social context. In contrast, Adam and Funk's (2012) research identifies that having women on Boards does not correlate with more risk-averse decision making. In the context of individual preparation for the Board, Ms Eucalyptus (January 2014) identified that she could not "fully participate" in the meeting unless she had read all of the Board pack. That is to say, she reduced the risk of being perceived, either by herself or other Board members, as being inadequate for the Board by ensuring that she was fully prepared for the meeting. In the context of the Board's decision making the lower risk taking behaviour is counterbalanced by the individuals' level of preparation for the decision.

Dixon and Dogan (2003:54), in their philosophical treatise on Board decision making identify that "good corporate governance" requires Directors to:

*"Recognize the limitations of their cognitive map…seek out and engage
with those who disagree with their cognitive map … [and] treat all
knowledge claims skeptically, accepting that there are multiple
standards by which they could be justified"*

Ms Camellia (May 2013) identified that "taking your own point of view and holding
with that view if you think it's important" is part of the Director's role. In contrast, Ms
Juniper (May 2013) identified that the Chair's role is "to try and find the common
ground and focus people on what the organisation is trying to achieve". This
requires the Board to be able to communicate effectively in an open, fair and
trusting environment, therefore, enabling each Board member to freely debate. That
does not mean to say that there will always be consensus, as Prof Cherry (January
2014) notes there is a

*"tension deliberately built into the [UK] Companies Act which is you
have to discuss debates around the Board room table, but it should be
a collegial activity doing that and you need to push for a consensus.
However, there will not always be consensus and the Companies Act
allows for that and that's where voting can come in. If there is a vote
then that's fine and if there [are] people who disagree that's fine, but
once that vote taken then the law says that decision goes ahead and
then those people who voted against go with it or … they should
consider their position."*

As discussed at the beginning of this section, Adams (1995:20) identifies that risk
behaviours are a balance, he goes on to identify that the balance is also influenced
by others risk balancing behaviour. As such, individuals are part of a greater
feedback loop that influences their own risk-balancing behaviours; dependent upon

the individuals within the Board, this can lead to a vicious or virtuous circle in perceiving the risks. Likewise, this can be extended into the organisation in relation to how they interact with the Board.

Risk perception is core to the decision making processes within a Board. The perception of risk is at the individual, Board and organisational levels; it is intrinsically linked with how they perceive their individual role and the Board's collective role.

8.4   Theoretical Development

The concept of effort in relation to the work of Boards is not a new research area. In Forbes and Milliken's (1999:Fig. 1) highly cited paper on cognition and corporate governance, they identify that there is a complex interdependency with regards to: effort norms, cognition, knowledge and skills, cohesiveness and demographics in relation to task and firm performance. They note that "directors face many competing demands for their time and must keep carefully budgeted schedules" (Lorsch, 1989 and Mace, 1986, cited in Forbes and Milliken, 1999:493). The *UK Corporate Governance Code* requires Directors "to allocate sufficient time to the company to discharge their responsibilities effectively" (Financial Reporting Council, 2014:5). However, Harris and Shimizu (2004:792) suggest that

> *"busy directors can somehow overcome this [trade-off between time*
> *constraints and activity] and govern as required. It may be that they*
> *draw upon their experiences from other Boards and become more*
> *efficient decision makers. That is, they may recognize patterns and*
> *problems that have been encountered at other companies. Such*

accumulated knowledge can facilitate faster learning and minimize

preparation time."

Forbes and Milliken (1999) identify that there is a lack of clarity around the role of effort in relation to Directors and Boards. They identify that there is a link between the time and effort allocated to the role and the individuals and Board's understanding of their role. This research provides greater depth to this discussion and theorises that, as illustrated in Figure 24:

The level of engagement with the information by Directors is determined by 'Allocating Effort'. This effort is a balance between the level of risk perceived by, and to, the individual, the Board as a group and the organisation, balanced with the perceived complexity of the issue at each stage of the Board pack's journey. This balance is constrained by the time available and the understanding of the role of the Board.
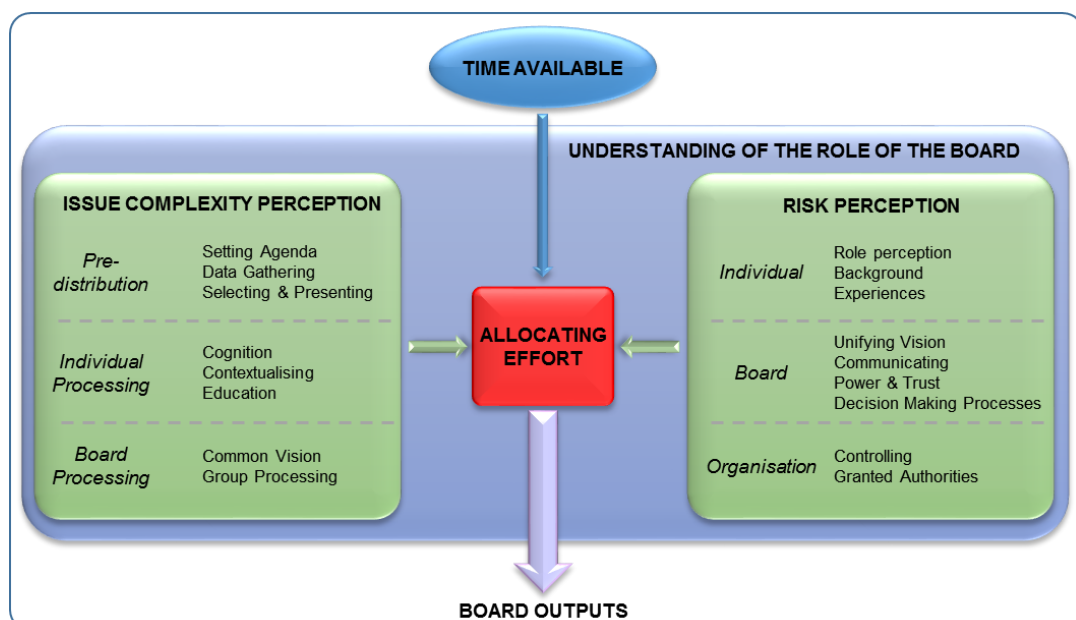
Figure 24 – Key Factors Influencing 'Allocating Effort'

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9   HOW 'ALLOCATING EFFORT' IS EXTERNALISED

9.1   Introduction

The aim of this chapter is to ground the theory of 'Allocating Effort' back within the actions of the Board. This chapter returns to the philosophical underpinnings of this research, that of pragmatism, as discussed in 3.2.2. Peirce (1984-1992) identifies that there are "*symbols* which are associated with meaning through their common language… symbols are understood by both the utterer and the listener" (emphasis in original Nathaniel, 2011:191). Nathaniel (2011:193) goes on to explain that "each person understands and interprets symbols from their own unique perspective". In this research, the perspectives of 'Allocating Effort' are that of the Board's role and risk perception. Therefore, assuming the accuracy of this philosophical stance, there must be *symbols* within the Board's processes that enable us to glimpse an understanding of the perspectives in 'Allocating Effort'.

9.2   'Symbols'

> *"The decision-making process is particularly good in that we know when we're turning up to a Board meeting what's on the agenda that needs a decision, we know which things are being presented just for information to keep us in the loop of things that are going on …and if a decision needs to be made there's enough information there and offer an opportunity beforehand for a sub-committee to have done a lot of work and then present that back to the rest of the Board with the papers that everyone's had the chance to read beforehand."* (Mr Linden, October 2013)

This quote provides an insight into how Boards begin to externalise the issue of 'Allocating Effort'. During the Boardroom observations, each of the Board paper types was clearly annotated on both the agenda and the papers themselves. In the case of Curie NHS Trust, the majority of the items on the agenda were "To Note" with only a few "To Approve". Likewise, Pasteur NHS Trust papers were predominately categorised as "Note" with a small number labelled "Discuss", "Review" or "Approve".

The Board papers are categorised into types, though it should be noted that different Boards may use different terms for each type. Broadly the types encompass;

- **For Note**: noted but not specifically discussed in the Board meeting, often the Chair will ask if there are any questions relating to the item but there will be no formal presentation of the issues e.g. update on the social media policy
- **For Report**: a presentation or a paper that is formally presented to the Board in the meeting, usually by an Executive Director, and is briefly discussed e.g. financial report
- **For Discussion**: items that require the Board to debate the issue and come to an agreement, often the output will provide the Executive team with a mandate for action e.g. organisational structure review and resulting actions

These three types of Board papers are *symbols* that have "meanings, significances, and interpretations" (Nathaniel, 2011:194) for the Directors, Board and organisation. These three paper types are illustrated in the quotes in Figure 25 (page 176).

For Note

"We have a section [of the Board pack] which is just documents for noting so those don't typically get discussed, but they're an opportunity to share …information that trustees probably should have or might find useful, but it's not necessarily for them to sort of formally review it as part of the meeting" (Mr Elm, March 2013)

For Report

"[The Executives] present it to us and talk us through where there have been changes, and we contribute and have a bit of a discussion about that and agree or not." (Mr Cedar, February 2013)

For Discussion

"There will be a paper for discussion, it will sometimes be presented or it will be taken as read ... There's then a fairly general discussion around the table.. quite often what's being discussed will be industry specific and there are some industry experts around the table, so quite often we'll ask for their input and we'll listen to what they have to say." (Ms Camellia, May 2013)

Figure 25 – Quotes Illustrating Paper Types

9.2.1 For Note

Items provided to the Board in the 'For Note' category are usually straight forward and of a policy or procedural nature which lack complexity. These often include such items as updates to mandatory polices or reports from standing sub-committees. Often the issues in this category are those which 'good practice' perceived as belonging to the Board but where the knowledge and expertise required lies within the organisation. The majority of Board papers are in this category, in the five Board meetings observed on average two thirds of all agenda item were listed as 'For Note' and were not formally discussed unless a Director had a specific question.

In relation to the individual Director, 'For Note' items are usually deemed low risk as the organisation has identified a suitable answer and there is no requirement for the Director to have an in depth understanding as there is no decision required from them. In relation to the Board as a group, these issues are not deemed to be high

risk. The organisation views these as risks that they are managing suitably and require minimal input from the Board.

9.2.2 For Report

Reported items are often complex, however, a clear understandable report can be produced for the Board. These reports often use trend analysis to communicate progress, such as financial trends and utilise tools such as Kaplan and Norton's (1996) Balanced Scorecard (Mr Cedrela, October 2013). In the meeting the appropriate Director, usually the CEO or CFO, would talk to the written report with or without the use of further presentation materials (e.g. PowerPoint slides). This would then be followed by a short discussion primarily relating to clarification of the specific issues. These discussions would usually be dominated by Directors with experience in that specific arena, for example in the case of both Boards observed there were Non-Executive Directors with Financial experience who would usually be the first to ask questions on the Chief Financial Officers' (CFO) report. These questions were usually of a complex nature relating to, for example, underlying fiscal assumptions.

Whilst the Board as a group may own the issue, such as ensuring the fiscal soundness of the organisation, within the organisation there are usually professionals who specialise in the areas reported on. These professionals, such as trained accountants, manage the risks related to the issues on behalf of the organisation and the Board. The reliance on the experienced Directors to ask suitable questions in the Boardroom lowers the perceived risks by the individual non-expert Directors.

9.2.3 For Discussion

Items for discussion in the Board meeting are often complicated but not usually complex. That is to say, whilst there are a significant number of variables to be considered, the decision is straight forward enough to be able to be made within the short time that the Board has available for the agenda item. Of the meetings observed most items had only ten minutes allocated for discussion, with the longest observed being allocated twenty minutes. That being said, the 'For Discussion' items usually over ran their time allocation, though all except one of the observed meetings ultimately finished on time.

The 'For Discussion' items usually required a decision to be made by the Board for the organisation to implement. The decisions usually have more than one suitable option with risks attached to each outcome. In most cases the Board paper has a recommendation for the Board to agree, or disagree, with. As such, the organisation transfers the risk of the decision to the Board; likewise, individual Directors collectively agree the decision, thereby mitigating individual risk by making a group decision. Occasionally, a Director will disagree with the overall decision and this would usually be recorded in the minutes for future record should the decision turn out to be unsound.

9.3 Allocation Process

Directors need information that is "appropriate to the organisation" however "[i]t's impossible to say" what that might be (Prof Cherry, January 2013); that is to say the information required is "Board specific" (Prof Cherry, January 2013). Therefore, the allocation of effort to enable the Board to make sound business judgements

(Leblanc and Gilles, 2005:19, Nowak and McCabe, 2003) will also be Board specific. As such, the process is intrinsic to the journey of the Board pack, as described in chapter 5.

The type of paper is decided early in the process. As discussed in section 5.2, the setting of the agenda is usually a collaborative effort between the CEO, the Chair and the Company Secretary. It is commonly based on an annual pattern of issues (Mr Oak, November 2013; Ms Elderberry, May 2013) for example the annual reporting process. It is this trio of individuals who will, usually, decide if a paper is 'For Note', 'For Report' or 'For Discussion'.

The allocation of paper type will usually be related to the output required. This allocation will be based on a number of factors, predominately: who owns the risk of the output, such as a regulatory requirement and what is the role of the Board in relation to the issue, to 'rubber stamp' it or to provide input. The role of the Board for each paper will sit within the wider context of the Board's overall role as perceived by the CEO, Chair and Company Secretary.

Time is also a factor in the paper allocation process. Most interviewees noted that their meetings were three to four hours long, four to ten times per year. With, at most, 40 hours of meeting time per annum, there is the requirement to ask "how much time we have allocated to [each item]?" (Ms Lilac, May 2013). This time restriction reduces the ability for the Board to have lengthy discussions on multiple topics. As such, the agenda needs to be clear, and focused, on the critical, high risk issues (Mr Larch, November 2013).

9.4 Externalisation of 'Allocating Effort'

'Allocating Effort' is a complex interplay of the perception of the role by individual Directors, the Board and the organisation; this is intertwined with the risk perception of each individual Directors, the Board and the organisation. This interplay is illuminated on a practical level by the use of paper types in the Board pack.

The two dimensions of allocating effort can be mapped on a two-by-two matrix. As illustrated in Figure 26 (page 181) (adapted from McFadzean et al., 2007:Fig.9), the horizontal axis refers to the perception of complexity in the issue to be discussed. This complexity can be complicated or complex; to differentiate between these two an analogy is useful:

- Complicated: a Boeing 747 is a complicated system however it can be broken down into its many individual components with basic DIY skills
- Complex: mayonnaise is complex as it is impossible to break it down into its original components without scientific expertise

In relation to Board papers, the perception of complexity relates to the Directors perception of their own ability to decompose the issue into its component parts.

The vertical axis is the perception of risk the Director, Board or organisation attached to the issue. Where there is a low risk there is minimal input; conversely where there is high risk there is greater input. This input level is reflected across all stages of the Board pack's journey.

This risk and complexity matrix can then be overlaid by the paper types as *symbols* of perception. That is to say, the label attached to the paper provides a symbolic representation of the risk and complexity of the issue that the paper contains.

Figure 26 – Externalising 'Allocating Effort' (1)
(adapted from McFadzean et al., 2007:Fig.9)

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However, as can be seen from the matrix, there is no paper type for high risk, complex issues. This is due to the issue being beyond the manageable scope of a Board meeting, therefore outside of the Board pack process. This usually results in an ad hoc committee being set up to look at the issue in further detail. Mr Linden (October 2013) provides an example:

> *"When the concept of the academy for the school was introduced to the Board it was very much in the context of other people have done something very similar - financially it's worked very well for the school, it's given them a lot more independence - and then when the sub-committee went off to investigate it further that conclusion was reconfirmed and re-presented and everybody bought into it."*

In this example, it was a high risk decision with a significant number of complex variables for which the Board felt that it had insufficient information to make the decision.

Mr Chestnut (February 2013) summarises the role of the ad hoc committee as:

> *"[The Board] gets together a sort of sub-group so that the heavy lifting is done by three or four people and then any recommendations or decisions are taken before [the] Board for discussion"*

9.4.1 Ad Hoc Committees

Ad hoc committees are usually utilised for highly complex issues. The issues usually have a large number of dynamic and interwoven aspects with numerous options for solutions. The decisions allocated to ad hoc committees are usually high risk, such as a large investment (Ms Maple, February 201) or a strategic review (Ms Eucalyptus, January 2014).

In a review of the 2013 Annual Reports for all FTSE100 companies, six specifically mention ad hoc committees in their reports. As can be seen in Table 5, many of the reports identify the constraints within which the ad hoc committees operate. These can be summarised into three constituent parts: activity, authority and actors.

FTSE Organisation	Reference to Ad Hoc Committees in Annual Reports for 2013
AstraZeneca PLC (2014:88)	"In addition, there may from time to time be constituted ad hoc Board Committees for specific projects or tasks. In these cases, the scope and responsibilities of the Committee are documented. The Board provides adequate resources to enable each Committee to undertake its duties."
BHPBilliton PLC (2013:149)	"The matters specified for the consideration of the Finance Committee are not within the current scope or mandate of any of the other Board committees (because they were previously dealt with by ad-hoc committees)."
CRH PLC (2014:46)	"In addition, ad-hoc committees are formed from time to time to deal with specific matters."
Old Mutual PLC (2014:97)	"The Board also establishes committees on an ad hoc basis to deal with particular matters. In doing so, it specifies a remit, quorum and appropriate mix of executive and non-executive participation."
The Weir Group PLC (2014:71)	"When the need arises, separate ad hoc committees may be set up by the Board to consider specific issues."
Wolseley PLC (2013:84)	"As required by the demands of business, the Board may appoint ad hoc committees to facilitate the implementation of its decisions or to consider specific matters in further detail between scheduled meetings. The Board may delegate matters of a substantive nature to a special purpose Committee. If it does so it will generally have already considered the matter in-depth at a full Board meeting but may require further review prior to final approval."

Table 5 - Ad Hoc Committee References in FTSE100 Companies 2013 Annual Reports

The first constituent part is activity. The activities of an ad hoc committee can broadly be categorised as; action, decision or information sifting. An action may include, for example, the setting up of a joint venture or the implementation of a new strategic vendor (Mr Ironwood, January 2013). A decision may either be a full decision or a partial decision; the latter being the most common with a

recommendation being brought to the full Board for decision (Mr Birch, January 2014). Finally, it may be an information sifting exercise to enable the full Board to have clarity on an issue. The ad hoc committee's activity will usually require a significant amount of information, from both internal and external sources, to enable it to undertake the specified activity. This large amount of information will usually make the activity impractical to undertake in the usual Board meeting due to the complexity (Mr Ironwood, January 2014).

Authority is the second constituent part. The Board will define the remit of the ad hoc committee; the remit will usually clearly identify the scope of work to be undertaken. Likewise, the remit would usually specify the limits to the level of decision making which the committee is authorised to make. The authority would also, usually, specify the reporting process to the main Board to ensure that all Directors were fully informed. This allocation of authority provides a clear statement on the level of risk delegated to the ad hoc committee by the main Board.

The final constituent part is that of actors. The members of the ad hoc committee will usually be a blend of Executive Directors, NEDs and subject matter experts, either from within the organisation or external (Prof Cherry, January 2014). The committee members will have suitable skills, knowledge and experience to enable the task to be undertaken. In addition they will have the time and motivation to dedicate to the additional work (Prof Cherry, January 2014). Furthermore, the actors on the ad hoc committee must perceive that they have the power to engage with the activity. That is to say, they believe that they are trusted by the Board to undertake the work. Finally, the membership must vary between different ad hoc committees to ensure that there is not a reliance on one, or a small number, of individuals. This

membership variety ensures that "no individual or small group of individuals can dominate the board's decision taking" (Financial Reporting Council, 2014:10).

These three constituent parts, and their components, are illustrated in Figure 27 (page 186). As described in section 3.3.3.1, many of the interviewees were asked to discuss a time when the Board did, and did not, work well together. A third of the interviewees used an example of setting up an ad hoc committee when describing a time the Board worked well together. The interviewees identifies that there are three core tenants to the use of ad hoc committees, these can be summarised as:

- "*The issue needs to be large and time consuming causing it to be beyond the practical scope of a standard Board meeting*

- *The issue needs to be complex with an number of facets to be considered and different solutions identifiable*

- *The ad hoc committee needs to have a clear outline of their responsibilities, decision making powers and reporting process*" (Massie, 2014a)
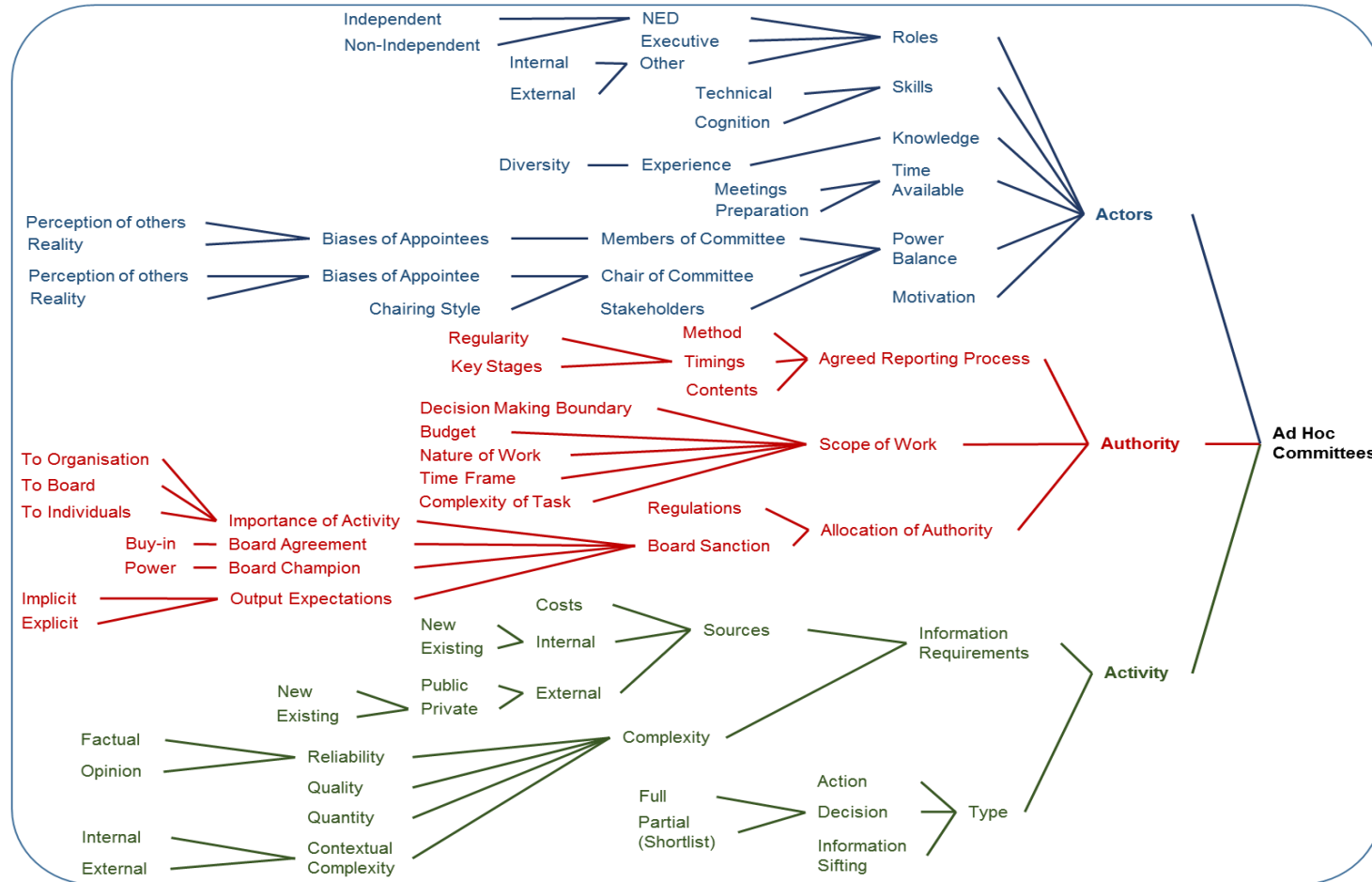
Figure 27 - Constituent Parts of an Ad Hoc Committee (Massie, 2014b)

It is worth highlighting that, as identified in section 7.3.5, there are two types of Board subcommittees: standing and ad hoc. Within most corporate governance regulations there are requirements for specific, standing, subcommittees, for example the *UK Corporate Governance Code* mandates the formation of nominations, audit and remuneration committees (Financial Reporting Council, 2014). Other organisations will have additional standing subcommittees, for example Pasteur NHS Trust has a governance committee. These committees usually have defined terms of references, therefore are allocated appropriate issues without needing to reference the Board each time (Mr Ironwood, February 2013). As Mr Boxelder (February 2013) notes "everybody [Director] sits on at least one [standing] committee". As such, they form a standard part of the Director's role.

Standing committees are a tool for effective governance, however, they are outside of the issue of 'Allocating Effort' as they form part of a Director's ordinary duties. In contrast, ad hoc committees are set up to look at specific, complex issues and fall outside of the usual duties of the Director. Therefore, the Director has to put additional effort into their role when participating in ad hoc committees.

9.5   Perception Grid

The use of an ad hoc committee completes the two-by-two matric, or 'Perception Grid' (term adopted from McFadzean et al., 2007:Fig.9), as can be seen in Figure 28 (page 190). The four quadrants provide symbolic objects through which externalisation of the perception of risk and complexity can be glimpsed (Nathaniel, 2011:194).

It is important to note that the papers types are not permanently fixed, both over the long and short term. For example, Leblanc and Gilles (2005:89) identifies that it is for the Chair to ensure that there is sufficient time for the discussion of agenda items. Therefore, Mr Fothergilla (October 2013) uses the routine of a telephone call with each of the NEDs between their receipt of the Board pack and the Board meeting to understand

> *"what they thought was important, what particularly fussed them, what*
> *they thought the Board papers missed out on, not in any sense in order*
> *to rig the discussion but so that I can then alert the executives"*

This enables him to pre-brief the reporting Executive of any specific issues and to adjust the timing allocated for discussion if necessary. Likewise, Mr Boxelder (February 2013) will talk to other Board members, particularly those with in interest in the paper's topic, ahead of the meeting to understand how the "discussion is going to go".

Furthermore, once in the meeting the allocation type may change. The individual Director's perception of their role, or the risk they associate with the issue, may impact on the time slots available for discussion. As such, the Chair needs to balance the time for discussion with ensuring the meeting progresses (Mr Fothergilla, October 2013; Mr Ironwood, February 2013). For example, in each of the Currie and Pasteur NHS Trust observations, the reports from the Committee Chairs were curtailed due to over running discussions, as the Directors were keen to engage with 'For Report' and 'For Discussion' papers. In most cases, this resulted in the 'For Report' presentation slot allocated to each Committee Chair, to summaries their committee's activities, being replaced by the Board Chair asking the Board members to note the committee's minutes and asking if there were any specific questions.

In relation to longer term changes, Mr Cedar (February 2013) gave an example of Health and Safety where "the Board never really looked at" it until they had an issue resulting in a fine and now his Board has "a much more comprehensive health and safety report … every time we meet". As such, the perception of risk on this issue changed, thereby changing the report type from 'For Note' to 'For Report'.

In summary, 'Allocating Effort' is externalised by the use of *symbols* represented by 'For Note', 'For Report', 'For Discussion' and 'Ad Hoc Committees'. If all parties have a common, agreed, perception of the role of the organisation's Board as well as an understanding of each Board members perception of risk, the Board as a groups' perception of risk and the organisation's perception of risk then the *symbols* will be representative of 'Allocating Effort'. Alternatively, it will be the visible manifestation of the misalignment between the parties either in relation to their role understanding or the risk attributed to the issue.

Issue Complexity Perception

Risk Perception		Complicated	Complex
Low	**Pre-Distribution**	**For Note** Write report for inclusion in Board pack	**For Report** Write report for inclusion in Board pack ensuring the complexity is simplified Prepare presentation where necessary
	Individual Processing	Read in advance of the Board meeting, if time available Very occasionally raise query, usually directly with the report's author	Scan written report, often comparing with previous report Directors with technical expertise in the area read report in detail Prepare questions
	Board Processing	No scheduled discussion in meeting Occasionally issues raised, usually within the 'Any Other Business' section of the meeting *e.g. General policy changes*	Allocate time in the meeting for Directors to listen to the presented report Directors with expertise ask questions in meeting Approve where required *e.g. Finance report*
High	**Pre-Distribution**	**For Discussion** Source expertise, either internal or external Identify output options and, where suitable, provide recommendations in written report Prepare presentation where necessary	**Ad Hoc Committee** Not Applicable
	Individual Processing	Read in advance and undertake independent research as necessary Raise any queries in advance with the author, Chair or other Directors Prepare questions and discussion points	Not Applicable
	Board Processing	Allocated time in the meeting for a round table discussion Experts present the issue, either from inside or outside the organisation Directors discuss and conclude, the Chair then summarises the discussion and states outcome *e.g. Organisational structure review*	Agree the scope of activity, limitations of authority and actors involved Keep track of the work through periodic reports and reviews Make final decision on issue *e.g. Strategic review*

Figure 28 – Externalising 'Allocating Effort' – (2) Perception Grid
(adapted from McFadzean et al., 2007:Fig.9)

10 CONCLUSION

10.1 Introduction

As explained in chapter 1, "The grounded theory researcher starts with an area of interest, not a professionally preconceived problem" (Glaser, 1998:118). The area of interest for this research, as illustrated in Figure 29, was the stage after the individual Director has received the information, usually in the form of a Board pack, and prior to a Board agreed output, such as a decision. It should be noted that it quickly became apparent that the stage in the Board pack process prior to distribution is a key part of understanding the area of research.
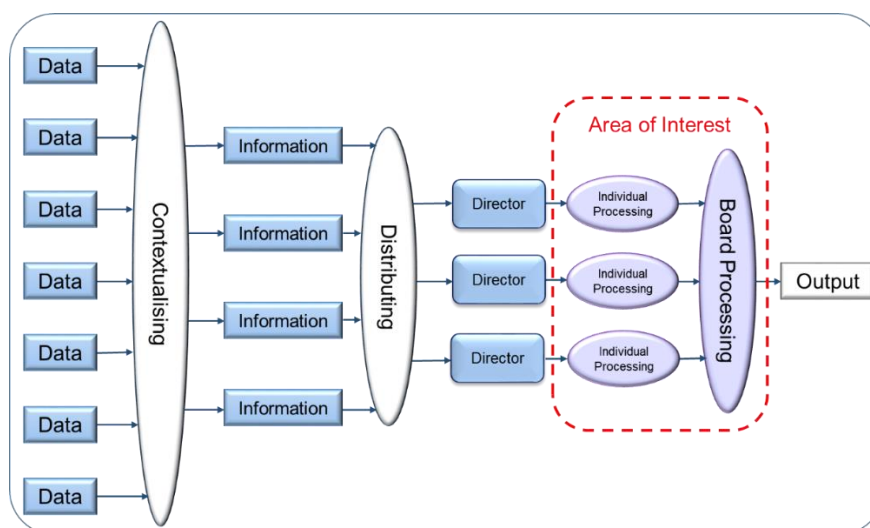
Figure 29 – Research Area of Interest

This research used a grounded theory approach to understand, in depth, the area of interest and the issues the Directors face when engaging with the information, as identified by the Directors themselves (Glaser, 1998:115). The output of this research is a substantive theory (Glaser and Strauss, 1967:114) that aims to assist a lay person, that is to say an ordinary Director or other interested party, to understand the interrelationship between information, the Board member and the

Board. Glaser and Strauss (1967:114) identify that a substantive theory is one that 'stand ups' in relation to the population (or substantive area) studied.

The data collected for the research was interviews, observations and technical meetings. The interviewees included: nine Board Chairs; eleven Non-Executive Directors; four Board level Executives; five information providers to Boards; one Board advisor and one industry/academic expert. This represented experiences from over 100 Boards including two top FTSE100 companies. Additionally, five Board meetings were attended to observe Directors in context and four technical meetings were undertaken to understand specific issues. The data was analysed in accordance with grounded theory principles and processes.

Through analysis of the journey of a Board pack in chapter 5, and the subsequent understanding of the context of the Boardroom in chapter 7, a substantive theory was developed, based on the core concept of 'Allocating Effort'. That theory, as articulated in chapter 8 and illustrated in Figure 24 (page 173), is:

> The level of engagement with the information by Directors is
> determined by 'Allocating Effort'. This effort is a balance between the
> level of risk perceived by, and to, the individual, the Board as a group
> and the organisation, balanced with the perceived complexity of the
> issue at each stage of the Board pack's journey. This balance is
> constrained by the time available and the understanding of the role of
> the Board.

This theory was further developed by looking at the *symbols* that externalise the allocation of effort. These were identified, in chapter 9, through investigating the types of papers produced within a Board pack. They are identified as: 'For Note',

'For Report' and 'For Discussion'. Each of these paper types have a risk and complexity element, however, there was no paper type for high risk/complex. This research identified that 'Ad Hoc Committees' are used to fill the gap in the process of 'Allocating Effort'.

However, in relating the *symbols* back to the theory of 'Allocating Effort', it was noted that if all parties have a common, agreed, perception of the role of the organisation's Board; an understanding of each Board member's perception of risk; the Board as a groups' perception of risk; and the organisation's perception of risk then the *symbols* will be representative of 'Allocating Effort'. Alternatively, it will be the visible manifestation of the misalignment between the parties either in relation to their role understanding or the risk attributed to the issue.

10.2 Existing Literature

Glaser and Strauss (1967:37) identify that an "effective strategy" for a grounded theorist

> *"is, at first, literally to ignore the literature of theory and fact on the*
> *area under study, in order to assure that the emergence of categories*
> *will not be contaminated by concepts more suited to different areas.*
> *Similarities and convergences with the literature can be established*
> *after the analytical core of categories has emerged"*

The literature referred to in this research, so far, comes from a wide range of academic disciplines including: corporate governance, management, behavioural science, anthropology, psychology and sociology. A review of the literature provides no single text that exactly mirrors this research. Nonetheless, there are a

number of complimentary studies that ought to be recognised in relation to this research.

In 1957 James Edwards wrote a paper on accounting reports for top management. In his paper he noted that Directors "may not be trained accountants" (Edwards, 1957:56) therefore the financials need to be readable to ensure they are understood by the audience. He also notes that Directors' require internal and external information to enable them to contextualise, and therefore utilise, the financial information.

In 1978 William Boulton identified that as the role of Boards evolve from legitimising to an active role in auditing and directing the organisation, the Directors' information needs also evolve. Boulton (1978:835) summarises by stating that

> "[i]t is no longer adequate for Directors to rely solely upon management
> to… determine the information requirements of the Board. The
> complexity of the problem must be taken into account … as each
> Board begins to move into its more active Auditing *and* Directing *roles*"
> (emphasis in original)

There is, however, a "trade-off between information costs and uncertainty… [which] is an issue for Boards in the fulfilment of both" its monitoring and performance roles (Nowak and McCabe, 2003:301). In their research, Nowak and McCabe (2003) identify that the CEO/management are the gatekeeper for information, which becomes more of an issue as the Board "assumes a more active role" (ibid:304).

A longitudinal study undertaken of 31 Board meetings of six Boards, undertaken by Machold and Farquhar (2013), investigated the tasks Boards undertook and the time allocated to those tasks in Board meetings. The study identified that a considerable amount of meeting time was "devoted to information dissemination and legal compliance activities" (ibid:160). They go on to conclude that Boards should "reflect on their use of scarce meeting time" (ibid:161).

Another longitudinal study inside the Boardroom, this time conducted by Pugliese et al. (2015), identified that different Directors took the lead in discussions based on either their role or expertise. They also identified that, of the two Boards they studied, one perceived the Board meeting as an "arena to share information" whereas the other saw is as an "arena in which to shape strategy" (ibid:19).

Finally, Leblanc and Gilles (2005:248) conclude that one of the pivotal factors in decision making is the behavioural aspects of the Board of Directors both as individuals and as a group. They postulate that

> "*Board dynamics may be the single most important factor in determining the effectiveness of the Board in carrying out its duties*" (ibid.)

Whilst many other papers could have been included in this section, these papers provide a 'snap shot' of the literature. They provide the context for identifying where this research sits within the academic discourse on Boards and individual Directors engagement with information.

10.3 New and Novel

A Doctoral Thesis needs to demonstrate "the creation and interpretation of new knowledge" (The Quality Assurance Agency for Higher Education, 2011:32). As such, this section aims to clearly demonstrate how this research has developed new knowledge in the field of corporate governance. This will be done in two parts: theoretical and impact. As this is a grounded theory study, which aims to assist a lay person, there is more emphasis on impact than theory.

10.3.1 Theoretical Contribution

The theory established in this research was developed from the inside of the "black box" of the Board (Pettigrew, 1992:178). This approach to theory development within the corporate governance sphere has provided a unique opportunity to understand the Board from the inside out. That is not to say that this approach is novel, it is to highlight that gaining access to inside the proverbial "Black Box" (ibid) allows a different perspective to be gained than from the more traditional corporate governance research approach of looking from the outside in.

As identified in the previous section, a search of the literature provides no matching research to support, or contradict, the theory of 'Allocating Effort'. However, as this dissertation has identified, a number of the variables associated with 'Allocating Effort' have previously been extensively researched, for example risk perception. Likewise, this research adds to the debates around the attention-based view of the firm, routed in the works of Simon (1947); as Ocasio (1997:203) explains

> "*Existing theories of bounded rationality, enacted environments, and*
>
> *managerial cognition all share the first principle of the theory - that*

what decision-makers do depends on how they selectively focus their

attention on certain characteristics of the organization and its

environment, and ignore others"

The new, and novel, theoretical development put forward by this dissertation is the thesis stated in the introduction to this conclusion, that of 'Allocating Effort' which combines the concepts of; the perception of the Board's role, issue complexity perception, risk perception and time available. This adds to the body of knowledge on "how they [in this case Directors] selectively focus their attention" (Ocasio, 1997:203) on the information provided within the Boardroom context.

This research has, in addition, added to the body of knowledge of Board processes. In identifying and illuminating the journey of the Board pack, and the critical impact this has on the decisions taken by the Board, it provides a foundation for further process-based research. In addition, the development of the Perception Grid provides a tool for further theoretical development in relation to the internal processes of the Board.

10.3.2 Impact

At this stage in the research process it is not possible to clearly state the impact of this research. Nonetheless, there are a number of areas that may provide new and novel ways for Boards to utilise this research, as discussed below.

The primary impact of this research is in the development of a tool to assist Boards in the allocation process for paper types. The Perception Grid provides a structure for this discussion; the output of which impacts within each stage of the Board

pack's journey, from identifying papers required to time spent discussing the paper in the Board meeting. Furthermore, there are numerous activities undertaken within an organisation that require Board level support. The Perception Grid provides the organisation with a tool to assist in understanding how the Board is, practically, able to interact with all of these requirements; for example, during the planning for a Board meeting the allocation of timings for the meetings can be decided by reference to the grid and the appropriate classification of an individual paper.

Additionally, in Board evaluations, the Perception Grid provides a tool for reflecting on the effective use of the Directors time, both in meetings and in preparation for those meetings. Whilst the Perception Grid, in its current form, could not be used as a formalised measurement system, the grid can be utilised as a discussion aid during the evaluations. For example, during Board evaluations it could be utilised at an individual level to classify existing reports (e.g. the contents of the past few Board packs). This could then be compared across the Board and with other key influencers (e.g. the Company Secretary) to gauge the differing risk and complexity perceptions, as illustrated in Figure 30
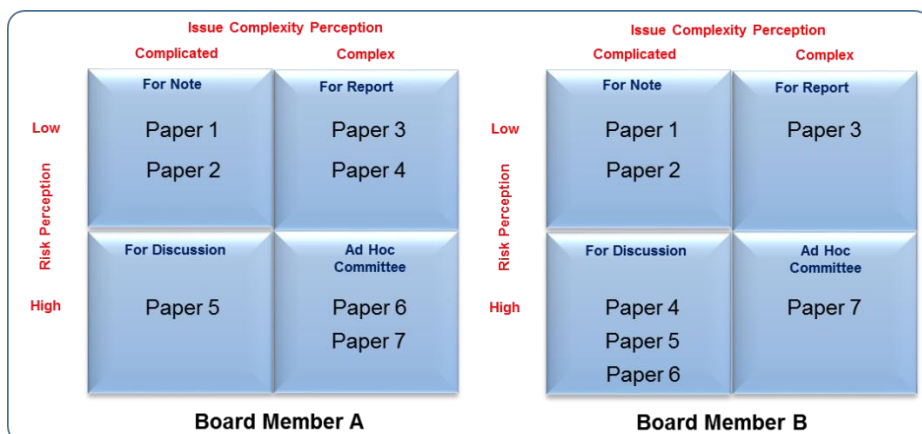

Figure 30 – Perception Grid Application Example

In this example, Board Members A and B have differing views on papers four and six, understanding why this might be could prove illuminating in interpreting the Board dynamics. As such, the Perception Grid can be used to discern the differing perspectives within the Boardroom by engaging Directors in a discussion of their understanding of their role and their perception of risk and complexity. This could be especially useful in understanding Director diversity, or lack thereof, in relation to Boardroom decision making.

As identified in section 6.3.1, Boards are increasingly moving towards electronic Board packs. This is often done via the use of off-the-shelf-software solutions provided by third party organisation. In the meetings with both Board software providers they described how their software separated the information the Directors received by types (Mr Fir, October 2013; Mr Cypress, January 2014). The Perception Grid provides a tool for the Board to begin the process of transitioning to a structured electronic system by providing a framework for these discussions. Moreover, the use of these software packages is normalising the separation of paper types across Boards. This normalisation includes the expectation that Directors will be able to remotely make decisions without formally meeting via tools embedded in the software. This is a change in both the role of the Board meeting, and the ability for Directors to allocate time to a Board, as the 'Boardroom' is able to be with them virtually. This may lead to a positive effect for the organisation but may have a detrimental effect on other roles undertaken by the Directors (such as full time executive roles), however, further research is required to understand this potential issue.

Most importantly, this research provides an opportunity to re-evaluate corporate governance policy. Currently, in the UK, there is no requirement for Boards to

disclose their use of ad hoc committees. As this research has shown, these committees regularly form part of a Director's duty as well as being delegated the task of dealing with the most complex and potentially highest risk issues. As such, the committees form a core part in the Boards processes and should, therefore, be open to stakeholder scrutiny. The disclosure should include the activities, authority and actors involved in each committee. Policies are needed to take these ad hoc committees out of the shadows and ensure they receive the exposure needed to enable the organisation's governance processes to be full evaluated.

10.4 Critique of the Research

Grounded theory, as a method, is not without its critics (Bryman, 2008:548). These range from scepticism as to whether a researcher can "suspend their awareness of relevant theories" to the fact that the method "is still vague on certain points" and terminology (Bryman, 2008:549). As such, almost all grounded theory methodology books devote space to the discussion of evaluating the approach. Table 6, provides a summary of the evaluation criteria.

Glaser and Strauss	Glaser	Strauss and Corbin	Others
1967 Fitness Understanding Generality Control	1978 Fit Work Relevant Modifiable	1990 Data Quality Research Process Empirical Grounding	2006 Charmaz Credibility Originality Resonance Usefulness
	1992 Fit Work Relevant Modifiable Parsimony Scope	1998 Data Quality Theory Quality Research Process Empirical Grounding	*2011 Birks and Mills* *Researcher Expertise* *Methodological Congruence* *Procedural Precision*
	1998 *Temporal Trust* *Collegial Trust* *Layman Trust* *Personal Trust*	2008 (Corbin and Strauss) 10 Basic Criteria 13 Additional Criteria	

Table 6 - Classic Approaches for Judging Grounded Theory Research (with additional italicised data, adapted from Birks and Mills, 2011:149)

Given this variety of evaluation criteria, it is unfeasible to evaluate this thesis against all of these. As such, this thesis will be evaluated against Glaser and Strauss' four original requisite properties, as most other criteria are a derivation of these. These properties are:

> *"The first requisite property is that the theory must closely* fit *the substantive area in which it will be used. Second, it must be readily* understandable *by laymen concerned with this area. Third, it must be sufficiently* general *to be applicable to a multitude of diverse daily situations within the substantive area, not just a specific type of situation. Fourth, it must allow the user partial* control *over the structure and process of daily situations as they change through time."*
>
> (emphasis in original Glaser and Strauss, 1967:237)

In relation to fitness, Glaser and Strauss (1967:238) highlight that the derived theory "must closely correspond with the data". Throughout this dissertation there has been much emphasis on quoting words of the participants. This provides the basis of the evidence to ensure that the theory of 'Allocating Effort' evolved from the data. In addition, Glaser and Strauss (1967:238) also note that, where the theory does not fit the substantive area, "one does not quite know how to apply them". Chapter 9 provides a clear explanation of how 'Allocating Effort' applies to the substantive area of Boards.

A grounded theory "will make sense and be understandable to the people working in the substantive area" (Glaser and Strauss, 1967:239). In terms of evidencing the understanding of the theory of 'Allocating Effort', this is somewhat complex to prove. Nonetheless, a paper produced on ad hoc committees (Massie, 2014a) was awarded the 'Best Development Paper Prize' for Corporate Governance at the

British Academy of Management Conference 2014 (British Academy of Management, 2014). This, therefore, provides a small amount of evidence of general acceptance of this research.

The third property is that of generality, as such the theory should be "general enough to be applicable to the whole picture" (Glaser and Strauss, 1967:242) within the substantive area. The substantive area for theory of 'Allocating Effort' is the Board of Directors. As such, the theory of 'Allocating Effort' should generally be applicable to this environment; however, only further empirical testing will be able to confirm the width and depth of the application of the theory. Nevertheless, it should be noted that the theory is grounded in data drawn from participants with either wholly or partial UK experience; as such, there is no evidence of it being generalisable outside of the UK. Additionally, whilst the participants have a variety a wide variety of Board experience, including large, small, public, private and non-profit organisations, further research is required to confirm the application of the theory within each of these differing environments.

Finally, control has two variables: controllability and access, that is to say the individual applying the theory has the ability to produce and control the resulting change (Glaser and Strauss, 1967:245). In the case of 'Allocating Effort' the Director can control the change in four ways: changing their understanding of their role, changing their perception of risk, reducing the complexity of the issue by clarifying the information and, finally, allocating more time to engaging with the information.

As can been seen from this section, the grounded theory developed within this research meets all of Glaser and Strauss' original requisite properties. Therefore, it can be assumed that the theory of 'Allocating Effort' is a valid theory. To further

assess the grounded theory method utilised for this dissertation, see the considerations listed in appendix 11.6.

10.5 Limitations

The main limitation to this study, as mentioned above is that it is primarily UK focused. Whilst a small number of interviewees represented international nations, specifically Australia, China and the USA, they all had UK experiences within which to contextualise their contributions.

The second limitation is with regards to bias. The access gained was, in most case, via personal contacts, this may have introduced an accidental bias into the research into the sample. Nonetheless, the access gained varied across organisation types and included both males and females; though it should be noted that the percentage of females interviewed is greater than is representative of women on Boards in general. Furthermore, bias may have been introduced by the self-selection of interviewees willing to participate. In addition, as all of the data collection and analysis was undertaken by one person bias may have been unconsciously included in the development of the theory.

With regards to the observations, only one type of Board was observed; that is to say only NHS Trust Boards were observed and then only for their public meetings. As such, it is impossible to precisely identify how well the observations accurately reflect general Board meetings.

A final, but nonetheless important limitation, is that of the interviewees multiple roles and the complexity of analysing the data collated by specific Board role. As can be

seen in section 4.2.2.1, the 31 interviewees currently hold 68 roles between them and have significant experience in over 40 more roles; for many of the interviewees this included concurrent holding of Executive and NED Board roles, with the latter being a mix of independent and non-independent, or multiple NED roles. During the interviews, the interviewees where encouraged to talk widely across these roles. Ms Eucalyptus (January 2014) provides an example of the issue in her statement comparing Boards that she has served on

> "*I've sat in a lot of different Board meetings with different hats on and*
> *… one of them does Board meetings at half the time of the other one*
> *and it was a far better run company actually. ... why the other one*
> *used to take so long is that the chairman used to insist on summarising*
> *what everyone had said afterwards and you spend double on*
> *everything.*"

Whilst this comparison between her experiences provides depth and significance to the findings, it limited the ability to classify the findings by role types. As such, this limitation is recognised and future research will need to be cognisant of the issue.

10.6 Further Research

This study lends itself to a number of avenues of further study. The first is the operationalization of the theory of 'Allocating Effort' potentially through the use of, for example, Structured Equation Modelling. This would allow the process of verification of the theory to begin (Rosenbaum, 2011:293). In order to ensure clarity in this future research, it would be important to ask the respondents of any data collection undertaken to focus on one primary role, where they hold/have held more than one Directorship. This would increase the opportunity to identify any role-specific variables.

The theory developed is substantive in relation the population studied, that is to say UK Boards (Glaser and Strauss, 1967:114). Formal theories go beyond that and are relevant to a conceptual area. If the data collated for this research was cross referenced with other research and further data samples included, the theory could be proven to be relevant to other populations. Therefore there is further work that can be done to broaden this theory.

Another area of further research is the linking this theory with the major, accepted, corporate governance theories (as outlined in Table 1). This may provide a useful perspective on how the current theories are viewed.

The use of Actor Network Theory to further understand the journey of the Board pack may produce illuminating insights. This approach enables both the human and non-human parts of the network to be further considered (Latour, 1996), thereby potentially providing further clarity.

Another interesting area of further research it that of the introduction of electronic Board packs. As noted in section 10.3.2, this may be causing a shift in how Directors engage with the role and, as such, may highlight some temporal issues with this theory. As Glaser (1998:238) notes any grounded theory is routed in "nowism" and, as such, will evolve over time.

In addition, there is future work that could be undertaken in relation to the use of the Perception Grid. As alluded to in section 10.3.2, there is the potential for this to be utilised in the Board review process as a tool for discussion. The use of the Perception Grid may illuminate differing views in the Board, as illustrated in Figure 30 (page 198). A simple exercise of categorising Board papers into the four types

could generate discussions across the Board members as to; how they perceive risk; what they consider complex/complicated and why; and what they see as their role and therefore should be part of the Board's discussions. This would provide an opportunity for Board members to more comprehensively understand each other's viewpoints, not with an aim to synchronise them but to aid clarity in the discussions through understanding their diversity. This approach requires further empirical research to understand the possibilities, complexities and potential applications.

Finally, this research has identified the use of ad hoc committees as critical to the work of modern Boards. Further research is required to fully understand these committees and the impact they have on the corporate governance of an organisation. Whilst much research has been undertaken looking at standing committees, (see for example Spira and Bender, 2004), little or no focus has been given to these temporary, ad hoc, committees. As the decisions allocated to ad hoc committees are usually high risk, such as a large investment (Ms Maple, February 201) or a strategic review (Ms Eucalyptus, January 2014), these appear to form an integral part of the decision making processes of the Board and, therefore, require further research. This research needs to incorporate, as a minimum:

- The role they play and how wide spread they are within the governance structures of different organisations
- The structure and the constituent parts of an ad hoc committee – this has been initially defined in Figure 27 (page 186), nonetheless this requires further research to clarify the variables and their impact on the committee effectiveness
- How they are mandated by and report to the Board
- What impact they have on the overall governance of the organisation

- How they are, or should be, reported on to the wider stakeholders

Overall, these ad hoc committees appear to play a role that is key to the governance of an organisation and should be researched in the same depth as standing committees.

10.7 Reflections

Undertaking a grounded theory study is not the easiest approach to completing a PhD; nonetheless, I have found it hugely rewarding. However, the lack of a specialist grounded theory mentor means I had to find my own way through this family of methods. With the support of my supervisors, I have had to truly engage with the process, deeply understand it and develop my own approach based on my philosophical underpinnings; not just follow one person's approach.

I am hugely grateful to all of my participants: to have such rich access was a blessing for this research. However, I learnt that it often took great courage to ask people to engage with the research process. Furthermore, I have learnt that most people will be more than willing to help and those who are not usually have an excellent reason why not.

I have learnt a lot about the complexity of being a Board Director. Although there are a small number of Directors who are paid vast sums of money to undertake the role, most are not. The Directors I met were genuinely hardworking individuals out to do the best for their organisation.

Finally, I am reminded of a quote

"When you acquire knowledge there is a certain responsibility that comes with it. One must use it - otherwise one is no more than the proverbial donkey with books. The donkey carries books on his back, but as he does not do anything with the knowledge within them they are no more than a heavy burden." (Joseph, 2013)

This is as true for researchers as it is for Directors.

11 APPENDICES

11.1 Vignettes

Notes on Vignettes

1. All names and company names have been replaced with pseudonyms to preserve confidentiality, a requirement of the ethical process

2. Wherever possible the interviewees own words have been used to describe themselves. These have come from either their interviews or the process of arranging the interviews

3. Additional details where identified through; their company's website, their LinkedIn profile or other career management websites.

11.1.1 Interviews

Interviewee No. 1 & 31 - Prof Cherry (Face to Face) January 2013 & January 2014

Mr Cherry is an internationally renowned academic, working in the field of Corporate Governance at Masaccio University. He also runs his own consultancy, Rothko Ltd, through which he has provided services to major corporate Boards for over 25 years. He is a published author on the subject of corporate governance and specialises in Board development. Prof Cherry was interviewed twice; initially for open data collection then post the one page summary of findings to discuss further.

Interviewee No. 2 – Mr Poplar (Telephone) February 2013

Mr Poplar is an experienced Chair. He has successfully managed a number of companies through the Initial Public Offering (IPO) process. He is currently a Director of more than a dozen companies. The main focus of his discussions was Fontana PLC which is an AIM registered company. Mr Poplar has over 25 years of Board experience.

Interviewee No. 3 – Ms Maple (Skype) February 2013

Ms Maple is a recent immigrant to the UK from Australia. In Australia she was the President, and previously the Chair, of a regional division of an international charity, Degas Nonprofit. During her term as President she over saw a major review and change of the information provided to the Board which facilitated a change in organisational culture. Ms Maple has been sitting on Boards, predominately nonprofit for 20 years. Since arriving in the UK Ms Maple has joined the Board of Moreau Independent Body.

Interview No. 4 & 29 – Mr Ironwood (Face to Face) February 2013 & January 2014

Mr Ironwood is a former information provider to a FTSE100's pension Board, Picasso Trustee Board. Mr Ironwood's role, as an employee of Picasso PLC, was to provide the Trustee Board with the appropriate papers and ensure that all required information was made available to the Board prior to the meetings. Additionally, he sat on the Administration and Risk committee of the Board. Mr Ironwood also attended the full Board meeting as an advisor. Mr Ironwood has over 15 years' experience of working with Pension Boards. Mr Ironwood was interviewed twice; initially for open data collection then post a one page summary of findings to discuss further.

Interviewee No. 5 – Ms Willow (Skype) February 2013

Ms Willow is a US citizen who, having lived in the UK for a number of years returned to the USA. In her career she is a successful senior manager reporting to the Board. In her spare time she volunteers on three Boards. The first is Martini Academy, a US high school, where she is the Board Chair. The second is Mantegna Charity, in the role as Vice-President, and the third is Klee Charity, where she is a Director, both are gender equality charities. She has four years' experience as a Board Director.

Interviewee No. 6 - Mr Hawthorn (Telephone) February 2013

Mr Hawthorne is a Trustee of a FTSE100's pension Board, Picasso Trustee Board. Additionally, he is the chair of the Investment sub-committee of the Board. Mr Hawthorn was previously an employee of Picasso PLC and served as a Member Nominated Trustee. Since his retirement from Picasso PLC, he has remained on the Board as a Picasso PLC appointed Trustee.

Interviewee No. 7 – Mr Boxelder (Telephone) February 2013

Mr Boxelder works for a third party legal firm and is contracted to act as the independent Chair to a FTSE100's pension Board, Picasso Trustee Board. He is currently an Independent Trustee on a number of Pensions Boards. He has just introduced electronic Board papers to the Board. Mr Boxelder has over 30 years Senior Management and Board experience.

Interviewee No. 8 – Mr Hickory (Telephone) February 2013

Mr Hickory is an executive level manager of Richter Trust. Richter Trust is charity supported by a Limited company that works to develop British youth. Mr Hickory's role is to provide information to the Trustees, via the CEO. He is responsible for the

financial and commercial aspects of the reporting based on the strategic plan. Mr Hickory has been fulfilling this role for over nine years.

Interviewee No. 9 – Mr Cedar (Face to Face) February 2013

Mr Cedar is an experienced Director who is currently a Non-Executive Director of Turner Ltd. He is also a director on another Ltd company and a charitable organisation. These roles follow on from an extensive career with senior management experience. Mr Cedar has over eight years Board experience.

Interviewee No. 10 – Mr Chestnut (Telephone) February 2013

Mr Chestnut is a Trustee of a FTSE100's pension Board, Picasso Trustee Board. Additionally, he is the chair of the Administration and Risk sub-committee of the Board. Since his retirement from Picasso PLC, he has remained on the Board as a Picasso PLC appointed Trustee. Mr Chestnut has been on the Pension Trustees Board for 13 years.

Interviewee No. 11 – Mr Hemlock (Face to Face) March 2013

Mr Hemlock is the recently appointed CEO of Titan Ltd, a major service organisation recently created via a spin-off. Titan Ltd is undergoing an intensive structural change with regards to its organisational structure, including the creation of a Board containing Non-Executive Directors. As part of this change, Mr Hemlock is putting in place all of the Board processes and related reporting activities. Mr Hemlock has five years Board level experience after an extensive career.

Interviewee No. 12 – Ms Magnolia (Telephone) March 2013

Ms Magnolia is a Trustee of a FTSE100's pension Board, Picasso Trustee Board. Additionally, she is a member of the Administration and Risk sub-committee of the

Board. Ms Magnolia previously worked for Picasso Trust for in the pension's arena including as secretary to the Pension Board. She has been a Trustee for over 12 years; firstly as a Member nominated representative then, upon her own retirement, as a pensioner nominated representative.

Interviewee No. 13 – Mr Elm (Face to Face) March 2013

Mr Elm is an information provider to a FTSE100's pension Board, Picasso Trustee Board. Mr Elm is a voting member of the Investment committee; however, with regards to the main pension's Board his role is to provide Picasso PLC's views to the Board of Trustees. He is responsible for ensuring that all of the information is provided to the Board is timely and accurate. He has been in this role for over ten years. In addition, he is a Non-Executive member of a charitable Trust.

Interviewee No. 14 – Ms Juniper (Telephone) May 2013

Ms Juniper was the inaugural Chair of a Limited company associated with a charitable organisation, Greco Trust Ltd. Ms Juniper's role was to set up the Board and identify appropriate members. Subsequently she became the Chair of the charity Greco Trust. She has also served on other small business and charity Boards.

Interviewee No. 15 - Ms Elderberry (Telephone) May 2013

Ms Elderberry is a Non-Executive Director of two major international firms. The first is a Fortune500 firm where she is additionally the Chair of the Audit committee. The second is a FTSE500 company where she is additionally a member of the Audit committee. Ms Elderberry has had an extensive career in both senior management and at director level with over 15 years' experience.

Interviewee No. 16 – Ms Ginkgo (Telephone) May 2013

Ms Ginkgo is a beneficiary representative on a local charitable trust, Duchamp Trust Ltd. She holds the status of a Non-Executive Director. Prior to this appointment she had no Board level, or senior management, experience. She was invited to apply for the selection panel by the Chair of the Board. She has been on the Board for three years.

Interviewee No. 17 - Ms Persimmon (Telephone) May 2013

Ms Persimmon is the CEO of a federation of independent organisations, Whistle Federation Ltd. She is the only employee of the company but has a Board of Directors that represents the members to whom she is responsible. She is also a Non-Executive Director of another organisation. After a public career, Ms Persimmons has been a CEO for two years.

Interviewee No. 18 – Ms Camellia (Telephone) May 2013

Ms Camellia is a Shareholder Representative Director on the Board of Holbein Ltd. Additionally, she is Chair of two further Boards and member of four more. She has extensive experience in both Executive and Non-Executive roles. Ms Camellia has been reporting to or serving on Boards for over 15 years.

Interviewee No. 19 – Ms Lilac (Telephone) May 2013

Ms Lilac is a Trustee Director for Kooning Nonprofit. The organisation is a local branch of a national charity. Additionally, she is also a Chair of Governors for a local school. Ms Lilac has been on the Board for two years, prior to which she was a CEO for another company for three years.

Interviewee No. 20 - Ms Silverbell (Face to Face) July 2013

Ms Silverbell is an Executive Director for a large NHS Trust, Chirico Trust. In her full time role she is the Director (CEO) of a major division of the Trust. She has sat on the Board for 13 years and is the longest serving member of the Board.

Interviewee No. 21 - Mr Buckeye (Face to Face) August 2013

Mr Buckeye in a Non-Executive, Independent, Director for a specialised local Limited company facing a major restructure. He was recruited to the Board due to his role of being a Senior Manager for a local, influential, firm. He has been involved with the organisation for 2 years and formally appointed to the Board for 1 year.

Interviewee No. 22 - Mr Fothergilla (Telephone) October 2013

Mr Fothergilla is an Independent Chair for a major FTSE100 company. He has been working at Board level for 20 years, initially as a CEO of a major corporation progressing through roles to Chair. He has previously Chaired another FTSE100 company. Mr Fothergilla has been Chair of this Board for 2 years.

Interviewee No. 23 – Mr Mulberry (Telephone) October 2013

Mr Mulberry is a Board member for a number of small organisations. He also provides consultancy support to Boards through his work at Millet Consultancy Ltd. He has served on Boards since 2004 primarily as a shareholder Director.

Interviewee No. 24 – Mr Linden (Telephone) October 2013

Mr Linden has, until, recently served as an Executive Director for Kahlo Ltd, a financial services company. He has served on a variety of Boards since 2004. He was actively involved in the restructuring of the company, including a total restructure of the Board. He has also served on a number of charitable Boards.

Interviewee No. 25 – Mr Cedrela (Telephone) October 2013

Mr Cadrela is a NED for a construction firm, Mondrian Ltd, which is a family company. He has been on the Board for four years and acts as the Senior Independent Director. He has a background in quality management within the financial services industry.

Interviewee No. 26 – Mr Larch (Telephone) November 2013

Mr Larch is the Chair of a substantial social housing company, Boccioni PLC. He has served on the Board for 10 years, when the company was formed, and became Chair 4 years ago. He is in the process of restructuring the Board to match their company's strategic aims.

Interviewee No. 27 – Mr Oak (Telephone) November 2013

Mr Oak is the Chair of a large investment house, Holmer PLC. He was appointed Chair in 2013. Prior to that he has served on a large number of Boards over 20 years. He has served both as CEO and NED for a variety of major, significant, organisations.

Interviewee No. 28 – Mr Pine (Telephone) November 2013

Mr Pine is a Chair of a Chinese organisation listed on the UK AIM market, Courbet PLC. Mr Pine is also a NED with three other companies and has served on eleven further Boards, six of which he has Chaired. He has over 20 years' service on Boards specialising in supporting them through the AIM listings process.

Interviewee No. 30 – Mr Birch (Face to Face) January 2014

Mr Birch is the Company Secretary for a FTSE100 company, Monet PLC. He has served in that role for 6 years, prior to that he was Company Secretary for another FTSE100 for 11 years. He is a non-voting Board observer and acts as the information conduit between the Board and the organisation.

Interviewee No. 32 – Ms Eucalyptus (Telephone) January 2014

Ms Eucalyptus works for an Asset Management firm, Pollock Ltd and in her role sits on three Boards; two Fund management organisations and a Pensions Board. She has a Diploma in Company Direction and is working towards Chartered Director.

Interviewee No. 33 – Ms Yew (Face to Face) February 2014

Ms Yew is an information provider to a FTSE100 company, Monet PLC, in particular the remunerations sub-committee. Ms Yew has been in this position for over 10 years. In addition she is also has served as a NED for a large nonprofit organisation for the last three years.

11.1.2 Meetings

Meeting A – Mr Yellowwood (Face to Face) February 2013

Mr Yellowwood is a Chair of Braque PLC which specialises in providing research to small PLCs. He has chaired the company for a year and has previously been a Managing Director. His area of specialism is Board recruitment and remuneration.

Meeting B – Mr Fir (Face to Face) October 2013

Mr Fir is a consultant for Rossetti Consultancy Ltd which specialises in enabling Boards to work better. His role is to provide advice to Boards on how to structure

their Board processes. The company provides a software package that manages the provision of the papers for the Board.

Meeting C – Mr Cypress (Telephone) January 2014

Mr Cypress this the founder and CEO of a software company, Rembrandt Ltd. Mr Cypress was a former Actuary in the Pension's industry and saw a gap in the market for Board software. This meeting provided background technical information on Board software.

Meeting D – Mr Walnut (Telephone) January 2014

Mr Walnut is an entrepreneur in the process of setting up an organisation, Blake Ltd, to enable smaller organisations can access experienced NEDs. He has experience as both a NED and Board-level advisor.

11.2 Memo Examples

Memos were made in many different formats. Predominately this was a mix of

paper, iPad and NVivo but usually was whichever was easiest to hand at the time.

This appendix provides evidence of some of those memos.

11.2.1 Memo - Method Issues - 14/02/13 (iPad)

So over the last few weeks I have had my head in a bucket of sand. I'd coded Prof Cherry's interview but frankly it was a disaster. Why? Because my field notes are a nightmare and my coding reflected that. So I backed it up and deleted my coding so I could start a fresh.

In my head I'm stuck but I have read two items;

Using QSR-NVivo to facilitate the development of a grounded theory project: an account of a worked example

Andrew John Hutchisona*, Lynne Halley Johnstonb and Jeff David Breckona

And

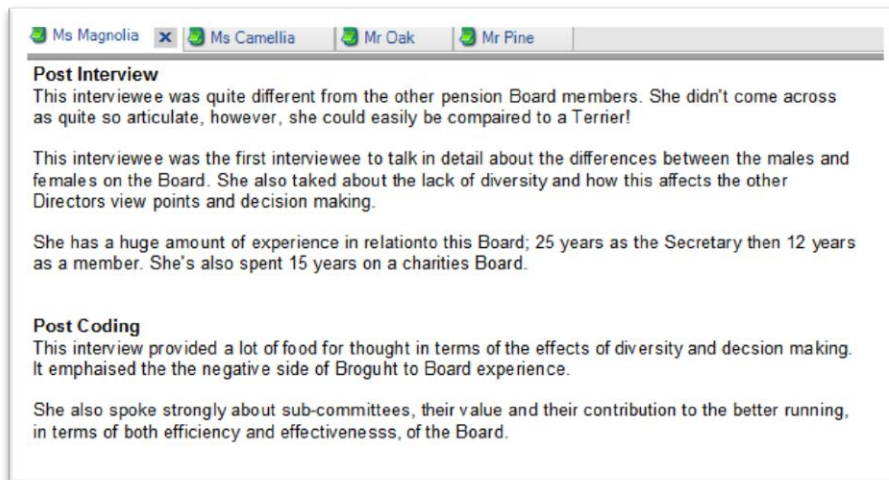The Qualitative Coding Manual (?) - the orange fronted book

Both of these have provided inspiration. Firstly the article outlined how they had used NVivo including an illustration of their coding structure. This included having coding for a continuum - so you can double code a bit e.g. 'Dialoguing' and 'very little' - this means I can use some of the NVivo functionality to sort it at a later date.

The book has told me more about the actual coding process, as well as providing illustrations. It also (pg25) gave me the structure for my node related memos (i.e. a code book) - which really helps. It turns out that I like structure!

So now I have a process for listening to a transcript, anonymising it, writing a memo and then coding the transcript. I then create a memo for each node. I try to either use an in vivo code or a word ending in -ing. I'm yet to write a coding memo in full but this is positive progress. Admittedly, I've completed one in full, and now only have the coding to do on the second but progress is progress!

I've also been doing some charities governance work in NVivo which has made me feel a little more confident on the system. Additionally, I'm book on a training course soon which will really help.

11.2.2 Memo – Post interview – 13/03/13 (NVivo)

Ms Magnolia	x	Ms Camellia	Mr Oak	Mr Pine	

Post Interview

This interviewee was quite different from the other pension Board members. She didn't come across as quite so articulate, however, she could easily be compaired to a Terrier!

This interviewee was the first interviewee to talk in detail about the differences between the males and females on the Board. She also taked about the lack of diversity and how this affects the other Directors view points and decision making.

She has a huge amount of experience in relationto this Board; 25 years as the Secretary then 12 years as a member. She's also spent 15 years on a charities Board.

Post Coding

This interview provided a lot of food for thought in terms of the effects of diversity and decsion making. It emphaised the the negative side of Broguht to Board experience.

She also spoke strongly about sub-committees, their value and their contribution to the better running, in terms of both efficiency and effectivenesss, of the Board.

11.2.3 Memo – First Sort (Process not content) – 09/03/13
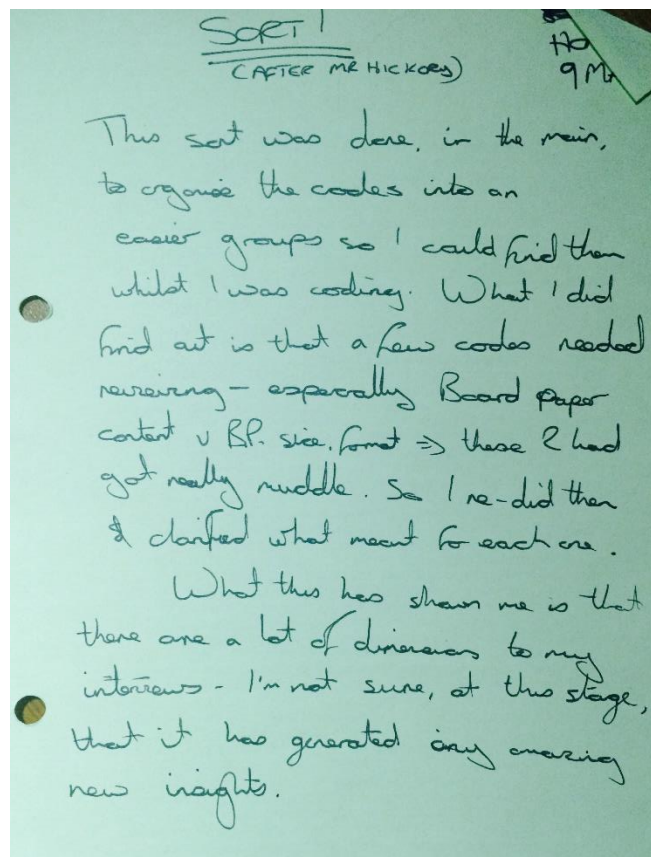
11.2.4 Memo – Category Memo – 01/04/13 (NVivo)
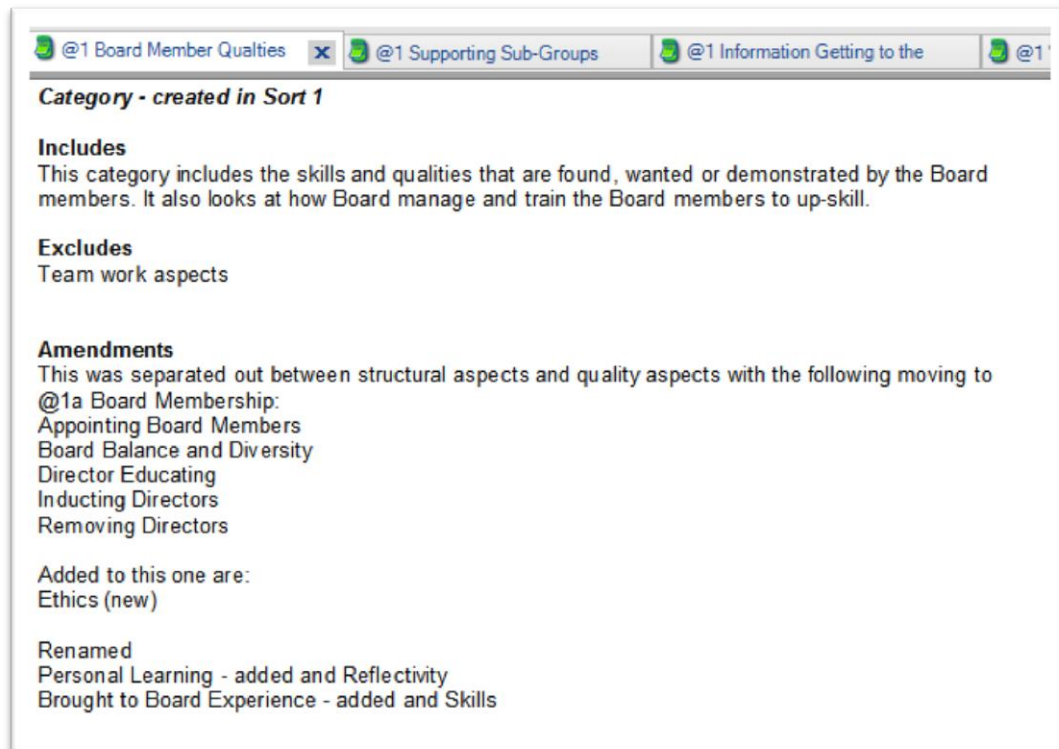
11.2.5 Memo – Theory Development – 10/08/14 21:22 (iPad)

Directors engage with info not through the information but thought the structures put in place to manage the information.

The size and complexity of the information means that the directors cannot effectively engage with the information. As such, they rely on structures to support their engagement. These structures include; diversity of view points, diversity of engagement levels (information alone but in detail v low level of detail but based in experiences), [delivery systems -tbc] and ad hoc committees.

It's not a theory of flexibility it's a theory of structures. It's about enabling each Director to be positioned to engage. For some this is reading in detail, for others it's about bringing relevant experience to the information. For some it's about being able to recall the information for others it's about the generalizability of the information to this context in comparison to contexts they have seen before.

The use of ad hoc committees enables those who wish, or who the skills/experience to be more involved. It also is a form of trust between the Directors and those on the ad hoc committee. They have to trust the members in the same way they have to trust the information they are provided with.

The use of technology is an additional structure which is yet to have a discernible influence as, for many Boards, they are just beginning to implement this. As such, it

is not possible for this structure to yet be part of this theory but, potentially, will be a future development on this theory.

Just a thought; it's funny how people seemed to dismiss the regulated committees as prescribed nauseas but value the ad hoc committees

Or is my theory actually about 'flexible structures'?

Technology supports these flexible structures as it facilitates communication between the structures and the dissemination of the information in a way that facilitates the structures in a flexible manner.

11.2.6 Memo – Writing up – 11/09/14 12:28 (iPad)

Risk is a tacitly agreed level - only in rare cases will the Board, for example ask for a discussion on a paper provided

Most of the risk decisions are done between Chair and CEO (supported by the Co Sec) -> Power!

Need a section on setting the Board Agenda

Tech solutions are supporting these four quadrants by providing ways for the board to interact outside - look at tech meetings transcriptions

Look at critical realism

11.3 Consent Form

Cass Business School
CITY UNIVERSITY LONDON

Participant Information Sheet

Title
Board Directors and Information

Introduction
I would like to invite you to take part in a research study. However, before you decide if you would like to be part of this study, please read the following information carefully.

The purpose of this study is to understand; what information is provided to you by the business, charity or organisation that you are a Board Director for, how you utilise it and your opinions of the information provided. You have been invited to participate because you are, or recently have been, a Board Director of a UK based organisation.

Process
Taking part in this research is entirely voluntary. Should you wish you take part please complete the attached form. You are free to withdraw from this research at anytime and can request that any interview recordings, transcripts and supporting notes are destroyed.

If you choose to take part I will conduct an interview with you. The time for the interview will be between 30 and 60 minutes, depending on your availability. The interview, with your permission, will be recorded and subsequently transcribed. Should you wish a copy of the transcription, this will be provided.

Confidentiality
All data will be dealt with confidentially. Your name and organisation name will be anonymised, should you wish. No commercially, or otherwise, sensitive data will be shared. The data will only be used for academic purposes; there will be no commercial use of this data, either now or in the future.

The information collected will be stored and managed in accordance with City University's policies and processes. Additionally, as required by the Economic and Social Research Council (ESRC), the fully anonymised data will be offered to the UK Data Archive. This will enable future researchers to further analyse the data.

The fully anonymised results of this study will, primarily, be used for the completion of my Doctoral thesis. Additionally, the information may also be used for; academic publications, academic conferences, educational lectures as well as practitioner education. These publications may include fully anonymised quotes from the transcripts. At no point will you, or your organisation, be identified.

Research Support
This research is undertaken under the guidance of the Faculty of Management at Cass Business School, part of City University London. Funding for this research has been provided by the ESRC in coordination with the Society for the Advancement of Management Studies (SAMS).

For further information please contact myself, Ruth Massie, on   or
| . Alternatively, you can contact my supervisor Professor Rob Melville on

Should you wish to take part in this study, please complete the attached form.

Thank you for your time

E·S·R·C
ECONOMIC
& SOCIAL
RESEARCH
COUNCIL

Cass Business School
CITY UNIVERSITY LONDON

Consent Form for
Board Directors and Information

Please tick the appropriate boxes	Yes	No
Taking Part		
I have read and understood the attached Participant Information Sheet		
I have been given the opportunity to ask questions about the project		
I agree to take part in the project		
I agree to the interview being recorded		
I agree to the interview being transcribed by an independent transcriber who has signed a confidentiality agreement		
I understand that my taking part is voluntary; I can withdraw from the study at any time		
I require the following details to be anonymised: My name		
My organisation		
I understand that my words may be quoted in publications, reports, web pages, and other research outputs		
Use of the information provided beyond this project		
I understand that the data I provide will only be used for research purposes and will not be used for commercial gain either now or in the future		
I understand that the data I provide will be managed in accordance with City University London's Research Integrity Framework (http://www.city.ac.uk/research/research/research-integrity)		
I agree for the data I provide to be archived at the UK Data Archive		
I understand that other genuine researchers will have access to this data only if they agree to preserve the confidentiality of the information as requested in this form		
I understand that other genuine researchers may use my words in publications, reports, web pages, and other research outputs, only if they agree to preserve the confidentiality of the information as requested in this form		
Legal use of the information provided		
I agree to assign the copyright I hold of any materials I choose to provide to the interviewer, including the transcript, as part of this project to Ruth Massie (the interviewer). Please note this does not affect your anonymity or your right to use the materials.		

_____   _____   _____
Name of participant   [printed]   Signature   Date
If returning via email, the act of attaching this form to the email will be considered as electronic confirmation of your signature

_____   _____   _____
Researcher   [printed]   Signature   Date

E·S·R·C
ECONOMIC
& SOCIAL
RESEARCH
COUNCIL

11.4 Prof Cherry – Field Notes from Round One Interview

[Questions asked are in Bold]

What is your view of what the Board of Directors does?
Resolve balance between forward and control – directors dilemma

Role of Independent Director?
No such thing
Legally speaking
Throughout the Commonwealth
Nonsense
Reinforced in 2006 Companies Act
Why not obey primary law - statuary law,
How can you be independent – highly questionable
NEDs - nonsense
Director Job title - US fashion
What interests him is the people sitting round the table managing the dilemma
How diverse is the boards experience, competence
Gain experience by being on board – potential skewed experience
Doesn't use exec/non exec on his own boards, just statuary
Disconnect execs from their exec role
Separate exec/non exec contracts – statuary director contract for services
Changes attitude and behaviours around boardroom table when done
Discussions less operational and more strategic
Info flows - outward facing v inwards facing
Little rigorous outward, over doing inwards focus
Need wise chair to rebalance
Very experience he's having with a board he's currently working with; Chair getting overly operational and politically biased

Information should a Statuary board member should have?
Impossible to say
Theme of learning at board level
In, out and pull it all together
Reg Revells work (1950s)
WR Ashby (1940) sufficient diversity in Systems
Can't say information needed it's Board specific
Change: problem formulation and problem solution
Three seminal works
Double loop learning
How get them to focus on messy outside world, and how to utilise it
Board is central processor of double loop learning
Board risk being isolated if not linked in with stakeholder learning
Psychology, Social Sociology, Anthropology - where corporate governance needs to be
1930 – 60s lots of research
Everything we needed to know on effective corporate governance known by 1970s
Little/none applied
Look at codes not dynamics – not good
Curt Lewin work from 1930s

e.g. board size 4-12 group members, diversity
Absorbed unconsciously into codes

What issues to do see around Non-financial information?
Not valuable to split financial/not financial information
Most Board members don't know the financials either
Board dashboard; financials part but though not always exact
Can you think for 10-12 trend lines/ratios that the board can follow
Info Board members are comfortable with
Trends key

What do think if tools such as the Balanced Scorecard?
Useful starting content
Flaky, generalised
Personalise dashboard using double loop learning
What do we need to know about outside world?
Who are our key stakeholders?
How are our owners? More and more unclear
How are the other stake holders?
Which stakeholder have the ability to sanction other activities e.g. Gov, community,
Information flow both ways – need sensitivity
How do you make sense of the all information e.g. FT, broadsheets
Board members often have modest intellect
Gestalt out of data?
Data to information
Financial and stakeholder - easier to identify
Political world
Cope with what turns up – 90% do nothing but moan
PEST political, physical, Eco, social, social demographics, technology, trade
Framework is useful – does with his boards
How do you then make sense of it?
Broad sheet newspapers - are a PEST analysis, review with focus over the next
quarter
Next quarterly strategy day - max 4 page impact analyses on each PEST access
Then each pair moves on to the next PEST topic
Helicopter view / reframing
Reduce operational focus increase in strategy focus then seen
Then less on doing the on the execs job
There is no set information that we always need – continuously changing
Partly fixed internal but no control on external issues
Be very sensitive to the trends and possible meanings – ahead of the game

Change in boards during organisations life cycle?
Selection processes - few mature
Few have select, indication and deselection processes
Induction process - induction book and possibly a quick meeting with co sec
Immature for that board, how you deal with the board members is an issue
Code got right: board evaluation is great but checklist mentality
Do Board and then committees rarely do individual board members, just chat with
chair
External evaluators need to ask the awkward questions; but usually use established
auditors who are reliant on work
Work he does, does review individual 3 months after board and committees

Info flows?
Too much data and not enough information
Oldest trick in book – huge pile of data
Why dashboards so important - stop overload
Gov board he's work with 40-80 page times 6-10 reports per meeting
Huge board pack
2 page board papers recommend – context, propositions, options
Board members he see awash with data and miserable with it

Comment on my research
Managers manage, directors direct, board is the meeting to discuss
Optimise not maximise
Brian Pitman quotes ex Lloyds
Reasonable demands, long term and fiduciary duty
Board member not exec
Everyone had right to speak
Key words "reasonable short term demands"
Board has to be prepared to resign if short term demands over ride long term value
Remuneration issues long term health
Risk appetite – avoidance mind-set currently not to take risk
Place of risk in future
Cybernetics is important
[Colleague name] re legal issues and basis of laws

Theories – any particular one more relevant?
Increasingly stewardship because of messy ownership issues but horrible
generalisation
Stewarding for a number of competition stakeholders

11.5 Prof Cherry - Field Note Codes after Pilot Interview

Name	No of References
Behaviours - poor	3
Board size	1
Changing attitude - positive	1
Changing behaviours - positive	5
Competence	4
Consequential actions	1
Continuously changing	1
Cybernetics	1
Dashboard	4
Data to information	3
Directors dilemma	2
Disconnecting roles	1
Diversity	2
Double loop learning	4
Exec & NED naming	1
Experience	1
Financial knowledge	2
Fiduciary duty	1
Flowing information	2
Generational differences	2
Historical CG	1
Information identification	1
Informational needs	4
Interference tactics	1
Interview details	1
Interview question	9
Inwards facing information	2
Learning at board level	2
Legal positioning	3
Long term	2
Managing instead of Directing	3
Operational discussions	1
Outward facing Information	2
Reasonable demands	2
Remuneration	1
Research to follow up on	5
Risk	1
Risk appetite	1
Sense making	3
Situating CG	1
Split financial ~ non-financial information	1
Stakeholder	1
Stewardship	1
Strategic discussions	1
Trends	3
Wise chair	1

11.6 Criteria for Evaluating Grounded Theory Research

The following list is taken from Birks and Mills (2011:153)

Researcher Expertise
- Does the researcher demonstrate skills in scholarly writing?
- Is there evidence that the researcher is familiar with grounded theory methods?
- Has the researcher accessed and presented citations of relevant methodological resources?
- Are limitations in the study design and research process acknowledged and addressed where possible?

Methodological Congruence
- Has the researcher articulated their philosophical position?
- Is grounded theory an appropriate research strategy for the stated aims of the study?
- Do the outcomes of the research achieve the stated aims?
- Is a grounded theory presented as the end product of the research?
- Are philosophical and methodological inconsistencies identified and addressed?

Procedural Precision
- Is there evidence that the researcher has employed memoing in support of the study?
- Has the researcher indicated the mechanisms by which an audit trail was maintained?
- Are procedures described for the management of data and resources?
- Is there evidence that the researcher has applied essential grounded theory methods appropriately in the context of the study described?
- Does the researcher make logical connections between the data and abstractions?
- Is there evidence that the theory is grounded in the data?
- Is the final theory credible?
- Are potential applications [of the theory] examined and explored?

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