Handbook of Research Methods for Corporate Governance

Nicola Cucari

HANDBOOK OF RESEARCH METHODS FOR CORPORATE GOVERNANCE

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Preface

Corporate governance has long been criticized for being a "discipline with a narrow focus on empirical studies of abstracted variables and bereft of attempts at holistic explanations of integrated and interrelated social and economic institutions and systems" (Clarke, 2017, p. 48). Delbrigde and Keeloy (2010) point to the fact that the unreflective acceptance of management language and definitions proposed by mainstream research has promoted and supported a one-sided understanding of the functioning and governance of organizations. Research methods that allow governance scholars to go beyond the managerialist conceptions of social reality and challenge assumptions, methods, interpretations, and communication (Morten, 2019) are needed for relevant governance research. The predominant research method in a particular area may have a significant impact on the relevance of the research, and methodological sterility may reduce rigor (Filatotchev & Wright, 2017; Gabrielsson et al., 2019).

Corporate governance research can benefit from a plurality of research methodologies and traditions, like any other management discipline (Lee, 2020). There is a global tendency of knowledge creation which prioritizes "context-free methodological principles" to create "value-free, apolitical knowledge" by supposing that all contexts can be assessed in the same manner and from the same standpoint (Bell et al., 2017, p. 3). Although quantitative and qualitative empirical methods have a long history and tradition in corporate governance research (Judge, 2008; Tosi, 2008; Hambrick et al., 2008; Buchanan et al., 2014; Zattoni & Van Ees, 2012; McNulty et al., 2013), the field has been "dominated by quantitative research" (McNulty et al., 2013, p. 190). An earlier call points to the need for assessing real complexities of governance through exploratory, descriptive, or transformative studies (Bédard & Gendron, 2010) rather than through large scale quantitative studies (Ahrens & Khalifa, 2013). This dominance of quantitative research methods has limited the scope of governance research leading for example to corporate governance processes themselves being bypassed in academic research and being poorly understood as a result (de Villiers & Dimes, 2021; Parker, 2017). Innovative methods to assess broader qualitative context encompassing history, narratives, and legal, economic, and political systems can be helpful to ensure a holistic research approach to governance (Godwin et al., forthcoming). In addition, the theory of path dependence has emphasized the importance of organizational and cultural behaviors and routines in corporate ownership and governance (Esposito De Falco, 2014; Bebchuk & Roe, 1999).

Scholars in corporate governance have been asking for a change for some time (see for example Leblanc, 2004). Given the continuously evolving nature of corporate governance, there is a need for studies that can explore and describe corporate governance phenomena with due sensitivity to the novelty and diversity in which they are embedded. After all, research is not *just a question of methodology* but the selection of method implies *some view of the situation being studied* (Lee, 1992). For example, by examining shareholder theory and stakeholder theory, Ciappei et al. (2021) highlight how in corporate management the political approach is superordinate to the ethical approach. This relationship between politics and ethics is analyzed in the context of corporate social responsibility. Indeed, the research argues that corporate social responsibility is a political and not ethical fact. The ethical roots of corporate social responsibility can only be rediscovered through the enhancement of the moral dimension of management (Ciappei et al., 2021).

In this way, some research is emerging. For example, there has been consideration of "sustainable corporate governance" (Huse, 2005; Aguilera, 2005; Cucari, 2018; Esposito De Falco, 2021), taking into account that approaches which look for "good" and "effective" governing are similarly challenged (Banerjee, 2007; Clarke, 2017). Recently, one methodological innovation based on set-theoretic approaches has been adopted in corporate governance research to empirically help tackle the complexity implied by the bundle perspective on corporate governance (Garcia Castro et al., 2013; Bell et al., 2014; Cucari, 2019). In the past, some studies have already proposed to rethink corporate governance, for example, from a law and economics perspective (Pacces, 2012). Others have suggested that to answer the fundamental question "how does corporate governance work?", we need to develop an updated framework for analyzing the phenomenon, based on the ongoing debate in the economic and legal analysis of corporate governance because both law and economics are complementary tools for investigating social reality (Calabresi, 2016). Critical perspectives have emphasized all sorts of domination within the larger political and social context and the role of corporate governance in relation to emancipation (Godwin et al., forthcoming).

There is, however, still a lot to do (Jebran & Chen, 2020; Scherer et al., 2020; Gelter & Puaschunder, 2021). This handbook aims to offer a timely opportunity to explore, revisit, and critically examine new methodological insights and innovations in the corporate governance scholarship with the purpose of advancing diversity and novel theorizing in this field. In this book, we have gathered innovative corporate governance research that addresses formal structures, informal structures, processes that exist in the corporate settings, and the broader economic, political, social, and environmental context. We have also developed pathways to interdisciplinary methods and built a link between theory and practice.

In compiling this handbook, we are delighted to have recruited contributors of varying levels of seniority in academia from early career researchers who can bring fresh new ideas, to emeritus professors who can understand the limitations in existing ideas about corporate governance. Similarly, we are thrilled that the authors and the focus of their chapters provide a truly international range of perspectives that may facilitate the cross-pollination of ideas for the reader. We have organized the chapters that others have written into three broad sections of perspectives, research designs, and empirical studies.

In the first section of the book, we discuss new perspectives on corporate governance. Connors and Perchard's chapter draws attention to the factors that have led to the increased prominence of corporate governance issues over the last 30 years. Connors and Perchard argue that the field is now sufficiently mature to use a historical perspective to promote plurality of theory. Their chapter reviews some of the theoretical, empirical, and methodological work that contributes to such a pluralist future. The chapter by Mastroberardino and Calabrese follows logically from Connors and Perchard's chapter in that Mastroberardino and Calabrese challenge the limited number of theories that have dominated understandings of corporate governance hitherto for their tendency to make a number of general assumptions. Instead Mastroberardino and Calabrese employ the idea of dynamics from within institutional logics to put forward a situationist view of organizations that requires an understanding of corporate governance issues in their proper context, rather than being deduced from prior generalizations. Mastroberardino and Calabrese argue that qualitative research methods are most suitable for such explorations. The final chapter in this section is by De Loo and Letiche. They argue that ethics in governance and ethics in research about governance interact. They examine a flat ontology of recognizing the interrelatedness of every party involved in the foci of a research project as well as the researcher and not privileging one party over another. De Loo and Letiche use a case study of an organization in the Netherlands that purports to be ethical to examine the practicalities of pursuing the idea of a flat ontology. They conclude that while flat ontology may be a useful ideal, it cannot be realized in practice as there are inevitably choices made that will privilege some interested parties over others.

In the second section of the book, we include chapters that focus on new research designs. Hamidi and Khlif develop the idea and model of what they describe as a practicholar research design: in effect, one that builds on the respective realities of practitioners and academic scholars and helps them to co-create knowledge. Using ideas about phenomenology to show how practitioners and scholars will have different experiences and drawing on a Delphi methodology that engages with expert practitioners in an iterative way, Hamidi and Khlif propose their practicholar research design, and they show how this contrasts with traditional approaches to research. Banerjee's chapter proposes engaged scholarship as an innovative way of researching corporate governance. Pointing to the way that much corporate governance research is dominated by the assumptions of agency theory, quantitative methods, and logical-positivist assumptions, Banerjee highlights that practitioner communities have their own idiosyncrasies, and to realize meaningful engaged scholarship that captures such knowledge it is important to include practitioners in the process of formulating problems to research, building theory, designing research, and solving problems. Banerjee illustrates—and draws lessons from—the approach by reference to his research into boards of social enterprises. The third chapter in this section of the book by Huse and de Silva articulates an approach that has some overlap with engaged scholarship, namely that of polymorphic approaches in order to co-create research. As its name suggests, polymorphic approaches may take many forms, and Huse and de Silva illustrate how bringing different ideas, forms, and people together can generate innovative approaches in research. Huse and de Silva's chapter includes consideration of innovative research insights, innovative research strategies, innovative forms of dissemination, and innovative forms of presentation including using a dialogue to present reflections. The final chapter in this section of the book is provided by Karatas-Ozkan, Baines, and Grinevich. They point out that there have been recent aspirations to democratize governance to create strong relationships between organizations and their range of stakeholders. Karatas-Ozkan et al. argue for the adoption of participatory action research as a means of working with practitioners to define and articulate a more inclusive and sustainable form of corporate governance.

In the final section of the book, we include chapters that address empirical research on corporate governance. Some provide innovative empirical studies. The first chapter in this section by Mastroberardino, Calabrese and Bianco reprises Mastroberardino and Calabrese's institutional logics and situationist view of organizations from the chapter in the first section of the book, and they utilize that analysis to examine the evolution of corporate governance in America from 1960 to the end of the second decade of the twenty-first century. They divide the period into two, first the emergence, prevalence, and institutionalization of corporate governance around the prioritizing of shareholders in the twentieth century and then the emergence of a broader stakeholder logic in corporate governance in the twenty-first century. The next two chapters focus on research topics that have been largely unexplored in corporate governance research. Gangi, D'Angelo and Daniele's chapter addresses the relationship between corporate governance and social and environmental performance. They focus on the pharmaceutical and biotech industries which they report have the potential to affect the health of populations to a much greater extent than others that sometimes receive more attention such as tobacco. Their empirical study generates some interesting findings on the relationship between board size, gender representation, and executive remuneration to social and environmental performance. Iwashita-da-Silva and Bulgacov's chapter focuses on an issue related to social and environmental performance that has been neglected in corporate governance research, namely the sense of organizational injustice that arises from inequitable rewards to non-director level employees. Noting that the disparity between executives and non-executives has increased markedly over the last 30 years, Iwashita-da-Silva and Bulgacov draw on stakeholder theory and traditional justice research that promote the concept of fairness to highlight injustices experienced by employees in the advertising industry in Brazil.

Sorola's chapter is innovative for its use of a Q methodology to conduct a deep understanding of what individuals think of politically contentious issues in corporate governance. Sorola's chapter outlines the stages of applying a Q methodology in creating a set of political statements for research participants to sort that are followed by interviews in which the researcher seeks to understand the responses. Sorola illustrates these stages by reference to a study that sought to understand the political frontiers of understanding of different accounting students, academics, and practitioners in Aotearoa, New Zealand. Sorola's chapter highlights the stages in the process when productive tensions in the application of Q methodology may arise to provide new insights, and he suggests areas of corporate governance where the Q methodology may be employed usefully. Oliveira, Khan, and Korac-Kakabadse's chapter is innovative for the way in which they apply digital technology to the study of corporate board level phenomena. Although their underlying methods are conventional qualitative ones in the form of interviews to collect evidence and thematic analysis of that evidence, Oliveira et al. show how to use digital technologies to identify interviewees and conduct and analyze interviews.

Pugliese et al. conduct a literature review to explore how corporate governance researchers are now exploring "the Black Box of Boardroom Dynamics" which had previously been dominated by quantitative research that measured only inputs that produced outputs from boardroom behavior and theorized from such comparisons. Pugliese et al. report on how the use of qualitative and mixed methods research is becoming increasingly commonplace when researching boardroom behavior, almost to the extent of matching the number of studies that use quantitative research. Pugliese et al.'s review reports on a range of studies that used one or more of interviews, archival methods, and direct observations. The next two chapters in this section try to bridge the gap between more conventional studies of corporate governance and the innovative approaches promoted in this collection. First, Alajmi and Worthington's chapter addresses a number of issues that are often found in the corporate governance literature, such as the impact of International Financial Reporting Standards, the global financial crisis, and remuneration and accounting systems. However, Alajmi and Worthington's chapter is innovative in three important ways. Firstly, unlike the majority of empirical studies in corporate governance that utilize quantitative methods, Alajami and Worthington employ semi-structured interviews to collect evidence. Secondly, they explore corporate governance issues in the little-researched country of Kuwait. Thirdly, Alajmi and Worthington explore the influence of important contextual considerations of tribal arrangements, religion, politics, and culture on corporate governance in Kuwait. Chen, Danbolt, Holland, and Lee's chapter also utilizes a range of characteristics not generally found in corporate governance research. In effect, Chen et al. utilize the resources-based view (RBV) of organizations in place of agency theory, an underlying philosophy of critical realism in place of logical positivism and a mixed-methods approach in which qualitative, in-depth interviews are dominant instead of quantitative techniques alone. They explore the usefulness of the RBV approach by investigating the ways in which intangible resources may influence the performance of banks. Chen et al.'s study utilized critical realism with its recognition of the existence of an external reality to use quantitative measures of performance with interviews to ascertain human composed frames of reference for what constituted the important intangible assets.

The chapters in this book revisit the quantitative-qualitative research dichotomy, advance practices of quantitative and qualitative research, and challenge the divide between these two methodological approaches. They also revise mixed methodologies in corporate governance research and suggest meaningful combinations of quantitative and qualitative research.

They also propose innovative approaches regarding research designs and practices including data collection, sampling, and analysis in corporate governance. More generally, contributors in this book join critical discussions and debates in corporate governance, which can help advance scholarship on several fronts.

We hope this work will induce us to reconsider existing debates, standards, and practices to facilitate improvements and also to move beyond existing paradigms and understanding, which can advance corporate governance research. In particular, we encourage corporate governance scholars to delve beyond the narrow field of corporate governance to identify alternative and novel research methods.

All chapters in the different sections provide illustrations of ways of conducting innovative research in the field of corporate governance. We hope that they each tempt other researchers to diverge from the positivist, quantitative research informed by agency theory that has dominated corporate governance research in the past, to help in creating corporate governance as a field in which the challenges facing modern organizations may be addressed.

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PART I

NEW PERSPECTIVES ON CORPORATE GOVERNANCE

1. Employing historical methods and perspectives in corporate governance

Duncan Connors and Andrew Perchard

INTRODUCTION

Corporate governance emerged as a defined field of study in 1972 (Occasio and Joseph, 2005; Cheffins, 2012). The discipline is relatively youthful and was dominated by a focus on the US until the early 1990s, when a growing interest emerged in the UK prompted by the Maxwell scandal and the Cadbury Report of 1992. A decade later emerging scandals at Enron, WorldCom, Tyco International, and in banks and financial services (such as Lehman Brothers and Royal Bank of Scotland) during the financial crash of 2007–2008 renewed interest in the Sarbanes–Oxley Act (2002) and the Higgs Review (2005) in the US and UK respectively. These events highlighted the limitations of corporate governance research that focused solely on measuring compliance, failing to account for socio-economic context and political dynamics (Aguilera, 2005). Over the last decade, prominent management journals, as well as the two leading journals, in corporate governance, *Corporate Governance* (CG) and *Corporate Governance: An International Review* (CGIR), have charted the transformation of the field from the dominance of a positivistic quantitative approach to a pluralistic discussion of theory and methods (Tihanyi et al., 2014; Boyd et al., 2017; Filatotchev and Wright, 2017; Cucari, 2019). Pioneers who charted the field's emergence (Ocasio and Joseph, 2005; Cheffins, 2010; Morck and Steier, 2005) acknowledge the need for greater plurality within the field explicitly located within the discourse of a range of other disciplines (economics, law, philosophy) that have far longer antecedent discussions of matters of corporate governance.

In this chapter we explore the vital contribution that history has to offer to understandings of corporate governance. The potential for new approaches and paradigms for the field in conjunction with other disciplines is immense, and we will not only add history to the debate but point to other subjects that are of relevance. We locate the importance of historical understanding within calls for a greater plurality of approaches in corporate governance research. We discuss what constitutes historical research, the methods and perspectives and how history has been applied within other branches and fields of business and management studies. We demonstrate that history provides the opportunity to add both contextual nuance and a pluralistic understanding to the foundations of systems to test, modify and develop new conceptual understandings of corporate governance. As John Maynard Keynes (2017 [1936]) acutely observed (p. 190):

> The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood . . . Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from their academic scribbler of a few years back.

History, therefore, can contribute vital insights to the exploration of the foundations of corporate governance. Corporate governance was evident in the activities of merchants, guilds and the chartered companies set up in medieval Europe, and this has led to broader questions about the role of business ethics in the evolution of commerce within society (Casson and Casson, 2019). Transatlantic traders in the eighteenth and nineteenth centuries relied heavily on socially embedded understandings of trust and propriety in their business networks (Haggerty, 2012; Popp, 2012; Barker, 2017). The collapse of the Medici Bank in the 1400s, the Scottish Darien Scheme in the 1690s, the Wall Street Crash of 1929 and subsequent world-wide depression, the collapses of European and North American banks in 1974, the financial crises in emerging markets in the 1990s and the financial crisis of 2007–2008 provide numerous examples of commercial scandals and business malfeasance throughout history. As Phillip Cottrell (1980) noted of Britain alone, following the introduction of laissez-faire legislation between the eighteenth and mid-nineteenth centuries, it had ‘the most permissive commercial law in the whole of Europe’ (p. 41). After a spate of financial scandals between the 1860s and 1890s, including the first Barings Bank crisis of 1890 (followed a little over 100 years later by its collapse in the early 1990s), Britain introduced legislation in the first half of the twentieth century (1900, 1929, 1939, and 1947) intended to induce greater corporate accountability (Ireland, 2010; Game et al., 2020). Public outrage at monopolisation, corporate malfeasance and the buying of political influence in the US in the late nineteenth century also influenced the growth of antitrust legislation (Sherman Act, 1890; Federal Trade Commission Act, 1914; Clayton Act, 1914). This sought to introduce far greater regulatory scrutiny and corporate accountability to restrict the rampant and at times exploitative brand of capitalism operating in the US at this time. The development of antitrust law and rhetoric in the US then profoundly influenced policy and corporate scrutiny in Western Europe and Japan after 1945 (Freyer, 1992; Mercer, 1995; Wells, 2001).

History can add a forensic level of analysis to the traditional preoccupation within corporate governance with financial probity, compliance, corporate scandals around occupational and public health, bribery and corruption. Additionally, history provides alternative studies of business ethics, further demonstrating the contribution to be made (e.g., Tweedale, 2000; Warren and Tweedale, 2002; McCulloch and Tweedale, 2008). This has been underlined recently by the growing body of work commissioned by private and public sector organisations investigating their historic links to the transatlantic slave trade (e.g., University College London, 2009–2015; University of Glasgow, 2018).

CORPORATE GOVERNANCE, ITS ECONOMIC ADHERENTS AND HISTORY

Over the past three decades, history has been identified as providing case studies relevant to the wide range of business and management subjects. Indeed, this allows for an in-depth study of causality and also of testing, modifying and building theories, addressing calls for greater pluralism (see, for example, Aldrich, 2012 [entrepreneurship]; Welch et al., 2011, 2022 and Buckley, 2020 [international business]; Keiser, 1994, Rowlinson et al., 2014, and Maclean et al., 2016 [organisation studies]; and Ericson and Melin, 2006, and Vaara and Lamberg, 2016 [strategy]). Pluralism adds to our understanding of business and management and corporate governance. It provides an opportunity for revisiting and scrutinising the foundational ideas, approaches and language used in the field. It allows for the development of juxtapositions and intersections between a multitude of diverse subjects. As philosopher Bertrand Russell (1948, pp. 5–6) observed, our approach to knowledge 'is like that of a traveller approaching a mountain through a haze: at first only certain larger features are discernible and even they have indistinct boundaries, but gradually more detail becomes visible and edges become sharper'.

Following the corporate scandals of the early 2000s, many important contributions to the corporate governance literature noted both the methodological disconnect between the study of internal systems of control and those focused upon the business ecosystem. In their study of the intersections between corporate governance and labour management, Howard Gospel and Andrew Pendleton (2005) reminded their readership that corporate governance is embedded in national business systems and varieties of capitalism, in which formal and informal institutional rules determine the type of regulatory measure in response to business culture and social expectations, for example, the dual supervisory and executive board arrangements in ordoliberal European nations versus the single corporate board interacting with shareholders in the Anglo-American system. Gospel and Pendleton were sharply critical of the principles underlying economists' approaches to exploring the subject, citing their objections to the 'reductionism' of the 'principal-agent' model (p. 4), given its exclusion of key meso level actors (such as labour), relationships (between investors and managers) and the complexity and diversity of interests at play. Gospel and Pendleton's critique reflected the focus of economists since the quantitative revolution of the 1960s on numerical measures and relationships at the expense of the wider context (Stigler, 1984; Heilbruner, 2004). This critique echoed wider concerns expressed by economists at the narrowing of the economics curriculum and research agenda within business and management schools and economics departments, peripheralising institutional economics and the history of economic ideas, especially in the UK and the US but also more broadly (see, for example, Hodgson, 1996, 2001, 2020; Bögenhold, 2020). This is ironic as economics has a long and distinguished German historical school which led on from Aristotle and Hume (1978 [1740]), which research could draw inspiration and ideas from, including notable members such as Max Weber (1923), Albert

Schumpeter (1954) and Karl Polanyi (1944). The intellectual exclusion of these theorists and others within the historical field may be due to the eschewing of simplified positivistic methods and the rejection of theories concerning self-regulating markets, indeed any mention or discussion of the socio-economic political context. The underlying reasons for this impoverishment of economics in the UK at any rate provide a good deal more insight, as Frederic Lee (and Sandra Harley) outlined in a series of papers exploring the effects on research assessment exercises introduced in UK universities (Lee and Harley, 1997). As Lee noted in a follow-up a decade later (2007, p. 322):

> The RAE [Research Assessment Exercise, the precursor to the current Research Excellence Framework (REF), which takes place every five to seven years] is essentially driven by the pro-market ideology adopted by the Thatcher, Major and Blair administrations since 1980 that universities are, or should be, like business enterprises, wealth creators as well as supporters of enterprise culture and responsive to the needs of industry . . . Mainstream economists also used the RAE to achieve a discipline-desired outcome that was (and is) compatible with the Government's pro-market ideological agenda—that of making economics an uncontroversial market-supporting discipline by promoting only a single paradigmatic view and eliminating dissent.

The narrowing of the economics curriculum and research agenda, especially in UK and US universities (but in other countries too), has evident implications for corporate governance and other business and management subjects. This underlines the importance of interrogating the foundations of corporate governance studies and the need for greater plurality, challenging a prevailing orthodoxy that can be inherently reductionist.

Randall Morck and Lloyd Steier (2005) echoed Gospel and Pendleton's critique of the limitations of economists' reductionism within corporate governance, urging greater sophistication in the consideration of institutional environments, stating: 'Different countries' economies are organized in very different ways, and corporate governance—that is, decisions about how capital is allocated, both across and within firms—is entrusted to very different sorts of people and constrained by very different institutions' (p. 2). Their edited collection was the first significant contribution to champion the use of history in corporate governance. It sought to extend the geographical focus of the corporate governance literature beyond Anglo-American studies to include those of Canada, China, France, Germany, India, Italy, Japan, the Netherlands and Sweden, as well as the ubiquitous UK and US model beloved of business educators. In buttressing the comparative business systems (Goldthorpe, 1984; Herrigel, 1996; Lazonick, 1991; Piore and Sabel, 1984; Whitley, 1999) and Varieties of Capitalism (Hall and Soskice, 2001; Hall and Gingerich, 2009) literatures, they implicitly reinforce a key intrinsic limitation in both sets of literature in their geographical focus, the tendency to ignore the cultural dimensions of Douglas North's institutional analysis, and the dynamics of historical context (Howell et al., 2003; Hancké et al., 2008; MacKenzie et al., 2021). As William Lazonick and Mary O'Sullivan (2000) reminded readers (p. 14):

> In the so-called Anglo-Saxon economies of the United States and Britain, the exclusive focus of corporations on shareholder-value is a relatively recent phenomenon, having risen to prominence in the 1980s as part and parcel of the Reaganite and Thatcherite revolutions.

Morck and Steier's collection underlines the importance of the understanding of historical and geographical variations and historically sensitive perspectives by demonstrating what happens when such factors are excluded; by commissioning predominantly economists and finance scholars conditioned by Friedman's oft-quoted maxim concerning the sole social responsibility of business being to make a profit (Friedman, 1962, 1970) to write a collection focusing on family business history, discussions of historical, change, nuance and complexity were muted.

In the following decade a growing number of critical voices have called for a plurality of methods and approaches in conceptualising corporate governance. In a recent collection collated by the leading journal *Business History*, editors Barnes et al. (2022) aver that: 'Those working on corporate governance and company law in a contemporary setting have often used historical lenses to consider how these subjects have developed through time and space'. We are less optimistic in our analysis of the way in which corporate governance scholarship has engaged with historical perspective. Indeed, we consider that history has been almost absent from the debate about encouraging greater plurality within the corporate governance scholarship (Morck and Steier, 2015, and Tricker, 2015, remain notable outliers). Since the millennium there have been no examples of historical work within the field's masthead journals, *Corporate Governance* and *Corporate Governance: An International Review*. Brian Cheffins perceived in 2010 that little had been done to rectify this lacuna (p. 87):

> Academics from various disciplines have sought to explain and evaluate the reorientation of corporate governance along Anglo-American lines, with contributions being made by individuals based in economics departments, business schools and law faculties. The literature, however, is largely ahistorical in nature.

This does not wholly reflect the situation as corporate governance research with varying degrees of historical content has been published in other mainstream business and management journals, including *Accounting, Auditing & Accountability Journal* (Price et al., 2018), *Economic and Industrial Democracy* (Smith et al., 2019) and *Journal of Business Ethics* (Heath and Norman, 2004). However, the overall omission of historical perspectives and methods is glaring for a number of reasons. First, there is a vast historiography published on corporate governance in accounting, business, economic and financial history journals, as highlighted by results from the indicative search (see Table 1.1), and a long tradition of historical input in areas such as entrepreneurship, international business and strategy.

A significant tranche of that scholarship has tended to centre on company ownership, joint stock companies and interlocking directorship. At the time of writing, a newly published edited collection is seeking more explicitly to bridge the gap between the corporate governance and business history literatures (Colli and Sogner, 2021).

Table 1.1 Corporate governance articles in key business, economic and financial history journals, 2000–2021

Journal	Results
Accounting History Review	263
Business History	1297
Business History Review	970
Economic History Review	486
Enterprise & Society	342
Financial History Review	176
Management and Organizational History	178

Second, the omission is more notable given the expansion of the historical perspective in other business and management subjects in the last decade, with special (historical) issues in many of the top-ranking international journals: *Journal of Management Studies* (2010), *Organization* (2014), *Academy of Management Review* (2016), *Organization Studies* (2018), the *Strategic Entrepreneurship Journal* (2020) and the *Strategic Management Journal* (2020). In addition, the Academy of Management, the British Academy of Management and the European Group for Organizational Studies all have well-established pathways and research groups around business and management history.

HISTORICAL PERSPECTIVES AND METHODS

The broader 'historical turn' within business and management studies demonstrates the potential of both historical perspectives and methods to address some of the key methodological and conceptual challenges that have arisen within corporate governance.

We now continue by discussing the importance of historical methods and perspectives and provide definitions of the techniques involved. As Berridge and Stewart (2012) noted more broadly of the deployment of history within the social sciences (p. 51):

> One of the dangers of using history is that the field can be crowded. History is perhaps unusual as a discipline in that many people think they can practise history without formal training or understanding. Historical examples are plucked out of the air to provide 'context' or to show that 'nothing has changed' or that there are 'historical parallels'.

Historians have often not been sufficiently explicit about the methods they employ and what constitutes historical perspectives for those working outside the discipline. This is a situation which needs to be remedied. This tendency is characteristic of a discipline traditionally referred to as a 'craft', as the French historian and founder of the Annalist school, Marc Bloch, termed it (1992 [1953]). However, that guild-like approach to passing on the craft presents problems when engaging with social scientists (Decker, 2013; Perchard et al., 2017) who are used to a transparent discussion of epistemology and methods and may see history as merely a chronological evolution of their existing method. Any further discussion of historiography is seen as a foray into a philosophical 'dark art' far removed from their traditional methodological approaches.

What is it to think historically? What do historical methods involve? The distinctive epistemology of historical methods, broadly described as 'historiography', outlines for the business researcher the interpretative skill set that can be linked with a range of subjects within the wider context. Whilst modern history has been predominantly empirical in its tendencies, influenced profoundly by the German historian Leopold Von Ranke (1795–1886), as in the social sciences, understanding the writing of history starts with a statement of the ontological predispositions of the historian. As the Cambridge historian Edward Carr outlined in his influential lecture in 1961 (p. 12):

> Study the historian before you begin to study the facts . . . When you read a work of history, always listen out for the buzzing . . . The facts are really not at all like fish on the fishmonger's slab. They are like fish swimming about in a vast and sometimes inaccessible ocean; and what the historian catches will depend partly on chance, but mainly on what part of the ocean he chooses to fish in and what tackle he chooses to use – these two factors being, of course, determined by the kind of fish he wants to catch.

Channelling the provocative 1973 calls to arms by the American postmodern historian Hayden White, fellow Cambridge historian Richard Evans (2001) noted (p. 71), 'If history is interpretation, if history is historians' work[s], then historiography is what the "proper" study of history is actually about'. This is because history is a discourse; a 'congealed interpretation' of the facts within a wider context is a core skill of the historian. Pivotal to that interpretation of events is the historian's nuanced understanding of the complexities of historical context and change and their analysis of sources. The appreciation of historical context and change alongside the complexity of causality and contingency are core perspectives within the historian's toolkit, the five Cs of historical perspective as Thomas Andrews and Flannery Burke identified (2007). That understanding of historical perspectives is essential to grasp before approaching historical sources.

Historical research has tended to employ a more inductive reasoning in building broader but nuanced understandings from the specific details. This has principally involved the examination of archival records (business, government and personal archives covering corporate papers, minutes, accounts and government reports, as well as personal correspondence and photographs and other artefacts), published historical texts (company annual reports, legislature records, public enquiries), historical newspaper databases and oral histories. In exploring primary sources, historians are trained to read between the lines and contextualise those artefacts. As Ludmilla Jordanova elaborated (2000, pp. 85–86): 'texts are not transparent documents but elaborate creations, parts of discourses and hence implicated in the nature of power . . . [They] tell us not what happened but what witnesses and commentators *believed*'.

Expanding upon Jordanova's (2000) and Evans's (2001) invocation of Hayden White, the historical method of approaching source material is directly relevant to the study of corporate governance and other fields in the study of business and management. Historians are conditioned to think of historical source material in primary and secondary terms, which is reflected in our use of primary and secondary data within the social sciences. This approach stems from Leopold von Ranke's nurturing of an apprenticeship within a discernible historical profession (Burrow, 2007). Through the use of archival and written material, a historian would follow a set pathway of analysing a document's 'provenance' and its inherent validity, merits or lack thereof, deliberating as to whether a document is primary, first hand, or secondary, a distant recounting of events. This has been described by Richard Evans (p. 19) as 'the basic Rankean spadework' that all historians have to engage in during their research. That 'Rankean spadework' embodies the empirical foundations of the modern historical craft. However, historiography also addresses the nature of the text itself, source criticism, both analysing the language and interpreting its meaning, which is described as 'high criticism'. The historian is also expected to consider the context in which the words were written, 'low criticism', and to interrogate the veracity and authenticity of any given source. Historians consider whether a hidden text abounds within a statement which superficially may seem straightforward, or whether a statement reflects the prevailing orthodoxy, or *gestalt*, of the time in which it is written and not the true beliefs of the author. Similarly, both as a result of excluded voices and gaps in records, the historian may often interrogate the silences (Decker, 2013). This has both research and pedagogical uses as it alerts the researcher to proceed carefully and judiciously with sources rather than taking any statement at face value; and to interrogate motives and the constrictions of the socio-economic context on the author(s). Habib's (2005) exploration of literary criticism and the intellectual development of these tools offers great utility to business and management scholars, providing instructive examples of how texts presented verbatim may not represent an entirely faithful picture. This is what David Hume (1978 [1740]) described as 'object-hood': the bundle of characteristics that describe a 'thing' be it an object, person, event or other entity with defined characteristics. In the study of corporate governance, this historical and philosophical view would allow for a wider, more pluralistic engagement with the object of attention and our approach towards studying its characteristics.

In what follows, we explore the relationship between history and business and management studies and how history has been deployed with the latter, including around such salient themes as shareholder vs stakeholder capitalism. We then explore ways in which historical studies have added further elaboration in particular areas of corporate governance, which would profit from greater nuance and understanding, such as board composition and diversity (and impacts on governance and strategic decision-making and culture), business ethics and ultimately debates around stakeholder and shareholder capitalism.

HISTORY WITHIN BUSINESS AND MANAGEMENT STUDIES

The relationship between business history and business and management studies has a long and illustrious past. Business history and international business (IB) and strategy, in particular, have enjoyed long relationships. Indeed, the preeminent business historian Alfred D. Chandler Jr. (1918–2007) was considered by Richard Whittington (2008, p. 267) to be the 'Founder of Strategy', while Peter Buckley described (2009) business history and IB as 'cognate disciplines' (p. 309). However, that relationship between business history and business and management studies is complicated by fundamental ontological, epistemological and methodological distinctions between history and such subjects as entrepreneurship, international business (IB), organisation studies and strategy.

John Wilson (1995, pp. 1–2) described 'the main aim of business history' to be:

> to study and explain the behaviour of the firm over long periods of time, and to place the conclusions in a broader framework composed of the markets and institutions in which that behaviour occurs. On a general level, business history can also provide a dynamic insight into the evolution of capitalism, bringing a comparative element to the field which can draw on material from firms, industries, or national groupings of businessmen.

A little more than 30 years before, Arthur Cole (1962), the Harvard economic historian and founder of Harvard Business School's Research Center in Entrepreneurial History, stressed the distinction between company histories and business history as being analogous to distinction between 'any one architectural style and "architecture"' (p. 102), supporting the continuous development of entrepreneurial history but as part of a 'rather diverse rainbow of relationships and themes' (p. 106).

Given the persistence of a broad interpretation of business history, the relationship with the epistemology of historiography and historical method is all important and researchers in the field require a fundamental comprehension of the complex and fluid nature of the historical content. Therefore, why does history matter, and what can it offer to the study of corporate governance? Beyond the ever-present trite repetition of Georges Santayana's maxim about those forgetting the past being forced to repeat it, we consider the insight gained by a management scholar from appreciating the complexities of causality, time and the contingent and changing nature of the historical context and the interpretative tools to hand which the historian uses to good effect. As business historian Jeff Fear (2014) observes, analysis without an appreciation of temporal comparisons, as well as those of place and space, is necessarily constrained:

> If one only examines everyday occurrences at one point in time without a comparative sense of time and space, the danger is that one develops universalizing theories based on the present, or at one period of time in one culture, missing the 'time bound' and 'place bound' dimensions of theory. By targeting those crucial events, identifying controversial internal debates, or tracing the more subtle but organizational shifts over time, we might mine yet more insight into this double-looped learning process, which cannot be captured as abstracted variables or causes that eliminate human behavior and time.

This chapter proposes a 'pluralistic understanding' between history and business and management studies that is allied to the 'contextual sensitivity' and 'theoretical fluency' identified by Maclean et al. (2016). This could offer the sort of insights and tools for theory building, testing and modifying that IB and strategy scholars have identified as a fundamental use of history (Buckley, 2009; Reveley and Ville, 2010; Vaara and Lamberg, 2016). This marriage of 'contextual sensitivity' with 'theoretical fluency' has long been recognised within history to the extent it is accepted implicitly by historians in the thickness of historical analysis and discussion. In *The Poverty of Theory*, social historian Edward Palmer Thompson (1978) encouraged 'a dialogue between concept and evidence, a dialogue conducted by successive hypotheses, on the one hand, and empirical research on the other'. As the late historical sociologist Philip Abrams noted profoundly about the social condition (1982, p. 3): 'the social world is essentially historical. Process is the link between action and structure'. However, that relationship needs to be, as social historian Gareth Stedman Jones (1976) warned, a respectful one with a critical appreciation on both sides. The new 'organisational history' that has emerged, jointly drafted by organisation studies scholars and historians, has led to calls for a 'dual integrity' and a 'pluralistic understanding' between the disciplines (Rowlinson et al., 2014; Maclean et al., 2016). However, within business history, there have been repeated concerns about the discipline losing its identity and grounding within history (see, for example, Cassis, 2008; Toms and Wilson, 2010); as banking historian and former president of the European Business History Association, Youssef Cassis (2008), advocated (pp. 3–4):

> I would like business history remaining firmly grounded in the historical discipline and the historical method. Conversely I wouldn't like business history becoming a subfield of business and management studies in the way that economic history, or part of economic history, has become a subfield of economics and is running the risk of fading into oblivion.

The oblivion for business history would be that the vital contribution made by the use of the historical method becomes diluted to satisfy the needs of the prevailing orthodoxy within the study of business and management; history is of use precisely because it exists as a separate field outside of the prevailing and accepted ways of working within a particular discipline. Its existence outside the gestalt of business and management allows a contribution to a more pluralistic approach than would otherwise be the case. The engagement of history with business and management studies, indeed the social sciences more broadly, indicates this discourse is burgeoning and remains vital.

IN SEARCH OF PLURALITY: CORPORATE GOVERNANCE AND BUSINESS HISTORY

Where then does this leave corporate governance? The potential offered by history to corporate governance is identified in the criticisms that key figures in the field like Igor Filatotchev and Mike Wright (2017) have noted (p. 456):

> However, many governance studies have often just focused on measures relating to the percentages of independent versus affiliated directors on boards, perhaps because of an over-emphasis on the monitoring of management (accountability) dimension of governance. Similarly, studies that do encompass board diversity tend to be limited with respect to what they mean by diversity, for example a simple measure of the presence of women on boards or of ethnic representation. These approaches are too simplistic both for studies of listed corporations and especially for governance studies relating to entrepreneurial firms. Based on our experience, we suggest that studies often fail to look in a fine-grained way at the human and social capital of boards which may be important both for monitoring and adding value.

They further prescribed 'qualitative research . . . based on using rich research and governance-related documents at the firm's level' (p. 459). This echoes Richard Leblanc's (2004) criticisms made 13 years before in which he noted the 'white noise' around corporate governance and the lack of substantive empirical evidence. Nicola Cucari (2019) criticised 'the application of linear models', which 'seems to be inappropriate for addressing the complexity of this new era, thus raising new questions regarding managerial roles, organizational contexts in governance overtime' (p. 718). As Filatotchev and Boyd noted (2009), whilst advancements have been made, not least in expanding the geographical scope and understanding of dynamics within corporate governance, recent contributions suggest the literature requires an empirical base that is richer and more nuanced, with an understanding of the institutional environments and social dynamics at play within a changing context. Reiterating the core message of this chapter, as per the definitions provided by Wilson and Fear, the epistemology of historiography found within the field of business history is a way of addressing the calls within the corporate governance literature for a nuanced complexity across a range of institutional and organisational contexts that straddle the nexus of socio-economic and political relationships with the wider world of business and management. This fits with Decker et al.'s (2015) suggestion of a broad church within business history while maintaining the subject's engagement with but independence from business and management studies.

How then do we foster this 'pluralistic understanding' and the sort of 'context integrity', as called for by Maclean et al. (2016) and Rowlinson et al. (2014)? A way forward has been outlined in explanations of historical methods and perspectives for business and management scholars by Decker (2013) and Perchard et al. (2017) who have explored the challenges of archival research and discussed historical methods and perspectives. Recent studies have sought to bridge the gap between the disciplines with an express relevance for corporate governance. They point to the ways in which contextual integrity and theoretical fluency might be achieved, utilising the Rankean tools alluded to by Evans (2001, p. 19) to develop a dialectical approach to evolve history beyond a tautological view of corporate governance and encompass more pluralistic and evolved viewpoints.

One inevitable area in which historical perspectives and methods have been deployed to test and modify theory is around discussions of shareholder vs stakeholder capitalism and the origins of the corporation. Examples of such recent work include Smith et al.'s exploration (2019) of the rejection of industrial democracy by US firms and the rise of managerial ideology as expounded in Berle and Means (1932) in *The Modern Corporation and Private Property*. This they contrast both with US firms' experiments with industrial democracy in the first two decades of the twentieth century and with what they view as the far greater prevalence of experiments in cooperation in European firms. Colli and Sogner (2021) bring together a valuable collection of historical studies of the development of corporate governance principally in Asia and Europe. In recent papers on British management ideas between the wars, Maclean et al. (2020) uncover far greater openness to new management ideas amongst British managers with significant implications for our understandings of the historical evolution of corporate governance. They explored the influence of the lecture series and management research groups initiated by Quaker industrialist Seebohm Rowntree in developing a notion of 'business as service' as the discernible roots of corporate social responsibility, distinct from the scientific management and human relations schools within British management from which power, authority and legitimacy stemmed (Maclean et al., 2022). Perchard and Gildart (2022) explore such notions of a service culture amongst managers and how this affected the promotion of management ideas and governance within nationalised corporations and how diverging ideological traditions (informed both by the changing politics of industry and that of society) led to clashes between managers and with government. Such ideas were profoundly shaped by changing context and wider social structures, as well as experiences of wartime service and the operation of elite networking oiled by social and cultural capital. Maclean et al. build on this important work on business elites and corporate governance in both Britain and France (Maclean et al., 2005; Harvey and Maclean, 2008), drawing heavily on Pierre Bourdieu's work on social capital and networks (1983, 1985). Similarly, Perchard and MacKenzie (2021) attend to the importance of historical perspectives of changing context and complexity combined with testing to explore the influence of context, networks, capital and social selection on boards and the influence of such narrowing of diversity on the management of the firm and contingent outcomes.

Such emerging work demonstrates the potential of the application of a 'dual integrity' and pluralism in approaches, combining historical methods and perspectives with theoretical fluency to interrogate the foundations of corporate governance and evolve ideas, building on the calls of Leblanc (2004), Morck and Steier (2005), Filatotchev and Wright (2017) and Cucari (2019) for greater pluralism and empiricism in the field. Indeed, it reinforces the need for a 'higher' and 'lower' critical approach to the analysis of source material within corporate governance to question the veracity of the source as it is presented and the context within which it was created. This is amply illustrated by the work of Smith et al. (2019) and McLean et al. (2020) on specific conditions in corporate management across national and cultural boundaries.

CONCLUSION AND FUTURE AVENUES FOR EXPLORATION

Emerging work incorporating historical methods points to the potential for productive future research agendas and the broadening of the scope of corporate governance research. Historical research offers potential for supporting the calls for greater plurality in the field of corporate governance and for interrogating its foundations and distinctive approaches by combining historical perspectives and approaches to conceptual understandings of capital, power or ideology to name but three relevant areas. To achieve this an understanding of what it is to think historically and what constitutes historical methods is imperative. In particular, comprehending the centrality of changing historical context, contingency and complexity to historical perspectives is every bit as significant as the methods traditionally employed by the historian. More specifically for the application of history within corporate governance, there is now a body of literature associated with the 'historic turn' in a number of business and management subjects that can help with developing such understanding (Decker, 2013; Rowlinson et al., 2014; Bucheli and Wadhwani, 2014; Maclean et al., 2016; Perchard et al., 2017). Indeed, emerging studies integrating history demonstrate the ability of historical research not just to contextualise but to interrogate and build theory.

As work by Harvey and Maclean (2008), Maclean et al. (2005, 2016, 2020, 2022), Perchard and MacKenzie (2021) and Price et al. (2018) demonstrates, this more pluralistic approach might be applied to further explorations of corporate governance advancing further questions of the exercise of capital, ideology, power, trust and social networks. Price et al. (2018), for example, combine content analysis and critical historical discourse to explore changes in the UK corporate governance code. Indeed, the notion of a discourse, the Aristotelian rhetorical analysis of the facts, is central to our engagement with notions of ideology, power and trust within social networks, particularly in an age defined by near instant communication and readily available information. History provides not only a series of tools vital to expanding our ability to analyse and question these concepts, but also provides a way into other disciplines that could be relevant to the study of corporate governance.

For example, the sociology of Émile Durkheim and his work on hierarchies within industrial societies (1893) or Anthony Giddens (1973) lends itself to the plurality of methods employed within the analysis of corporate governance, questioning why we have the structures which we take for granted as the orthodoxy within the corporate world, or why economics as an academic discipline since the time of Margaret Thatcher, as pointed out by Lee (2007), has followed a narrow, highly quantitative approach to the subject. However, of more relevance to the study of corporate governance would be the philosophical work that intersects and coexists with history and the historical method. The work undertaken in fields such as semiotics, associated with Ferdinand de Saussure (1983 [1916]) and Jacques Derrida (1967 [2016]) and popularised by Umberto Eco (1984), provides tools for us to analyse and deconstruct the etymology of words and phrases used within business and management to further dissect the process of corporate governance. Indeed, language is a social construct; therefore, could the language adopted within the corporate world be worthy of study in itself to see how it influences and determines process? As Karl Weick (1995) observed in his influential work on 'sensemaking', organisations rely on 'talk' (narratives) (p. 127), and these narratives are worthy of greater examination. In penetrating that language, the work of philosophers such as Michel Foucault (1974 [1967]) Jean-François Lyotard (1988 [1983]) and Jean Baudrillard (1994 [1981]) may be instructive by encouraging the scholar to confront processes and structures that may have evolved over time which we accept as part of our everyday *gestalt* and yet could perhaps not be the optimal way of doing things.

Whilst scholars in many disciplines are naturally (in some cases justifiably) wary of the term postmodernity, which many of the scholars mentioned above have been associated with, the use of philosophical methods employed by historians is of great value in challenging preconceived notions. For example, a phenomenon such as 'business speak' or the use of thought terminating clichés can be analysed, even challenged, through the use of semiotics as the researcher attempts to find core, underlying meaning. Semiotics may also be used as a pedological tool to teach students to question the terms they use without a second thought. Jean Baudrillard's seminal work *Simulacra and Simulation* (1994 [1981]) provides an excellent example of this by questioning the nature of culture and society, and arguing that as a collective we perpetuate a system, be it within society as a whole or the work-place, which is neither embedded in some fundamental truth nor reflects true meaning and intent but is rather an ongoing social construct built upon the perpetuation of the aforementioned thought terminating clichés and recourse to a limited and codified business speak. Combined with the Rankean basics of historical method alluded to by Evans, and Habib's espousal of high and low textual analysis, the above demonstrates amply that the role of history as a discipline can bring together disparate subjects as a lynchpin to undertake more pluralistic forms of analysis, not only in the field of corporate governance but business management as well.

The drive for more pluralistic approaches in corporate governance research promoted over the last two decades by Morck and Steier (2005), Gospel and Pendleton (2005), Tihanyi et al. (2014), Boyd et al. (2017), Filatotchev and Wright (2017) and Cucari (2019) suggests there is considerable appetite and potential for the greater application of historical research within the field. To arrive at a dual integrity will require a shared understanding and vocabulary that will facilitate historically sensitive corporate governance research which is able to build, as well as test and modify, theory. It is hoped that the discussion within this chapter of what constitutes historical perspectives and methods, of the historic turn within other business and management subjects, and illustrations of ways in which scholarship has sought to do this, might provide the basis for how that might be enabled.

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2. Understanding persistence and change in corporate governance rules, structures and practices in the situationist view of organisations[1]

Piero Mastroberardino and Giuseppe Calabrese

INTRODUCTION

The chapter aims at proposing a theoretical point of view on corporate governance dynamics that differs from the dominant positions, proposing an unusual path to understanding persistence and change in corporate governance rules, structures and practices, adopting the situationist view of organisations (SVO).

Following this point of view, both the organisations (micro-level) and the social systems (macro-level) are qualified as *concrete systems built by the actors*: spaces of games, arenas of different interests and strategies and areas of interaction, negotiation and conflict among actors and their coalitions. The macro-level and micro-level are inextricably intertwined: the continuous work of two processes – action and institutionalisation – build, break and rebuild each concrete system.

One of the key concepts for understanding this never-ending dynamic is *institutional logics*, defined by Thornton and Ocasio as 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality' (Thornton and Ocasio, 1999, p. 804). When a certain institutional logic declines and changes, the actors reshape themselves and 'the past is reinterpreted to suit the needs of the present' (Shilo et al., 2013, p. 412).

In what follows, after a brief introduction to the SVO, we will focus on the theoretical framework, particularly of the processes of action and institutionalisation, and of the key concepts of institutional framework, degree of institutionalisation, rationalised myth and institutional logics. In the last part of the chapter, we also present some reflections on methodology matters and, particularly, on the opportunity to use qualitative research methods to better understand the complexity of institutional dynamics.

AN INTRODUCTION TO THE SITUATIONIST VIEW OF ORGANISATIONS

We consider it appropriate to start from the observation that the debate on *methodological matters* (Lee, 2020) is increasingly active and fruitful in the managerial literature. Contributing to a handbook dedicated to *Innovative Research Methods for Corporate Governance* offers a great opportunity to point out some questions which would risk perpetually remaining in the shadows, given the prevalence – in the scientific debate on corporate governance issues – of an approach defined as a *pre-determined system with respect to the actors* (Maggi, 1990; Mastroberardino, 2010; Mastroberardino and Calabrese, 2013).

For example, how much do the primary hypotheses of the dominant theoretical models in the corporate governance literature, such as managerial theory, transaction cost economics and agency theory (Esposito De Falco, 2014), tend to take for granted the behaviour of categories of actors (majority and minority shareholders, managers, bondholders, gatekeepers, other stakeholders), thus deriving from the theory's 'pretence of knowledge' (Hayek, 1989) rather than the actors' concrete interests and motivations? Regarding this, both the agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983a, 1983b) and the stewardship theory (Donaldson and Davis, 1991; Fox and Hamilton, 1994; Davis et al., 1997), despite the diversity of perspectives about the nature of man, share some non-negligible affinities.

Focusing attention on approaches inspired by a systemic rationality, between mechanic and organic metaphors, structural-functionalist (Parsons, 1937, 1951) and cognitivist visions (Luhmann, 1990), there emerges the convergence towards an idea of the firm as an *institution*, a collective entity with its own identity and strategic thinking aiming at generating order, harmony and integration. This is an idea of the firm as a *system* (strong) prevailing over the *actors* (weak) who are part of it, which are treated as structural components.

Both theories define *ex ante* the actors (owners, board members, executives, etc.) and their interactions, predetermining – albeit with different settings – intentions, motivations, values and, therefore, actions based on ideal categories, functionally to the needs of the conceptual scheme. In each case, the theoretical cage tends to define (in a prescriptive manner) what actors should be (opportunistic/selfish or loyal/altruistic) and what they should do (personal interest or collective interest). All those actions that remain outside the framework are qualified as deviances, exceptional cases. Furthermore, is it correct to try to identify, through correlation analyses, causal links between business performance and certain corporate governance structures and practices: ownership concentration, presence of a blockholder, characteristics of management, organisation of the board, internal control systems, incentive mechanisms, etc.? Or, by contrast, between those performances and certain characteristics of economic, political and social context: the nature of financial and legal institutions, market-based *versus* bank-based financing, common law *versus* civil law system, etc.?

Within the frame of this methodological approach, the problems of governance are *explained* through logical-deductive schemes (strong causality) or through inductive models based on quantitative research. What if we do not consider the firm as an *Institution* (with a capital 'I'), that is, as a strategic actor itself? What insight can be gained if we pay attention to:

a) The pressure, both material and cultural (taking into consideration both symbolic and normative components of culture), that *institutions* (with a lowercase 'i') place on human behaviour?
b) The concrete power dynamics induced by the strategic action of human actors (individual and coalitional)?

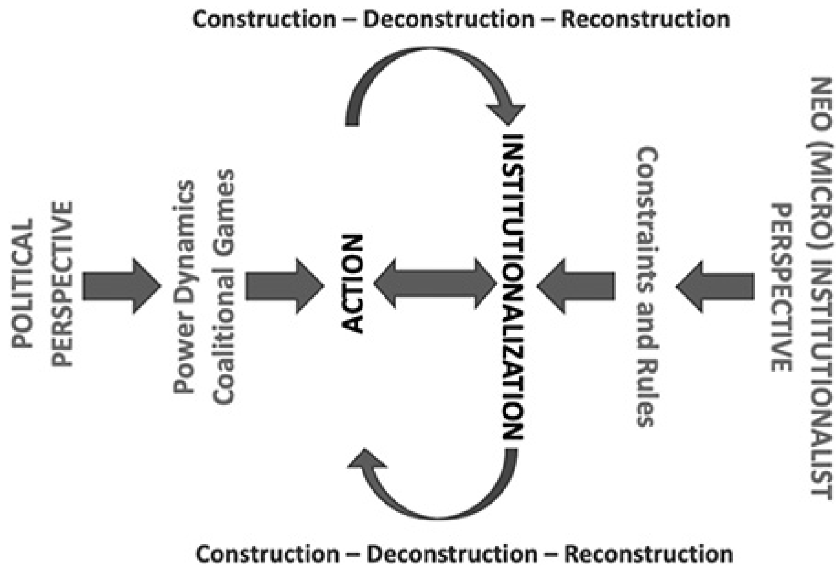
Can we still define corporate governance structures as the result of a technical design strategically oriented towards a goal? In what follows, we aim to propose a different point of view on corporate governance dynamics and a different path to understanding persistency and change processes when adopting the SVO.

SVO refers to the micro-actionist epistemological framework, in particular social phenomenology (Berger and Luckmann, 1969; Husserl, 1976; Schutz, 1974; Searle, 1995), symbolic interactionism (Mead, 1934) and ethnomethodology (Garfinkel, 1967). Following this point of view, both the organisations (micro-level) and the social systems as a whole (macro-level) qualify as a *concrete system built by the actors*: spaces of games, arenas of different interests and different strategies and areas of interaction, negotiation and conflict among actors and their coalitions (Mastroberardino et al., 2013).

Two theoretical approaches, seemingly divergent, are linked to these roots (Barley, Tolbert, 1997; Mastroberardino, 2006): the political approach (Crespi, 1999; Crozier and Friedberg, 1978; Friedberg, 1994; Pfeffer, 1981) and neo-micro-institutionalism (Meyer and Rowan, 2000; Powell and DiMaggio, 2000; Zucker, 2000). SVO is focused on the continuous work of two processes: action and institutionalisation (Figure 2.1), that build, break and rebuild social reality (Mastroberardino and Calabrese, 2020a, 2020b). The macro-level and micro-level are inextricably intertwined. 'Each actor fundamentally perceives and describes social reality by enacting it and, in this way, transmits it to the other actors in the social system' (Zucker, 2000, p. 728).

Institutionalisation can be defined as the process of social reiteration through which a rule, a structure or a practice of corporate governance acquires stability, becoming well established and widely recognised (Huntington, 1968) and able to address the behaviour of social actors (individuals and organisations) who are aiming at improving their legitimacy within a *pro tempore* institutional framework. By contrast, *action* can be defined as the process through which social actors (individuals and organisations) continuously work, aiming at radically and suddenly creating changes in the institutional framework, seeking to increase their strategic freedom and deviating from some institutionalised rules, structures or practices.

The concept of power, defined as *exchange* and not as *strength* (March, 2004), is central to this approach because any change – including new rules, structures or practices of corporate governance – produces both technical and political effects: the redistribution of power, organisational uncertainty and degrees of freedom of individuals and organisations.



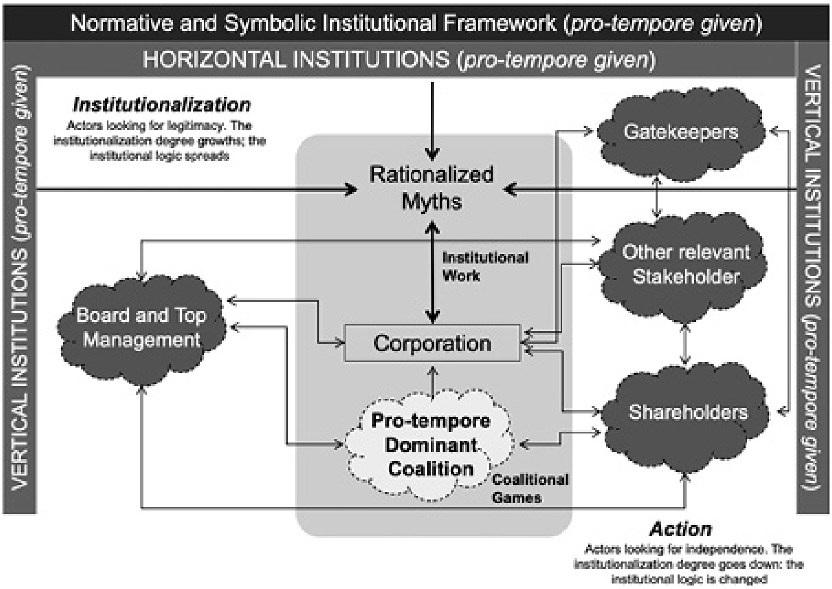
Source: Our elaboration

Figure 2.1 *Action and institutionalisation processes*

INSTITUTIONAL FRAMEWORK, RATIONALISED MYTHS, ISOMORPHIC PROCESSES AND DEGREE OF INSTITUTIONALISATION

Adopting the SVO, the strategies of the actors contribute to – although without ever determining them in a logic of necessary causality – the construction, deconstruction and reconstruction of the complex social reality. This lens shows that both persistence and change in a certain corporate governance model are to be placed in an intricate stratification of constraints, opportunities and risks – as perceived by the strategic actors over time – that operate conceptually at different levels, which we can refer to as an *institutional framework* (Figure 2.2).

We can define a *pro tempore* institutional framework as an interconnected set of institutions and logics concerning a specific area of social action. For example, the conduct of agents in financial markets is conditioned – even if never completely determined – by the constraints of a certain institutional framework made up of laws, regulations, practices, sentences, negotiation procedures, negotiation tools, stakeholders with their own reference rules and standards (central banks, stock exchanges, auditing agencies, rating agencies, institutional investors), etc. Once institutionalised, a certain corporate governance model generates and endorses socially correct beliefs and practices, becoming *rationalised myths*. A rationalised myth is a powerful,



Source: Our elaboration

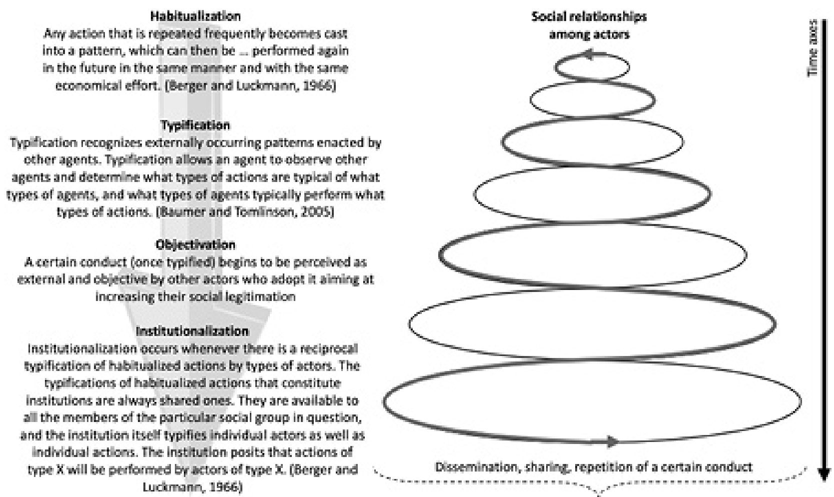
Figure 2.2 Institutional framework

taken-for-granted rule or belief system that embodies stories about cause and effect and successful solutions to problems (Meyer and Rowan, 2000). It appears rational because it specifies what actors must do to be efficient, but it is a myth because its efficacy depends on the fact that it is widely shared rather than inherently correct. A rationalised myth challenges both the notion of objective rationality and the idea of the neutrality of corporate governance mechanisms, arguing that both are socially constructed by widely accepted norms and patterns of behaviour. Due to its institutionalisation, this type of myth induces some *habitus* (Bourdieu, 2003) inside the corporate governance mechanisms in the form of beliefs, practices, rules and so on, established through processes of isomorphism that erect a normative and symbolic institutional framework.

Isomorphism is a process that forces one unit to resemble a population of other units that are part of the same environmental condition. Looking for legitimacy, organisations tend to reproduce certain corporate governance mechanisms followed by other organisations, which creates uniformity in rules, norms, institutionalised myths and beliefs (Moura et al., 2014). Starting from these concepts, we can define *institutional convergence* as a set of dynamics that are influenced while influencing some kinds of *institutional pressures* that lead to persistence and change in corporate governance rules, structures and practices. These dynamics are understandable in terms of *coercive isomorphisms* (changes to the regulatory framework involve pressures on some organisations from other organisations), *normative isomorphisms* (professional standards or networks influence change in organisational behaviour) and *mimetic isomorphisms* (due to the context uncertainty, some organisations imitate others' rules, structures and practices because of the belief that the latter are legitimated and show the former the safe way to proceed) (DiMaggio and Powell, 1983, 2000).

Using this different lens, one of the key research questions becomes the following: how can actors produce a change in institutions if their actions, intentions and rationality are all conditioned by the very institutions they would wish to change (Holm, 1995)? With reference to our topic, how do the actors of a certain institutional framework behave when they attend to the weakening, first, and then the overcoming of certain rules, structures or practices of corporate governance? More generally, how are institutions created? How does the institutionalisation process work?

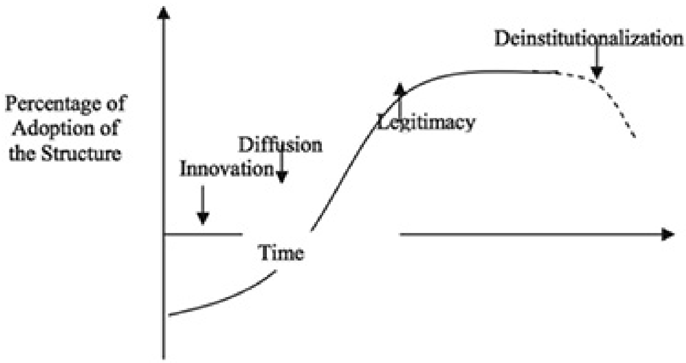
In simple terms, institutionalisation is commonly defined as the process by which things become institutionalised, which, in turn, simply means that things are taken for granted (Greenwood et al., 2008). Figure 2.3 summarises the dynamics of this process.



Source: Our elaboration

Figure 2.3 *Institutionalisation process*

The rationalised myths are not immutable but constantly changing: strategic actors (individual or coalitional) continuously challenge a certain institutional framework – that obstructs or damages their interests – to build a new and different one, where they could have wider degrees of freedom (Figure 2.4). Moreover, we must consider that the potential for change depends on the perceived *degree of institutionalisation* (Huntington, 1968; Goetz and Peters, 1999); therefore, not all the rules, structures and practices are equally institutionalised. The higher the degree of



Source: Lawrence et al. (2001)

Figure 2.4 Persistence and change of the institutional framework

institutionalisation, the higher the risk of de-legitimisation for the actors who deviate from these practices. The higher the degree of *objectivity* and *exteriority* of a rationalised myth, the more effective will be the transmission of cultural values to the actors, and the smaller the potential for change and the probability of breaking up the institutional framework.

The isomorphic processes spread and duplicate rationalised myths, making them more rational and credible simply because they are widespread. Non-compliance with these requirements entails the de-legitimisation of the actor. Institutions, however, are not natural entities; they appear as the non-deterministic result of the strategic action of the actors who, even unintentionally, end up creating a *pro tempore* coercive local order. The change in corporate governance rules, structures and practices can be viewed as the failure to replicate consolidated logics, stabilised schemes and taken-for-granted routines (Mastroberardino and Calabrese, 2019).

INSTITUTIONAL LOGICS, INSTITUTIONAL WORK AND INSTITUTIONAL ENTREPRENEURS: PERSISTENCE AND INSTITUTIONAL CHANGE IN ACTION

One of the most useful concepts in facing these questions is *institutional logics*, introduced by Alford and Friedland (1985) and further developed by Friedland and Alford (1991) to analyse the interrelationships among individuals, organisations and society. The scholars gave a first definition of institutional logics as 'supra organisational patterns of human activity by which individuals and organisations produce and reproduce their material subsistence and organize time and space' (Friedland and Alford, 1991, p. 243). In 1999, Thornton and Ocasio defined institutional logics as 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality' (Thornton and Ocasio, 1999, p. 804).

Institutional logics, by providing a link between action and institutionalisation processes, shape and create the rules of the game (Jackall, 1988). They provide individuals and organisations with a set of beliefs, rituals, mental schemes and conventions, a set of values that order the legitimacy, importance and relevance of issues and solutions and provide decision makers with an understanding of their interests and identities (Thornton and Ocasio, 2008, p. 114). Furthermore, the coexistence and overlapping of different institutional logics can happen: on the one hand, the degree of institutionalisation is reduced, and the institutional logic gradually loses legitimacy; on the other hand, the new institutional logic increases its degree of institutionalisation and becomes, in turn, legitimised as dominant. Lastly, both organisations and society can be understood as inter-institutional systems that simultaneously refer to more than one institutional logic (Friedland and Alford, 1991). Therefore, one of the fundamental areas of analysis for understanding the change in a certain institutional framework is the inter-institutional contradictions among some coexistent institutional logics of different institutional orders.

The concept of institutional logics gives us the idea that, in a certain institutional framework, there is not only one source of rationality but multiple sources and that among them there is a potential conflict that can generate those processes of deconstruction and reconstruction discussed above. Many researchers have investigated the conflict and the consequent process shift from different institutional logics: in the healthcare field, from the *professional logic* to the *market logic* (Scott et al., 2000) or *managerial logic* (Kitchener, 2002); in the editorial field, from the *editorial logic* to the *market logic* (Thornton, 2004); and in the wine sector, from the *alcohol logic of alcohol making* to the *aesthetic logic of fine winemaking* (Shilo et al., 2013). Another good example of these dynamics is proposed by Fligstein (1990), who investigated the succession of three different *logics of action* – a concept that we can understand as a precursor of *institutional logics* – in the conceptions of control that guide the governance of large industrial firms: manufacturing logic, marketing logic and finance logic. In addition to the conflicts between institutional logics, the literature has identified other dynamics from which changes in institutional logic can be generated: the action of institutional entrepreneurs, structural overlap and historical-event sequencing (Thornton et al., 2005).

Institutional entrepreneurs play a fundamental role in creating or changing the institutional logics of a certain institutional framework by starting *institutional work* (Lawrence and Suddaby, 2005), aiming to create a new system of meaning that links the functioning of different institutions (Garud et al., 2002). Institutional entrepreneurship is defined as the 'activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (Maguire et al., 2004), which aim to leverage some advantages by changing the dominant institutional logic due to the powerful role they can occupy in the institutional framework. Using their power through storytelling and rhetorical strategies, institutional entrepreneurs manipulate cultural symbols and practices by importing and exporting them from one institutional framework to another. In concrete terms, different actors can act as institutional entrepreneurs, such as governments, political leaders, influential academics, lobbies, large companies, international organisations and supervisory agencies. Each of these actors, by exploiting the degrees of freedom and power held in the *pro tempore* institutional framework, can activate the institutional work that leads to overcoming the dominant institutional logic in favour of an alternative deemed more suitable for the protection of their own interests.

Structural overlap occurs when different institutional logics are forced to merge because of sudden organisational and/or institutional changes. From an organisational perspective, for example, this can happen following M&A operations on an international scale that involve companies with very different organisational cultures. At the institutional level, institutional overlap can be the consequence of sudden reforms that graft new institutional logics onto an institutional framework in which previous logics prevailed, as observed, for example, in Italy's so-called managerialisation of hospitals.

Historical event sequencing is a process of sudden change in institutional logics that occurs following the occurrence of a unique historical event (a sort of milestone). For example, all stock market crashes and major financial crises are triggered by a first event which, in an *ex post* reading, is qualified as the turning point that marks the transition from a *before* to an *after*, from one institutional logic, to the next one. With reference to the great crisis of the 1930s, *Black Thursday* is the name given to the day (Thursday, October 24, 1929) after which the long economic and social growth of the US – the exuberant *Roaring Twenties* – became only a memory. These events deconstruct, transform and radically change the interpretation and meaning of cultural symbols and social and economic structures (Sewell, 1996). Starting from the triggering event, a sequence of other events occurs. This cluster of events widens the crack created by the initial event, reinforcing discontinuity and eroding the strength of the previous dominant logic. Several financial and political crises from which radically different institutional logics emerge with respect to the previous ones can be analysed through this approach.

When a certain institutional logic declines and changes, the actors reshape themselves, and the past is reinterpreted to fit the needs of the present. This happens, in an evident and visible way, in cases where the previous dominant institutional logic appears not only subordinate to the new one but illegitimate and even a source of collective stigma for the actors. Organisations hasten to produce new stories by rereading historical constructions both to reassure their stakeholders about adherence to the new institutional logic and to remove any risk about the stigma of past association with a logic that is now illegitimate (Shilo et al., 2013). As argued by Harrison et al., the ongoing change in institutional logic puts pressure on other organisations and their leaders to take positions in the field about their support for, or opposition to, the emerging logic. Indeed, it becomes increasingly difficult to hold a position of opposition as the new institutional logic spreads and becomes dominant – and therefore taken for granted – within a certain institutional framework (Harrison et al., 2020).

Let us ask ourselves one more question: how do actors react to the pressure exerted in the transition from one institutional logic to another?

As discussed above, the link between the *rationalised myths* that characterise a certain *institutional logic* and the process of *institutional isomorphism* tends to produce institutional convergence. In essence, the adoption of isomorphic behaviours by the actors of a certain *institutional framework* accelerates, more or less rapidly, the stabilisation of the new *institutional logic* and, therefore, of new rationalised myths that replace the old ones. If the new *institutional logic* and the related rationalised myths require conduct that is excessively in contrast with the previous *institutional logic*, the actors could move towards *decoupling* (Fiss and Zajac, 2006). Following Meyer and Rowan (1977), the main reason for companies decoupling is the tension between a company having to gain social legitimacy from its stakeholders while also facing pressures to maintain internal efficiency. In our opinion, a further reason for decoupling could be the effort required to shift from one institutional logic to another. In this case, the actors adopt the new *institutional logic* in a purely ceremonial way through a systematic communication activity of window dressing, with the aim of achieving legitimacy by manipulating their own external perceptions. In essence, they retain the previous operating methods almost unchanged (Suddaby and Greenwood, 2005).

Several scholars have investigated whether corporate social responsibility (CSR) decoupling qualifies as a gap between CSR disclosure and CSR performance (Ählström, 2010; García-Sánchez et al., 2021; Shahab et al., 2021). Jain (2017) analysed shareholder letters from US, German and Indian CEOs, finding that companies communicate a multi-stakeholder image to employees, communities and the environment to enhance their social legitimacy, yet such expectations are not met. Another example is *greenwashing* practices that aim to strengthen corporate legitimacy in their institutional framework by increasing their reputational capital among stakeholders through the communication of high performance in terms of environmental sustainability (Marquis and Toffel, 2012; Vollero, 2013; Freitas Netto et al., 2020).

ON *METHODOLOGY MATTERS*: THE NEED FOR QUALITATIVE RESEARCH TO UNDERSTAND INSTITUTIONAL DYNAMICS

Sharing the idea that theory and research methods go together, we agree with McNulty et al. (2013) that in terms of volume, qualitative research in corporate governance studies is dominated by quantitative research. We also agree with Leblanc (2004), who believed that the field of corporate governance research must change. The reasons for this expectation and for the rich debate on methodological issues in corporate governance studies (Hambrick et al., 2008; Judge, 2008; Filatotchev and Wright, 2017) are at least two. On the one hand, despite the elegance of the quantitative models used, what emerges from the huge number of empirical studies is the possibility – always corroborated by sophisticated correlation techniques – of rationally accrediting perfectly opposite theses. Conflicting solutions can find technical justifications based on arguments that appear perfectly rational:

- The total size of the board should range from 9 to 15 members to avoid the strongest members influencing the board orientation.
- The total size of the board should range from 5 to 9 members, to ease communication and interaction among members.
- The board should be composed of non-executive directors to erase each conflict of interest and maximise their objectivity to take in charge the control of the managers.
- The board increases its effectiveness if there are some executive directors due to a significant reduction in information asymmetry.

On the other hand, in the last three decades, the most widespread theories of the firm and related corporate governance rules, structures and practices have already been the subject of numerous criticisms inspired by the initial reflections of Ghoshal (2005), and Ghoshal and Moran (1996a; 1996b). Ghoshal condemns 'theorizing based on partialisation of analysis, the exclusion of any role for human intentionality or choice, and the use of sharp assumptions and deductive reasoning' (Ghoshal, 2005, p. 76). Ghoshal and Moran criticised one of the fundamental assumptions of shareholder logic about the model of humans: opportunism. The greatest risk of giving opportunism the status of an axiom of individual conduct is triggering the most classic of self-fulfilling prophecies: starting from the assumption that individuals are opportunist, incentives and sanctions will be created aimed at reducing this opportunism, obtaining, however, the result of stimulating it, thus requiring higher-level incentives and sanctions and creating a vicious circle (Ghoshal and Moran, 1996a).

These criticisms were later relaunched due to the well-known worldwide corporate scandals and the consequent political reaction, particularly in the US system with the Sarbanes–Oxley Act (SOX), with more restrictive legislation (Krehmeyer, 2008) that increased the power and institutional scope of the state agencies, such as the Securities and Exchange Commission (SEC), and subsequent forced changes in corporate governance requirements and practices.

The prevalent literature presents corporate governance as a codified set of normative principles of a universal nature, based on strong assumptions about human rationality (*information asymmetry*, *bounded rationality*) and human behaviour (*opportunism*, *adverse selection*, *moral hazard*, *risk aversion*, *loss aversion*, *liquidity preference*, etc.). This perspective is fascinating because, by making the corporate governance tools independent of time and space, it places the decisions on corporate governance structures within the framework of the normative theory of rational choice, hypothesising the possibility of optimal governance structures, which, in turn, are intended as a cause of corporate performance. By contrast, despite having recognised the weakness of this position and the existence of a link between the models of corporate governance and the different legal, political, social and cultural contexts, several scholars have oriented their research according to a sort of revived *contingency approach*. This approach, which was very successful in organisational literature in the 1960s, evoking the concept of *path dependence*, ends up giving the context the role of a prior constraint and relegates the actors to the passive position of seeking a possible evolutionary adaptation functional to survival with respect to a certain environment.

In recent years, the complexity of the interaction between action and institutionalisation, between the degrees of freedom and power of institutional entrepreneurs and the isomorphic pressures of the *pro tempore* institutional framework, has encouraged numerous studies in the corporate governance field. The analysis of corporate governance dynamics in terms of the evolution of institutional frameworks (Cobbaut and Lenoble, 2003; Davis, 2005; Fiss, 2008; Krenn, 2016), although still a niche compared to the number of quantitative studies, offers insights of great interest. In agreement with the SVO, we believe that the analysis of the shift from one institutional logic to another needs research methods and techniques aimed at understanding and not at explaining (Wright, 1971) these complex changes, and the qualitative research methods appear most consistent with these aims.

Particularly, with the use of content analysis (Berelson, 1952; Cole, 1988), script analysis (Schanck and Abelson, 1977) or other methods of analysing written, verbal or visual communication messages, it is possible to identify and highlight the *key concepts* that most characterise a certain institutional logic. Typical data sources are written texts extracted from laws and regulations, standards and guidelines about principles of corporate governance, scholars' articles, press reports, CEO letters and newspapers. We are aware that these methods have found their critics both in the quantitative field, where they are considered very simplistic and not useful for detailed statistical analysis, and in the qualitative aspect, where many scholars consider them not sufficiently qualitative (Morgan, 1993). Nevertheless, we consider them methodologically consistent with the situationist approach on the condition that, particularly regarding content analysis, the researcher operates selectively, excluding those applications with a clear positivistic matrix that retains a deductive/quantitative approach.

Therefore, keyword density analysis and/or network analysis aimed at highlighting the frequencies and correlations between words are not consistent with the SVO. More than keywords, it is necessary to refer to the emergence of new *key concepts* that are gradually linked and become evocative of a certain *institutional logic*. These concepts gradually spread in a certain organisational field and become, almost like a mantra, ever-present and connotative of a technical jargon that marks belonging to a certain group of actors.

For example, by observing the websites of the largest international companies, the perception offered by the communicative centrality assumed by the concepts of corporate social responsibility or sustainability is immediate. During the last 15/20 years, these concepts have gone from (a) totally absent, (b) to present only in some technical documents intended for institutional investors, and (c) to present on the home page as pillars of the company vision and mission.

Naturally, by resorting to these qualitative descriptions, the co-constructive role of the researcher becomes decisive (Lee, 2021). More than a structural analysis of the text, he or she creates a sort of rich and dense narrative. The final reports can help in understanding the evolutionary dynamics of a certain institutional framework in a certain period and place, but they cannot contribute to the construction of general and abstract laws useful for the explanation of a certain class of phenomena or allow evolutionary predictions in different contexts. Ethnographic research is a good example of this.

In the case of the corporate governance system, the analysis could focus on five key dimensions: ownership of corporations, market for corporate control, board composition and role, executive remuneration policies and the role of gatekeepers. The outcome of the analysis, therefore, aims to put together the puzzle of the complex institutional work that involves each of the pillars and that, in the interaction between them, institutionalises a certain institutional logic. Due to the richness of details that this type of research allows, it is possible to observe as the rules, practices and structures of corporate governance begin to spread, propagating from company to company. The composition of the boards of directors, the powers of the CEOs, the positions of CEO and chairman, the role and weight of the independent directors, the executive remuneration model, the number and functions of the committees (audit committees, compensation committees, corporate governance committees), the accounting and financial practices, the conduct of auditing firms, the practices of rating, etc., tend to become more and more similar among the companies that operate in a certain institutional framework.

CONCLUSION AND SOME CONSIDERATIONS FOR UNDERSTANDING PERSISTENCE AND CHANGE IN CORPORATE GOVERNANCE RULES, STRUCTURES AND PRACTICES

Some further considerations are appropriate:

a) Adherence (in searching for legitimacy) to a certain set of rules, structures and practices of corporate governance that is *pro tempore* dominant in a certain institutional framework requires a significant effort of compliance for the actors.
b) The identity of the actors, in the form of a collective identity, is based on their compliance with that set of rules, structures and practices. Following Friedland and Alford (1991), each institutional order provides social actors with principles, symbols, practices, vocabularies of motives and a sense of self: a *collective identity*. A collective identity is the cognitive, normative and emotional relationship experienced by members of a social group (Polletta

and Jasper, 2001) or among populations of organisational forms (Carroll and Hannan, 2000).

c) As a collective identity becomes institutionalised, it develops a certain institutional logic that spreads and is replicated within the group.
d) Institutions provide social actors with a specific logic for their decisions and actions; they are not driven by a logic of consequences but by a logic of appropriateness (March and Olsen, 1989). Following these shared patterns, social actors reduce their risks by choosing which problems have to be faced, which solutions have to be selected and which solutions are compliant with which problems.
e) The never-ending interaction between the processes of action and institutionalisation and the construction and deconstruction of those rules, structures and practices requires that actors not only exert a new effort of compliance but adopt a new identity, convincingly in accordance with the new *pro tempore* institutional framework.
f) How the actors behave towards the previous rules, structures and practices, having to relocate themselves with respect to the new ones, should be considered.

As is always the case when a new *institutional logic* becomes dominant, the rhetoric and the vocabulary of the actors of a certain *institutional framework* change, while, day by day, the memories of the adherence with the previous dominant logic are erased. Concerning the reinforcing process between academics and business executives, it is interesting to note that both strategic management and other business disciplines are continuously searching for legitimacy in their academic institutional frameworks and, therefore, begin to adopt a certain institutional logic in their own body of research when its degree of institutionalisation matures and later abandon it during the deinstitutionalisation stage. Another significant step through which the transfer from the academy to the managerial profession usually takes place is represented by the business administration course programmes of the most prestigious universities or by the editorial guidelines of the most influential scientific journals.

The *pro tempore dominant institutional logic* progressively penetrates business classrooms and becomes dogmatically institutionalised as the best professional standard (*rationalised myth*) among business academics and managers. The importance of these processes of normative isomorphism in the diffusion of an institutional logic did not escape Ghoshal (2005), who indicated that to make a concrete contribution to avoiding future Enron cases, business schools do not need to do much other than stop doing what they currently do.

In conclusion, the process of leading an organisation from one institutional logic to another presents considerable elements of complexity. Nevertheless, significant effort is needed. This effort grows significantly if: (a) adherence to the previous institutional logic is so well established as to involve the values and culture of the organisation; (b) it is considered necessary to distance the organisation from the stigma of past adherence to an institutional logic now considered inappropriate, unacceptable or even illegitimate (Hudson, 2008). Furthermore, this effort is not limited to the construction of a different narrative of the organisation through a precise rhetorical strategy and company storytelling. In many cases, to obscure the past and adhere to the new institutional logic quickly, credible organisational change must involve material elements (which operate as cultural artefacts): business practices, operational routines, internal documents, employee uniforms, furnishing of rooms and offices, corporate buildings, etc.

For all these reasons, qualitative analysis methodologies appear to be more appropriate for the type of granular research that is necessary to fully understand the dynamics of persistence and change in corporate governance rules, structures and practices.

NOTE

1. Although the paper is the result of collaboration of both authors, Piero Mastroberardino edited the first, second and sixth sections and Giuseppe Calabrese edited the third, fourth and fifth sections.

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3. Ethics and research methodology in the studying of corporate governance

Ivo De Loo and Hugo Letiche

INTRODUCTION

To produce more accountable, in-depth, and valuable insights into whatever researchers are seeking to understand or address in corporate governance, research methodology must be consistent with an ethics of the researcher/researched relationship (Letiche & De Loo, 2022; Silverman, 2011). It has been argued that mixing research methods may be one way to achieve such ethics. Different framings of the relationship can be straddled by combining research methods, supposedly leading to better, richer, and/or more detailed insights (cf. Johnson & Onwuegbuzie, 2004). We define corporate governance as the structures, rules, practices, and procedures in place to manage an organization and hopefully safeguard societal wellbeing, and we assume that these warrant critical reflection (Ahrens et al., 2011; Aras & Crowther, 2010). Our starting point is the philosophy of science literature and recent publications stressing acknowledgment and respect for the "Other" of research, that is, for the researched or the research object. One of the lessons of this literature is that researchers are actively immersed in the research act and cannot purge themselves of their own interests and views when conducting research, that is, they are part and parcel of the research as it develops (Lee & Lings, 2008; see also: Barad, 2007). Mixing research methods cannot circumvent or overcome this problem, even though this is often proclaimed (De Loo & Lowe, 2011). The researcher/researched relationship (to some extent) "defines" the research that is conducted. Traditional research paradigms in the social sciences assume that there is a phenomenon "over there" and one or more researchers "over here" who can investigate that phenomenon from a distance and in a detached and hence "objective" manner, without changing or adapting the phenomenon examined (Chua, 1986, 2019; Saunders et al., 2007). Supposedly they can know what the phenomenon "really" looks like and how it is linked to other phenomena. We argue against such views of what social science entails (Ahrens et al., 2011; see also: De Loo & Lowe, 2011). As stated, there is always researcher/researched relatedness, and irrespective of the research methods chosen, this relatedness influences what is researched, how the research is done, and what the research results are. The research is also likely to impact the researched in one way or another: for instance, by getting new ideas through the interaction with the researcher, switching jobs, starting to behave differently, or by feeling so distressed that those who have been researched decline invitations to participate in other research projects. We therefore purport that social science studies, including corporate governance studies, need to acknowledge that research inherently is a social and political affair focusing on "things social" and on an appreciation of "Other" (De Loo & Lowe, 2017; Lee & Aslam, 2017; Letiche & Lightfoot, 2014). We assert that pushing the relational dimension of research and its complexities to one side, as typically happens in traditional or what are sometimes called "mainstream" research paradigms (Chua, 1986, 2019), is fueled by ontologies and epistemologies that do little justice to the social and the political nature of research or to the life world of the researched (De Loo & Lowe, 2011). Our own position is informed by the assumption that knowledge gathered through research is the outcome of human activity and, therefore, is a human construction (Berger & Luckmann, 1966; Holzner, 1967). It is never certain as "true" but always remains problematic and changing. At best, a socially trustworthy account of specific events or phenomena, occurring or witnessed in a particular context, can be realized, which need to be reflected on and/or contributed to (De Loo & Lowe, 2011). This does not mean that there is no role at all for mixed methods research but that the role is not about creating a "better" or more "complete" or "accurate" picture of the particular situation or setting.

With corporate governance as a theme there is considerable leeway in what exactly is to be researched. Evaluation and accountability are key themes when (corporate) governance is discussed. The associated research typically focuses on what is constructed and applied in managing organizations (Ahrens et al., 2011). However, is governance to be judged in terms of market share and dominance, shareholder equity, profitability, executive compensation, creativity and dynamism, efficiency and effectiveness, optimal solutions, stakeholder relations, consensus building, conflict resolution or avoidance, or something else? It is clear that governance, in general terms, implies relatedness, but which relationships count, who or what determines this, and how does one do research into relatedness?

Corporate governance studies often seem to assume their object of research: there "just" are principals and agents, corporations and their actions, rules, structures and procedures, products and consumers, shareholders and stakeholders, boards and managements (Ahrens et al., 2011). The ontology of these is presumed and is rarely problematized. We presuppose in this contribution that things are not that simple and that attention to the ontology of the "Other," and hence of the object of research or the researched, is necessary. Our perspective is independent of metaphysical beliefs; the issue is not whether the "real," and hence, the researched or research object, really exists, but how and to what degree it is knowable. We believe, with speculative realism (Harman, 2016), that the "Other" always ontologically withdraws from cognition (at least to some extent), producing the epistemological limitations of the research and the researcher, which matter and impact what is researched, warranting discussion. The so-called "writing up of the research" necessarily entails the "responsibilization" of the researcher for the text that is produced (Barad, 2007). Not the object of research but the researcher is mainly responsible for the writing up of the research (see also: Dambrin & Lambert, 2012; Silverman, 2011). We query: in corporate governance research, is isomorphism to be assumed between corporate practice and research methodology, where one party oversees, commands, and dominates another, whereby the research supports the hierarchicalization of relationships? If so, is such a defining of the research object and of research methodology ethical? And what does this mean for the potential role of mixed methods research in corporate governance studies? An example of organizational governance and its accountability will be explored to answer these questions, namely, that of an organization called "FairPrice." In FairPrice, "fair" means that all participants are to be treated equally without favoritism or discrimination. Thus "fair," as in "fairtrade" and also FairPrice, means "with equal respect and justice for all," requiring some sort of "level playing field" or existential equality entailing an equality of "being" for every element or Other that is involved. But to what extent is this actually realized in the case we present, and how can such "equality" be fruitfully researched/assessed?

We focus specifically on Emmanuel Levinas's take on ethics (Levinas, 1969), extending his views to research ethics. If we respect Levinas's ethics, wherein the will of the one to "possess" the Other is disallowed as unethical, what then becomes of corporate governance and the methodology of researching it? Put ontologically, if fundamental respect, fairness, and equality demand a so-called "flat ontology" (Harman, 2016), wherein equivalence of "being" of the researcher and the researched is assumed and affirmed, what becomes of (corporate) governance and our research of it?

While our ethical stance is inspired by Levinas, our position is different from his. Levinas's ethics at least implicitly denies that non-human actors can elicit an ethical response. Levinas claims that non-subsumptive interaction with the Other is basic to the relatedness that co-establishes ethics. But in Levinas, the Other is another human being; his ethics are radically humanist and anthropocentric. By means of our FairPrice illustration, we wish to enlarge the encounter to include tea plants, supermarkets, business plans, the weather, and so on, and hence, non-human actors. The principle of an ethics grounded in the experience of Otherness is thereby retained, but the ontology is broadened.

In the second section of this contribution, we will explore flat ontology as an ethical presupposition of research methodology. In the third section we present the (mini-) case of FairPrice and a CEO attempting an ethics of respectful corporate governance, following fairtrade principles, whereby we explore various ethical dilemmas both of the researched and the researcher. In the fourth section, we investigate the ethical paradoxes of research methodology for investigating corporate governance and whether they are resolvable, with special attention to the role of mixed methods research. And in the fifth and final section, we discuss and conclude.

METHODOLOGY, ETHICS, AND FLAT ONTOLOGY

Introducing Flat Ontology

As noted, traditional or "mainstream" research paradigms, and hence, their associated ontology, assume that a corporate object exists that is to be held accountable "over there," and that there are others (for example, investors, researchers, or accountants) "over here" administering and assessing this accountability, making "impartiality" and "objectivity" possible (Latour & Woolgar, 1979; see also: Mulgan, 2000). When this view is accepted, one could argue that combining research methods may be a viable way to make the assessments more informative and insightful, as the ensuing research insights can yield a more accurate and fine-grained portrayal of whatever is researched. The underlying idea is that one method might pick up something that another method did not tap into, or pushed to one side (De Loo & Lowe, 2011; see also: Silverman, 2011). For instance, a survey might pick up general impressions about a particular accountability issue, and, through interviews, these impressions might become more detailed. De Loo and Lowe (2011) warn against such simplistic conceptions of the functioning of research methods, arguing that they foreclose necessary discussions about the ontology and epistemology permeating the research. However, they did not explore the implications of their assertions. Here, we pose the ontological question that De Loo and Lowe did not tap into: "how does one reunite what has been ontologically sundered?" Is the accountant's (or researcher's) alleged neutrality really all that neutral when (s)he is making her/his assessments, irrespective of the question of whether research methods are mixed? Is there perhaps a gap that cannot be bridged between the assessor and the assessed, no matter how many research methods one combines (Lyotard, 1984; see also: Lee & Aslam, 2017)?

We turn here to flat ontology to address these questions, and to make the discussion more concrete. Flat ontology refuses the ontological divide between the research object (that is, the researched/assessed) and the researcher/assessor; both are of the same "being" (Harman, 2016). The one is not more powerful, "neutral," or trustworthy than the other and ought not to be treated as such. Research methodology focuses on how the researcher and the researched are related and interact (Lee & Lings, 2008; Saunders et al., 2007). At least at a surface level, adopting flat ontology seems to suggest that equality might be achievable, since the researcher and the researched operate on the same "plane" (since the ontology literally is presumed to be "flat") and are both of the same "being."

There are multiple flat ontologies to be found in contemporary philosophy. They have been developed in relationship to Bruno Latour's science and technology studies (Harman, 2016). Bruno Latour's *bête noir* has been "representationalism" or the ways in which modernism assumes that there is a "real" existing out there, waiting to be uncovered, just like traditional or "mainstream" research paradigms do (Latour, 1987; see also: Chua, 1986, 2019). Supposedly, as one follows the "scientific method," one can get to know the world as it "really" "is"—or at least to a considerable extent (Lee & Lings, 2008). Alternatively, Latour analyzes research in terms of "translations," whereby research objects are formed by researchers into (somewhat) stable and performative networks of relatedness (Latour, 1996, 1999a, 1999b, 2005). For instance, people, tools, materials, and plans have to be brought together for a solar powered car to work. Sometimes all of the elements needed are easily linked and (seem to) operate flawlessly, but most of the time there are tensions, issues, and imperfections. For example, batteries may not turn out to work, no matter how hard one tries; the sun may not shine; and/or particular tools required to put the solar powered car together may be missing. Latour (2005) asserts that research involves a variety of human and non-human objects in interaction with one another, whose networks of meaning succeed or fail. "Truth" or "scientific knowledge" are thus forms of strong or successful networks; they are not simply "out there" waiting to be uncovered. What counts as fairness, integrity, and so on, may thus also be seen as network effects.

In line with this viewpoint, Latour and Woolgar (1979) have focused on the theme of accountability, asking for instance: "to whom, what, and how are biologists accountable?" Latour and Woolgar concluded that biologists did not adhere to the highly ordered, rational, and procedural scientific method but followed a social logic, crystalized in networks of "influencers" and power brokering. The objects of research (for instance, small animals) did not speak for themselves but were represented, created, interpreted, and negotiated in social strategies of relationality, in ways that were ultimately deemed to be "fair," reasonable, and acceptable. Harman (2016) adapted and extended Latour's views, claiming that "fairness" could be studied more appropriately by adopting what he called "flat ontology." His views will be discussed next.

Fairness and Flat Ontology

In Graham Harman's flat ontology, a distinction is made between "over-mining," "under-mining," and "duo-mining" (Harman, 2010, 2012, 2016, 2020). In "under-mining" one defines the research object or the researched by dividing it into smaller and ever smaller components, until further division seems impossible. An example would be that an organization is broken down to its yearly profits, executive compensation, or the composition of the board of directors. Hereby one creates a false certainty—for in reality, there is no limit to downward regression. Profits, payments, and boards can be broken down even further, for instance to sales figures, bonuses, and inside versus outside board members. In "over-mining" one abstracts one's way away from the research object, to higher and ever higher levels of abstraction, until further progression seems impossible. One could then, for example, regard an organization as representative of a particular sector, or as representative of globalization; one can move from single to multiple organizations and on to complex hyperobjects (Morton, 2010, 2013). In "duo-mining" one does both at once: downward and upward regression happen at the same time. An organization may then, for instance, be assumed to consist of its strategy, the composition of its board of directors, and its performance and be assumed to operate as if it were an individual, that is, as a single person. In under-mining, the research object becomes a description of what it is made of; in over-mining first principles or metaphysics take over, and the research object as such is lost and disappears into something else. According to Harman (2010, 2020), the challenge for research is to stay loyal to the "being" of the research object, as the research object itself (here: the organization) always recedes from view—at least, in part. When respecting flat ontology, fairness to the Other can be accommodated by safeguarding one's loyalty to the research object.

Harman's analysis does not just pertain to research objects but to all objects—that is, it pertains to all "Other"(s). Hence, in his take on flat ontology, atoms exist and are just as important as molecules and compounds, or as pencils and computers, or as ideas and ideologies, or as writers and readers, or as publishing houses and libraries, and so on, and these should all be handled responsibly as one researches. But how does someone conceptualize this, if all "objects" and "Others" are ontologically alike? How can one make statements about, for example, corporate governance or an organization, wherein hierarchy and power are assumed to be present? In flat ontology, governance, the governed (corporates), directors, executive pay, cleaning staff, shareholders, stocks, and the researchers are all "Other"(s). Looking, for instance, to the case to come, FairPrice's Others include (but are not limited to) multinational supermarkets and small land holders in Uganda as well as the Kenyan tea auction, tea drinkers, and political activists. But if one's ontology is entirely flat, how are governance and accountability to be judged? As noted, we assume here that Otherness truly exists. If so, what can we understand about the "being" or ontology of objects? This will be discussed next.

Ethics and Flat Ontology

Emmanuel Levinas is our main source in addressing the ethics of corporate governance. Levinas (1969) asserts that one's encounter with "Otherness" and how one respects and acknowledges the "Other" is the root source of ethics. All "Others" have a "face" and that "face" (or "being") elicits response, awareness, and regard. Levinas does not lead to programmatic ethical codes or check-list controls. In the face-to-face originatory encounter ethics are (or are not) born. The radical Otherness of the Other, and openness to experience, responding to and respecting one's relatedness with and to Otherness, is crucial to Levinas's views. Levinas's ethics of Otherness are without boundaries, that is, regard for the "Other" just fundamentally "is." The "face" ("being") of the Other primordially demands recognition, awareness, and acknowledgment. If the Other is made subservient to one's own rules, procedures, assumptions, or prejudices, ethical response is smothered. Rule-bound interaction is presumed to be unethical insofar as it denies the living "being" of the relationship to the Other, standardizing or formalizing interaction. For research to achieve such openness is a major challenge, as it is usually bound (at least to some extent) by procedures and expected outcomes. Research often tries to possess or apprehend the researched as, for example, a concept, conclusion, or quantitative data (see also: Flyvbjerg, 2001; Silverman, 2011). For research to be ethical, researchers need to experience "face" and not to reduce the Other to ideation or mere assumptions. Levinas (1969) points to the constitutive role of intra-action between the researcher and the researched when discussing this.

As we stated in the first section, we wish to broaden Levinas's take on ethics to include institutions, inanimate objects, ideas, and artefacts, in order to accommodate corporate governance research, and we do that via flat ontology. Levinas sees ethics as intra-human and even (for the most part) refused to see ethical relationality (or "face") in his relationship to non-human actors. Thus, our position is clearly an enlargement of Levinas with a relationality that encompasses non-human actors and which may hence pertain to issues of corporate governance. In governance we see relatedness that encompasses both human and non-human objects, for example, between organizational structures, payment schemes, directors, codes of conduct, sales managers, share buybacks, accountants, bankers, stakeholders, products and services, and so on (Aguilera & Jackson, 2010). Our argument hinges on accepting our Levinasian-inspired ethics as the ground for doing research into corporate governance—that is, on a methodological premise rather than on a particular, theoretical premise. For us, research methodology is the result of social ethics and politics (cf. De Loo & Lowe, 2011), and this pertains to mixed methods research as well. If one subscribes to no social ethics one's research methodology will be opportunistic and pragmatic. We choose to champion the ethical fundament of evaluation and accountability. Can we sustain our position in practice? This we will see in the following section.

THE (MINI-)CASE OF FAIRPRICE

Following flat ontology, how can we assess (corporate) governance issues and make related statements about fairness? With flat ontology we escape the assumption that the material world is just "there" to be exploited by (detached) researchers, but do we lose too much in terms of causality and agency when we adopt flat ontology? Aras and Crowther (2010, p. 265) note that corporate governance:

> can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public and so on; professional/service providers – and the corporate sector.

By approaching corporate governance in this manner, the actions of an organization can be studied in a way that emphasizes the extent to which it helps to safeguard societal wellbeing in an increasingly globalized world. In line with this definition, fairtrade can be seen as a manifestation of corporate governance. It insists that all "things" are ontologically equal and that no one (research) object, whether human, biological, institutional, or financial, takes priority over the others. This involves a wide variety of arrangements aimed at sustaining societal wellbeing. It may even be argued that fairtrade *demands* flat ontology, but then, where, and how do the cohesion, purpose, and intentionality of corporate governance come in? Ideas about ethics, moral values, and societal arrangements have to stem from somewhere. Does one object take the lead, determine the fate of the others, and make things happen? Accountability only makes sense if (human) objects can come into relationship to one another (Roberts & Scapens, 1985; Mulgan, 2000), but how can this be accommodated when following flat ontology?

With the case that will be shown, we react to the relationships between grocery store shelves, tea plants, packaging, container ships, rural roads, inspectors, customers, and so on, which all come into view as (potential) research objects. Tea can, for instance, be viewed as a luxury product, a convenience, a lot of hard work, quick profits, a success story, and so on; tea farmers do or do not discover their own being in the scents and beauty of their fields, or they may feel exploited and tired by day's end. Can what is governed, how, and why be researched and/or justified? Our two accounts presented below aim to fuel a discussion about these issues. However, we will first introduce FairPrice itself.

Introducing FairPrice

What we have called "FairPrice" is an exemplary fairtrade organization engaged in the production, harvesting, packaging, and selling of tea. It prides itself that the entire tea value chain that it is part of operates based on fairtrade principles, which is commonly seen as an example of "good" and recommendable corporate governance. FairPrice's corporate headquarters are based in the Netherlands, but the tea plantation fields and farmers, middlemen, inspectors, and so on, are mainly located in Kenya and Uganda. We will examine two accounts related to FairPrice: (1) its relationship to its customers as told on (mainly) social media; and (2) a reflection on its relationship to its tea farmers as told by FairPrice's CEO.[1] The (primarily) social media story is about FairPrice's punchline "Be fair, beat hunger" and what consumers can do to be fair to the farmers. FairPrice's CEO's story is about him trying to remain "truthful" about his leadership role when engaging with the tea farmers. Our analysis of research methodology, which follows in the fourth section, focuses on the (im-)possibilities of relatedness, when adopting flat ontology, and how mixed methods research can (or cannot) potentially play a constructive role therein. Implications for corporate governance research will then be discussed as well.

It ought to be noted that the following two subsections are based on different research methods and that this combination implies that mixed methods research has been carried out here. Whereas the subsection "Be Fair, Beat Hunger" is based on document analysis (mainly taken from social media and newspaper clippings), the subsection "The CEO's Story" is based on four in-depth interviews with and a written reflection by FairPrice's CEO.

"Be Fair, Beat Hunger"

FairPrice's strategic principles are that economic development in agriculture and those who are involved therein in poor countries requires: (i) more entrepreneurship amongst producers, (ii) the right-to-information for consumers, and (iii) no misuse of dominant market power via market-barriers and price-fixing. It is implied that consumers are responsible if they buy merchandise produced with slave or child labor, without a living wage, or with unsafe working conditions. Consumer right-to-information legislation, however, has not been enacted in many countries, requiring companies to answer consumers' questions. FairPrice actively campaigns for such legislation.

FairPrice claims on its corporate website that it finds it important to address the relationship between the poor tea farmers it aims to serve and customers' shopping carts. Consequently, FairPrice actively compares supermarket products on its website: cartons of tea sacks with the cartons of other brands, tins of bulk tea with tins of other brands, and so on. It repeatedly asks in its social media outings: "Which product, do you think, is more 'fair' and which is less 'fair': X or Y?" To determine "fairness," producers of X and Y are asked to complete a FairPrice questionnaire, of which the results are published on FairPrice's website to facilitate comparisons. The items on this questionnaire are based on the UN Universal Declaration of Human Rights and Millennium Goals, and treaties from the International Labor Organization (ILO) and the Food and Agriculture Organization (FAO). Typical questions are:

(For) which part (percentage) of the product:

(i) Have all workers received a living wage?
(ii) Is free from (the worst forms of) child labor?
(iii) Is free from money laundering?
(iv) Is free from unsustainable use of water?
(v) Is free from abuse of dominant market power?

And so on.

There are 32 items on the list. Organizations that refuse to answer are automatically deemed to be "not fair"; all further ratings are relative. The ploy is to get tea producers, wholesalers, and retailers to compete to become more "fair," and then, to get customers to act based on this assessment.

Major players in tea merchandising have adapted one of three strategies in reaction to FairPrice's questionnaires. They have: (i) tried to ignore the questionnaires, (ii) tried to actively fight FairPrice, and (iii) tried to co-opt it. FairPrice has typically reacted by over and over again resending the questionnaires and by organizing publicity stunts. An importer and jobber of bulk tea, which refused to discuss the factor of labor in its warehousing, received hundreds of telephone calls from the general public prompted by FairPrice. Active opposition to FairPrice was attempted by a major supermarket chain, which tried to scare off FairPrice's funders by threatening financial reprisals if they continued their support. Co-option took the form of a multinational inviting FairPrice to discuss its research methodology and questionnaire design, in order to gain insight into and influence over the methodology. Another instance of co-option saw a tea chain asking FairPrice to help set up adequate tracing procedures for its purchases of tea, as it claimed to be flabbergasted when it learned that it had purchased "unfair" merchandise.

Both FairPrice and the major players in tea merchandising have continued to respond in the aforementioned ways as FairPrice has tried to introduce greater "fairness" in the production and sale of tea (happening to this very day).

The CEO's Story

The CEO, when he was interviewed about FairPrice, chiefly talked about creativity and stagnation, democracy and leadership, and success and consistency as he discussed his time and role at the organization. He left FairPrice, some time after the last of our four interviews with him, insisting that he was tired of his role, the organization, the negotiations with large-scale suppliers that often led nowhere, and the workload. FairPrice had grown from a budget of €300 000 to above €1 000 000 during his reign, having expanded its activity to include coffee, chocolate, and related products.

The CEO indicated that with politicians and representatives of large companies, he had had farcical interactions more often than he wanted to count. For instance, most parties in the tea production chain knew that at a cost of a cent or two per package of tea, a living wage for third world tea farmers could be realized. Manufacturers argued that fierce competition on the global tea market made a one or two cent difference out of the question. However, the spokespersons could no more believe that story than the CEO could.

The CEO decided to journey to Uganda "to meet my tea farmer" (as he put it). He wanted to let virtually powerless farmers tell their side of the story, determine how fairtrade principles felt as directly experienced, and what he could do about this. "Meeting my tea farmer" turned out to be a journey focusing on injustice, poverty, and whether someone could treat a person who supplies others fairly. The fairtrade ethics of FairPrice assumes that there is responsibility and shared integrity person-to-person or tea producer to tea drinker. The CEO's encounter with the tea farmer went as follows, in the words of the former in a written document that he decided to prepare for the researchers, containing his reflections:

> Finally: I'm going to meet "my tea farmer" – to be looked at right in the eyes. I did not know why, but I find it so special. I have been looking forward to this meeting. Peter from West-Uganda is a spry man who makes sharp jokes. He is talkative and very open; he does not hide his opinions. He truly enjoys talking to one of his consumers. He is proud of his excellent tea. Proud but poor – he is ferociously poor. Mercilessly poor. I look him straight in the eyes, and ask: "Dear Peter, I am John. In the Netherlands we drink your tea. Is that OK by you? We are linked to one another via the tea. We have an economic relationship with one another. What do you think of this? As a consumer I have lots of influence over our relationship – who pays decides, you know". He looks back at me, just as directly, and answers: "Unfortunately John, while it is really nice to meet you, I am only getting poorer and poorer thanks to our relationship. And poor in Uganda is very different from poor in your country. I am paid so little for my tea – and my costs for pickers, pesticides and fertilizer are so high – that when it is all over and done with, I have nothing. There is simply no money left, there are no goods to trade. As a result, I cannot adequately feed my children, let alone pay for their schooling or afford healthcare". I knew all of this already in my role as a CEO, to be honest; people had told me this many times before – but I felt rotten still. We look a bit ashamedly at one another. It is a strange situation. He is poorer because of our relationship. His children and his pickers are the victims. I don't want it to be like that. And he doesn't want it to be that way either. No one really chooses for this; how can it still be so?
>
> Peter's tea is dried and ground in Uganda, and then it goes in big jute bags to the tea auction in Mombasa, Kenya. The auction system, plus the worldwide overproduction of tea, ensures that buyers get the lowest possible prices. "Couldn't you produce something else, which pays better?" I ask. Peter explains that he has debts, thanks to the expensive pesticides and fertilizers that he has to use. He is glued to his present spot and way of working. And the roots of the tea plants are so deep that he would have to hire machines

> that he cannot afford to make the ground fit for any other crop. That sort of money he could never in his life collect. Let alone the investment in new crop, which would take at least a year before it becomes profitable.
>
> Peter tells me: "It is very dry this season, I'm very worried about that". I ask: "How can we make our economic link fairer? What is going on now is not only unfair; it is reprehensible". Together we brainstorm for answers – if Peter would get twice as much for his tea, an 80-gram package of tea in the grocery store in Europe would cost 1½ Eurocents more. Or if you want to see it that way, the profit for the multinational would be one cent less. It is purely how you want to see it. From the rise in his price, Peter could pay back his debts, care much better for his children's future, and save some money to invest. Eventually, he could diversify and replace the least profitable tea plants with something else.
>
> I look him in the eye for the last time: "I promise I'll do everything I can to make something happen. If the consumer pays, they should be able to decide what happens".
>
> We hug one another and say our goodbyes.[2]

There has been no further contact between John and Peter, and as stated, John has meanwhile left FairPrice, feeling exhausted and drained. FairPrice still claims it abides by fairtrade principles. Peter's fate is unknown.

In the next section, we will try to draw some inferences about the possibility of ethically grounded research methodology in the context of corporate governance research when flat ontology is followed.

ETHICS AND RESEARCH METHODOLOGY: DISCUSSION AND CONCLUSIONS

Lincoln and Guba (1985) have asserted that methodological issues, such as the choice of a mix of research methods, cannot be assessed in isolation from ontological (what is the nature of "reality"?) and epistemological (what is the relationship between the researcher and the knowable?) concerns (see also: De Loo & Lowe, 2011). We here are adhering to flat ontology and (our adaptation of) Levinas's ethics, which is in line with flat ontology. At issue are the following questions: "how does this influence research methodology?" and "how can ethically grounded corporate governance research be realized?" We have offered a (mini-)case in the previous section based on mixed methods research to help us to address these questions.

Flat ontology operates here on two levels. First, there is the level of the organization, that is, FairPrice, where the main principles of flat ontology may be difficult to guarantee given the complex nature of organizational life, life (literally) in the field, and intra-organizational relationships across supply chains. Second, there is the researcher/researched relationship and its ethics, practices, and principles. If the researched assumes an ethics of flat ontology, but the researchers do not, the research will performatively form an attack on the researched. The cognitive dissonance between the researched and the researcher will result in a conflict wherein the researchers de facto denigrate the researched's ethics. Research, seen as an inherently social affair, encompassing both the researcher and the researched, inevitably answers to a (perhaps implicit) ethics. To achieve consistency, the principles of respect and acknowledgment, crucial to flat ontology, must be respected. The researcher cannot deny the researched's ontology without producing what most research ethics would consider an ethically unacceptable methodological conflict. Recognizing this problem, specifically in the context of research interviews, Lee and Aslam (2017) have put forward proposals for a "wholesome" research interview, in which the technical, social, and political dimensions of research are acknowledged and form the basis of the exchange between the researcher and the researched. They tried to accommodate these dimensions in their own work, but they felt that the technical dimension of research was often over-emphasized when research was conducted and research accounts were produced that attempted to convince the onlooker/reader.

Let us turn to corporate governance by expanding Lee and Aslam's discussion. Via the questionnaires assessing "fairness" and its campaigning, FairPrice has tried to make large tea multinationals (and others in the tea value chain) compete with one another to become "fairer." Ultimately, "fairness" is supposed to bring economic justice into the reach of all, exemplifying FairPrice's attempt to exhibit "good" corporate governance. Fairtrade's assumption of flat ontology means that each stakeholder is to be respected, valued, and treated justly. This may be regarded as a noble idea. However, at the same time, the CEO felt that he was called upon to reproduce shallow roleplaying with multinational companies and supermarket chains. In his engagement with tea farmers in the field he seemed to have been more or less powerless. He claimed that he was regularly confronted by commercial interests in the tea value chain by managers who knew full well that they were hypocritical but refused to acknowledge the wellbeing or respect of those further down the supply chain. In addition, the CEO complained of repetitive internal tasks characterized by Others who did not (and/or could not) assume responsibility for their work. The CEO traveled to Africa to see what was really going on with "his" tea farmers and what he might do to change the situation, but he returned distraught. What he had been told before he went was exactly what the situation in the field was like. The obvious solution (a small increase of the payments made to tea farmers) looked simple but would likely not be accepted by Others in the tea value chain. Nonetheless, all these Others claimed to be involved in fairtrade (or were associated therewith). One might assert that the CEO fled his corporate governance responsibilities when he left FairPrice claiming it had been a source of deadening routinization of dependency, passivity, and alienation.

Flat ontology brought tea, Peter, John, the grocery stores, the Ugandan drought, school fees, and so on, into the same picture or plane. All these objects or Others were (are) to be seen as significant, but when following flat ontology, we cannot prioritize the one Other above the Other. Universal respect and responsibilization stretch to include all takers, and somehow this needs to be accommodated when research is conducted. Why, for instance, is the hunger or lack of school money for the tea farmer more important than the dividends of the supermarket chain? We may feel it should be so, but adherence to flat ontology does not allow us to immediately take such a stance. Harman (2016) responds to issues of pragmatics such as the one above, retaining his flat ontology, by claiming that prioritization is possible but is metaphysical. All objects are ontologically the same; the choice to favor one object and/or to discriminate against another object has to be taken from outside object-being via some belief in an ultimate good, truth, or principle. If we, the researchers, claim that profits or the price of tea is the most important factor underlying the case, we are determining, to a greater or lesser extent, what responsibility or ethical import is to be ascribed to one or the other Other. Thereby we place ourselves outside of the flat ontology and make ourselves into spokespersons for a particular metaphysics. How "wholesome" this is (cf. Lee & Aslam, 2017) is not clear, as it involves a choice for one or more Others, whose motives and motivations we may not (ever) really know and can merely assume.

Levinas demands a flat social ontology from us, that is, each Other (person) needs to be treated equally to each other; Harman's flat ontology radicalizes the principle to include non-human objects. Responsibility in Levinas is to the Other understood as all human Others. Therein, it is undifferentiated and without prejudice. If we, as researchers, demand more money for the tea farmer and less profits for the tea jobbers, we favor the self-interest of the one above that of the other. Of course, researchers can try to claim that they merely reproduce the power relations as they exist in the field. But then one claims to do research without any ethical responsibility to (some of) the researched. We can adhere to a principle of profit maximalization or to the defense of the poorest and/or the most exploited, but then we are answering to a first principle of social ethics and not to a playing field defined by flat ontology. We can claim that we have no commentary on economic relationships or willingness to intervene, but then the ethical value of our research will be extremely limited. And we, at least seemingly, have then chosen to be indifferent to the plight of the tea farmers. We can accept no ethical responsibility to any Other and also not to our community of research. Criteria of researching or in effect methodology then become nonexistent.

Let us assume that the CEO felt himself responsible, and let us assume that we also feel ourselves responsible. But did the responsibility make any significant difference in the relations under investigation? We, as researchers, did our interviewing, analyzed various (social) media posts, and transcribed the material. Insofar as we felt responsible for the exploitation of the Ugandan tea farmer, we took no action. As researchers we have chosen, by writing this text, to try to problematize the ethics of our research methodology. Ultimately, research methodology is a question of how one conducts oneself vis-à-vis the Other. But however respectful we were of the CEO and/or of the Ugandan tea farmer, our ability to respond to or to take "response-ability" has really been fairly poor.

Thus, by combining Levinas, flat ontology, and the (mini-)case, what can we say about research methodology? Openness to the Other is indeed the ethical ground of research. But when there is a myriad of Others, which is normally the case, the researcher has to make choices and will thereby naturally move away from an entirely flat ontology. This is part and parcel of what is commonly called "doing" research, and it is part and parcel of the methodological dimension of research (Lee & Aslam, 2017). The choices researchers make will inevitably lead to under- or over-mining: we will never be able to see all objects in their entirety or as they "really" are, and we may make assumptions that turn out to be incorrect or harsh, on the one or other Other. "FairPrice," for example, was shaped by what we included and excluded from the third section: what the CEO wrote and did not write in his reflections, what the tea farmer did and did not reveal, which documents we made use of and those we were not able to trace, what was included and excluded in the fairness questionnaire, and so on. Karen Barad calls this process of choice, which includes and moves beyond the researcher and the researched, the making of "agential cuts" (Barad, 2007). Focusing specifically on the researcher, the researcher determines which "face" of any research object will be seen and which ignored (as well as what their own "face" will look like) and what stories will be told and which will be withheld. Researchers thus make choices in their Othering and leave their marks on Others, thereby framing these Others in one way rather than in another. These choices warrant critical reflection—which is what we are trying to do here.

Corporate governance is also a matter of making choices of who and what to acknowledge and sideline, of setting priorities and denying claims, of what to monitor and what to leave aside, when the governance of organization is discussed, and what is termed societal wellbeing (Clarke & Branson, 2016). Research is a form of governance, and (corporate) governance is a form of research. For both, the ethics of the "agential cuts" that are made is crucial (see also: Haraway, 1987; Butler, 1993). Levinas (1969) may be right in the need to accommodate Others to the best of one's abilities, but corporate governance and corporate governance research are (implicitly) based upon ignoring as well as honoring claims, of acknowledging the "face" of the Other and refusing to engage with or react to some other Others, as this would (or would not be) in line with, for example, what is commonly deemed to be "adequate" risk management. Ultimately, it is which "cuts" one makes and which turn out to be significant that counts, and which "cuts" have made one's account appear in the way it does. Merely acknowledging the Ugandan tea farmer, as the CEO did, and which we tried to accommodate, did not produce change. Going to Uganda and talking to him did not produce any ethical acts of import. Acknowledgment, as an ethical baseline, is important, but it is not enough. Accountability may be based on answering to the "face" of Other, but justice, fairness, and respect demand more than that (see also: Lee & Aslam, 2017). Levinas's ethics may lead to processes of relationality, but research ethics needs further defining and developing. Ethical research methodology may be a prerequisite to doing the "right thing" as a researcher, but without a developed social ethics of the "just and fair society," research remains rather hollow or mainly a technical affair. This is not changed by incorporating mixed methods in one's research design, as our FairPrice illustration, which was based on mixed methods research, shows. The alignment of corporate governance, ethics, and research methodology is indeed necessary, but an "ethics before ethics" only defines prerequisites and does not determine actual criteria of choice.

FINAL REMARKS

Denzin (1989) purports that understanding is created in interaction between the researcher and the researched. This is a view that we have followed here as well. Researchers must examine human conduct while opening a dialogue with the Other, or at least make a genuine attempt to do so, to foreclose excessive use of their own point of view. Flat ontology, in the way we framed it here, purports that the researcher and the researched operate on the same "plane" and should accommodate one another as far as possible. We have shown that ultimately it is impossible to uphold flat ontology as a researcher: one always leaves his/her mark on the researched and in the research; this is simply inevitable when research is conducted. Flat ontology is an ideal, but as we have demonstrated, it is in research unachievable. Harman (2016) finds this not a problem as long as the metaphysics embraces affects of acceptance, positive-regard, and justice for all. But in practice, there will be researcher choices of focus, wording, and explanation; research without "agential cuts" (Barad, 2007) is impossible. Some pragmatism is warranted and is necessary even when adhering to flat ontology. Ethics may demand unlimited respect and acknowledgment in the responsibilization of the researcher. The aporia or hidden assumption (Derrida, 1993) of research is that one can somehow muffle the discord between ethics, pragmatics, and methodology. Harman (2016) flees the contradiction by claiming that criteria of choice are ultimately required but that they are in principle metaphysical and thus fall outside of one's ontology. While this is logically consistent, it limits researcher response-ability as the key criterion of action, and the very crux of research methodology is made transcendent. Therefore it appears to fall outside of researcher control and possibly purview. Likewise, Levinas's solution, to limit ethics to the relationship between two individuals, and thereby de facto exclude (or greatly diminish the influence of) large-scale practical and economic activity, is not a viable solution for corporate governance studies.

Fully grounded ethical research methodology therefore is an unattainable ideal: technical, social, and political aspects always intermingle when research is conducted (Lee and Aslam, 2017; see also De Loo & Lowe, 2011; Letiche & De Loo, 2022). Process ethics encapsuled in a flat ontology is probably the best statement that can be made, but it is ultimately unrealizable in practice. Hence, studying corporate governance cannot be done without somehow invoking governance of and in the research processes. Research has somehow to be steered, and the same holds for corporate governance, even when it is based on fairtrade principles.

Research into corporate governance issues also involves governance, and these two "layers" of governance, which are clearly entangled, warrant reflection. Turning to mixed methods research, piling quantitative methods onto qualitative ones (or vice versa), or combining multiple qualitative or quantitative research methods in one and the same research project, will not make ethical analysis more easily possible. A mixed methods approach leads to additional agential cuts, leaving more marks on both the researcher and the researched. These marks warrant reflection as they affect what the research ultimately comes to look like and how the researcher and the researched are framed. Hence, a mixed methods approach, when following as flat an ontology as possible, complicates the research rather than enhances it, as our corporate governance example shows. Consequently, employing more methods in one's research is not necessarily "better" or more insightful than using a single method (see also: De Loo & Lowe, 2011).

Obviously, as noted in the fourth section, our outcomes depend on the fact that we reasoned from relational ethics incorporated in a flat ontology. But does not this argument also hold more generally, as long as research is seen as a fundamentally social and political affair? If so, this means that corporate governance researchers need to be wary of any claim that research methodology alone can provide answers to their ethical dilemmas. Ethics are not research methods; responsibility to the Other, circumstance, and process cannot be defined procedurally. Engagement with and responsibility to the Other ask for practical understandings of actual goings on, and these have received limited attention in the corporate governance literature (Ahrens et al., 2011). Ethics is grounded in how we handle mutual relatedness, and that is something quite different from applying research methods. Adopting mixed methods research and claiming that it is a viable way forward to investigate how corporate governance is enacted or ought to be enacted is an insufficient response to the ontological and ethical issues posed by researching the practice of corporate governance *in situ*.

NOTES

1. This part of our contribution is based on four long interviews (each of a minimum of two and a half hours) with the CEO of FairPrice across a two-year period.
2. All names have been changed in the report, but the locations have been retained.

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PART II

NEW RESEARCH DESIGNS

4. Building new theories and a specific concept for boards of directors: the *practicholar* research design

Daniel Yar Hamidi and Wafa Khlif

INTRODUCTION

In this chapter, we suggest a collaborative research design for corporate governance research that not only integrates interaction, but also joint theory and concept building, with practice.

In corporate governance, as in several other fields, the 'empirical' operation is embedded into at least three major theoretical elements that are interpretative in nature: the characterisation and selection of the concept to be studied; the methods for questioning the concept according to a plurality of criteria that are obviously not empirically given themselves; and the categorisation of the observed concepts, which are qualified in relation to the theoretical ones. From this empirical loop, an additional ambition sometimes intervenes to 'explain' the choices of certain characteristics by certain categories of actors. Following this path, we have noticed that research findings are often drawn from mainstream western-centred theories, which are obscure and decontextualised in relation to (singular) practitioners and suffer from slow innovative applicability. The simplification, de-contextualisation and extended replication of findings produce vagueness in addition to the absence of an explicit point of reference. However, something specific can only make sense in relation to something else and at the cost of rigorous sorting of the contingent and the permanent. Unfortunately, this vagueness nurtures the illusion of knowledge production, and instead, sometimes, nothing more than discourse is produced.

Our proposed research design pinpoints the importance of identifying and formulating questions that are relevant to contextual realities and to do so while engaging in collaboration between scholars and practitioners. This will require a cohesive design that generates bridges for reflection between scholars and practitioners, while offering relevant processes and a systematic approach to theory building. The development of the design is inspired by work in the fields of system science and action research (Sein et al., 2011), and by social psychology too (Moscovici, 1972), and considers the use of mixed methods where applicable. We call the design *practicholar*, a combination of practitioner and scholar in the joint pursuit of complex knowledge generation.

THE (APPARENT) VARIETY OF METHODS IN CORPORATE GOVERNANCE RESEARCH

Corporate governance research has been developing and considering new avenues in recent decades (Hambrick et al., 2008; Zattoni & Van Ees, 2012). While the constitution of data is often biased towards reality, the use of quantitative research methodologies is still dominating the field (de Villiers & Dimes, 2021; McNulty et al., 2013) because of its reassuringly positive epistemological stand. Moreover, with the increased sophistication of processing software, and of the databases themselves, quantitative research in corporate governance has undoubtedly witnessed an increase in the number of researchers who apply poorly mastered techniques to poorly known data (Siracusa, 2014).

Trying to go further than recording the reliable rendering of reality in terms of normative and positive theories, there has been a tendency for clusters of scholars to promote qualitative research perspectives. Scholars have largely attributed the slow development of qualitative research methodologies in corporate governance to the difficulties accessing the relevant actors (Huse, 2000; McNulty & Pettigrew, 1999). Many sociologists have also pointed out that verbalised attitudes generally differ from observed behaviour (Schultz, 2014). People do not necessarily act as they say they do, and this seems especially true for such social actors as board members, CEOs, etc.

Furthermore, the research field has been witnessing an increased use of mixed methods to make the most of qualitative and quantitative methodologies, such as Delphi and qualitative comparative analysis (QCA) (Seny Kan, 2011; Nerantzidis, 2016). In a recent review of corporate governance research, Cucari describes the use of QCA to compare configurations of variables and to test for equifinality while investigating which variables are leading to effective or ineffective outcomes in the field (Cucari, 2019). Although such approaches have opened new avenues and provided researchers with opportunities to both make use of qualitative data based on interaction with practitioners and to use archival and other quantitative data, the results are often instrumental research grounded in established methodologies and theories. Well-known paradigms are not questioned because research is conducted in a single direction, that is, observation of the practice as an objective non-intentional research object, but ignoring such aspects as the ideological, social, political and cultural essence. By simplifying the context of corporate governance to boards of directors and their mechanisms, research in the area has not been able to grasp its complexity or to view the board of directors as a social and political system.

An unfortunate mixture of a weak definition of corporate governance as such coupled with a setting of strong actors has upheld the development of competing theoretical perspectives on the meaning of corporate governance. The dominant meaning is still often expressed from an agency theory perspective (L'Huillier, 2014).

Indeed, corporate governance as a field would never have emerged without several favourable socio-political and cultural conditions that are historically and geographically combined. What we call the 'context and origin' function also causes, triggers and hinders the development of any other theory than the western point of view and/or reality. Paraphrasing Foucault in reference to his intellectual filiation to Hegel, we can ask the same kind of questions regarding mainstream agency theory: "Can one still understand governance where agency relationships are no longer possible? Can any theory of governance continue to exist that is no longer a power struggle between shareholding and management?" And more precisely:

> truly to escape [agency theory] involves an exact appreciation of the price we have to pay to detach ourselves from [it]. It assumes that we are aware of the extent to which [neoliberalism], insidiously perhaps, is close to us; it implies a knowledge, in that which permits us to think against [it], of that which remains [neoliberalism].

One must ask who is speaking, and from what context? In what grids and in what sense are the questions pertinent? One way of answering these questions might be a careful re-visitation of the contextual relationships that have existed between the legal, business and political spheres.

RELEVANCE AND IMPACT: CRITICAL THOUGHTS ON DESIGN

In a 50-page essay published in 2017, Lorsch explored the reasons and conditions leading to 'slow and uneven research on corporate governance . . . despite the tireless efforts of academics in this field' (p. 2). Scholars have broadly recognised the complexity of research on corporate boards (Huse, 2007, 2020; Lorsch, 2017) and multiple difficulties in collecting 'true' and original data. While access to the boardroom is a real challenge for scholars, the research community needs to explore new avenues of research design and methodologies.

Researchers have often built on data derived from questionnaires and other secondary sources, or on first-hand experience with boards. Qualitative together with quantitative research, in conjunction with certain fixed theories (paradigms) under the myopic hegemony of the manager/shareholder power play/struggle, are slow to produce and develop new concepts and theories related to corporate governance realities. By the same token, the institutions and regulatory entities that educate for and promote corporate governance are dominated by the same paradigm and established perspectives that tend to maintain the status quo and limit the development of new concepts around corporate governance.

We posit that these methodologies usually involve an instrumental approach and hence may suffer some limitations for scrutinising new perspectives and establishing debate on important moving/changing but nevertheless taken-for-granted concepts of corporate governance, such as value, sustainability, society, power and so on. The always situated and interpreted nature of the meaning attributed by corporate governance actors to such core issues makes it difficult for researchers to work beyond this instrumental perspective. Academia needs to engage other stakeholders (including but not limited to shareholders, directors, policymakers, representatives of other stakeholders such as NGOs, employees, society, etc.) in formulating research questions as well as finding answers to them.

The general procedure of traditional corporate governance research is often structured into four main steps, as illustrated in Figure 4.1:

1. Formulate a research question embedded in a theoretical framework
2. Choose a research method
3. Discuss and/or develop a theory and concept
4. Publish/disseminate (impact)

We are cognisant that our stylised model in Figure 4.1 is a simplification of the research process, but we believe that this general description will serve our aim of contrasting it with a research design that builds on the co-creation of knowledge. The four steps of traditional research in corporate governance can briefly be described as follows.

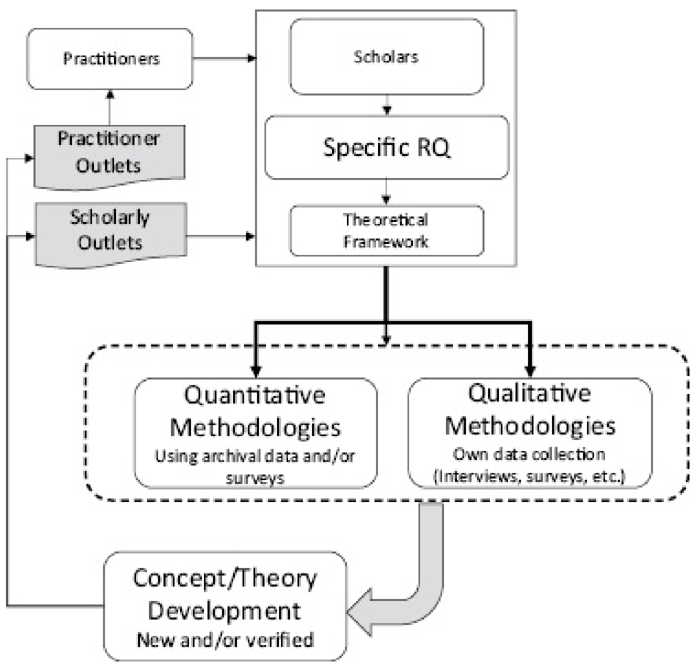

Figure 4.1 Traditional research conduct in corporate governance

Formulate a Research Question Embedded in a Theoretical Framework

Formulation of a research question (RQ) is often a matter of identifying a gap in the literature, that is, a focus on an issue not covered in the previous literature on corporate governance. However, this is not the only way to formulate an RQ. An inquiry might also be initiated by practitioners or other parties in relation to a knowledge gap in practice. Nevertheless, the general approach is usually for the problem to be formulated by scholars with regard to previous research and embedded in a theoretical perspective. This in turn creates pre-imposed biases towards theoretical views that might reduce the significance of knowledge co-creation in collaboration with other actors. The involvement of practitioners, policymakers, etc., in this approach is often reduced to being subjects for interviews, observation or as springboards.

The step ends with the production of a theoretical and conceptual framework that supposedly crafts a predetermined answer that would make the research findings more meaningful, acceptable in the research field and moreover generalisable. It is assumed that both the theoretical and conceptual frameworks give life to a research project (Imenda, 2014).

Choose a Research Method

The choice of methodology is usually influenced by the researcher's epistemological and ontological understandings. Nevertheless, formulation of the research question and the context should and usually does influence the choice of methodologies. The methodology is thus very much a function of the researcher's approach and question formulation. One step involved in this choice is the decision with regard to data collection and the identification of the data sources with which we need to engage. In corporate governance research, the difficulty of engaging actors and forums for data collection has been discussed frequently. The detached approach of problem formulation raises the need to identify and engage actors ex post in order to make data collection possible, which creates a gap between the interest and engagement required of relevant actors.

Discuss and/or Develop the Theory and Concept

Theory and concept development is mostly a process that researchers engage in, while the input from other actors as well as the context are treated as 'data' to be analysed and/or interpreted. The reduction of the actors' knowledge and perspectives to data, and treatment of the context as one of many data inputs, raises the risk of becoming myopic and losing connection with the most important aspects of an issue under scrutiny. Similarly, analysis from this approach is usually the prerogative of the researcher while viewing all others as subjects to be analysed and interpreted. This approach often limits the analysis to a predefined theoretical perspective and thus reduces the impact and acceptance by the network of practitioners, which might instead be more interested in new insights.

It seems obvious that the more culturally close the researcher is to the collected data, the less the analysis suffers from contextual detachment. However, when theories are developed 'elsewhere', this can lead to inappropriate discussions or even on occasions to deceptive debates.

Publish/Disseminate (Impact)

For academics, publication in scholarly outlets is often the primary aim of a research process. However, there is no guarantee that the work will be published, and this might not happen until several years after the period of study and the research project itself. Furthermore, scholarly outlets are not widely used by anyone other than specialised experts in the respective field. This means that although the research results are published, outreach might be limited in relation to practitioners and policymakers in the field of corporate governance. However, researchers might sometimes produce a more popular version of their research for publication in other outlets than traditional scholarly ones. This is, however, an add-on to their activities and is often not an integral part of the project. The audience of such a publication was not involved in the process but is expected *a priori* to be interested in the results. Editors of professional or popular science journals can act as filters and decide which topics are of interest (or not) to practitioners. This promotes the development of concepts filled with discourse rather than with meaning.

Our assumption is that discussion on corporate governance should be conducted in a genuinely interactive manner, engaging scholars as well as a broad constituency of relevant actors in order to render new, dynamic knowledge that correlates to the concurrent challenges of the practice, the era and the needs of corporations and societies alike. We propose, therefore, to go beyond epistemological questioning of the conditions for the quantification/qualification of the social world by developing socio-political research methodologies that challenge taken-for-granted realities and support the transition to new social realities. These methodologies need to create active interaction and an exchange of ideas and perspectives between different stakeholders and viewpoints, thus resulting in complex learning and knowledge development jointly between research and practice. This goes beyond using archival data from databases, surveying topics with practitioners or interviewing directors and shareholders, and entails real debates involving different communities and perspectives.

The *practicholar* (practitioner and scholar) design of corporate governance research will contribute to the co-creation of knowledge as well as value for both practitioners and scholars. Such a research agenda needs to be structured into processes that nurture in-depth confrontations, theme and subject identification, operationalisation, theory development and verification, while keeping all actors active, involved and participative.

THE PROPOSAL: DUAL SUBJECTIVITY WITHIN A SPECIFIC CONTEXT

Our proposal builds on phenomenology as an alternative philosophical approach to the truth. Phenomenology is concerned with embodied 'lived experience', the word coming from the ancient Greek for 'what appears', that is, '*phainomenon*'. The pure meaning of a phenomenon can be understood subjectively and its essence can be intuitively grasped, but this does not discard reasoning. Our understanding of phenomenology is a conscious experience that also draws on both empathy and logical reflection. Researchers make sense of a reality through certain forms of reflective stimuli that engage with what appears to them in body and mind.

We consider corporate governance, and particularly boards, to be an experiential (and not instrumental) set of political mechanisms that goes beyond market arbitrages and can translate people's sense of togetherness into decisions aimed at developing firms by adjusting to the ecosystem in which they act. Our methodological proposal expresses a form of interrelated dynamic that would help to build a socio-political environment where academics and practitioners combine their competence (points of view) simultaneously in order to solve problems or create new theories or concepts. Thus, academics are not confined to the role of observers, and practitioners are not burdened with the feeling of being objects of observation. Each of them has a certain point of view and one that is not immovable but subject to thoughtful revisions through further engagement in 'lived experience'. Building on (Schutz, 1972), we consider practitioners to take the social world as 'natural' and thus use typification (of people and situations) for action-producing first-order constructs. Meanwhile, academics go beyond 'naturalness' by using doubt and bracketing (logical reduction of phenomena) to develop second-order constructs. The relationship between these two types of constructs is complex in social science and especially in a political field such as corporate governance. Our proposal aims to confront these two apparently independent constructs to grasp the movements and dynamics of the experienced world.

Phenomenology helps researchers to objectively observe the subjunctive experience without judgement. In other words, it makes an objective study of the subject by using systematic reflection to determine the essence of consciousness, its properties and its structures. Contrary to the Platonic representational theory of consciousness, it offers an alternative theory called intentionality (Husserl, 2014). What is interesting about this intentional conception of consciousness is that it works just as well for the dream world as it does for real life; whether the phenomenon is a fantasy or reality is irrelevant because the focus on the interaction between the phenomenon and consciousness is not about the external existence of the object but the study of consciousness and how it interacts with the phenomena presented to it, whether those phenomena come from the external world, a memory or a dream. Overall, phenomenology recognises that language is the most expressive and resourceful way of articulating what we think, but that it never proceeds to do so *except* through 'embodiment'.

Researchers should account for the complexity of discursive productions and the way in which their different dimensions participate in the 'construction of the social meaning' (Charaudeau, 1997) of a type of discourse. This cannot be done without systematic consideration of the context and specificity of the interaction situations. The context is a complex multi-layered object that transcends the narrow definition of a geographically bounded space.

We suggest a new approach to research in corporate governance (Figure 4.2), where the idea about an RQ is generated together with practitioners emanating

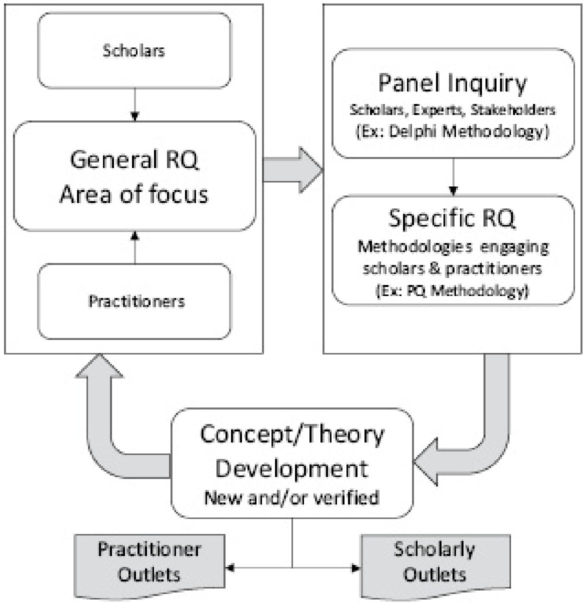

Figure 4.2 *The* practicholar *design of research in corporate governance*

from lived experiences and based on actual problems or concepts in everyday life. Collaboration with practice continues throughout the research process by describing the lived experience, interpreting it and verbalising it, as well as analysing it in liaison with practitioners and the people who actually live the experience. This will entail, at least, the five steps listed below, which need to be integrated well and in a co-creative manner involving contributions from scholars, practitioners, policymakers and other interested parties:

1. Identify relevant topics of inquiry
2. Identify relevant and specific focus
3. Formulate RQ and applicable design
4. Co-develop concepts
5. Publish and disseminate as joint efforts

Identify Relevant Topics of Inquiry

In this first step, the aim is to identify and raise awareness of a topic of interest in the practice of corporate governance. This is not about identifying a gap in the literature but instead requires close interaction with practice and/or policymakers in order to identify relevant and concurrent issues, concepts, processes, relations, etc., to be examined, clarified, developed or better understood.

This entails an iterative process, wherein scholars and practitioners work in collaboration and through the active exchange of ideas, knowledge and experiences scrutinise existing concepts, knowledge and perspectives so they can be further developed or reshaped. This step will result in a narrowed-down but not definitive set of enquiries that will be used in the second step to form an informed discussion about the topic.

Identify Relevant and Specific Focus

The aim of the second step is to create a focused discussion around the topic of interest in order to scrutinise the relevant vocabulary and knowledge status as well as different perspectives. A panel of heterogeneous participants should be engaged to inform the discussion and also identify possible other actors with regard to the topic.

The aforementioned Delphi methodology could be employed in this step. This method was developed by the Rand Corporation in the early 1950s to identify future technological and economic trends (Dalkey & Helmer, 1963). Its primary focus is to achieve, through the use of experts on the subject matter and an iterative evaluation process, a consensus regarding a topic of interest (Cegielski & Jones-Farmer, 2016). The method is particularly useful for exploring multi-dimensional concepts such as 'value' or 'conflict' in the context of corporate governance.

Formulate RQ and Apply Relevant Design

The second step should produce a fairly well-defined topic and relevant vocabulary as well as the views of participants that are engaged and ingrained in the process. In the third step, the research process needs to keep the dialogue with practice (including directors, shareholders, policymakers, etc.) alive and engage relevant stakeholders in developing concepts and theories. This can be done in different ways. Suitable practices in this step include running structured workshops, surveying relevant target groups and other methodologies aimed at keeping different parties engaged in a development process.

We have been experimenting with one methodology, the Q methodology, which is a mixed research approach that synthesises the benefits of quantitative and qualitative methods to explain a subject's perspective on a phenomenon, interest or concern (Brown, 1996). The Q methodology can reveal perspectives or positions in a debate without imposing predefined meanings or categories. It is therefore often used to structure so-called wicked problems, that is, issues and concepts that are characterised by much uncertainty or are interpreted in multi-faceted ways (Nijnik et al., 2014).

Co-Develop Concepts

While the three previous steps create engagement among stakeholders and offer valuable ground for theory and concept development, it is of utmost importance for the dialogue with these engaged stakeholders not to end, but instead to remain active throughout the process of concept development and verification. In this step, the contributions by different parties might be and usually are of different kinds and characteristics. For example, practitioners might take the social world as 'natural' and thus use typification (of people and situations) for action, whereas scholars go beyond 'naturalness' using doubt and association to create abstract and more general concepts. Thus, the core of the design is to promote and encourage the active exchange of ideas and the co-creation of knowledge.

Publish and Disseminate as Joint Efforts

The dissemination of knowledge and experiences from a research project that uses this approach is embedded into the network of actors/stakeholders engaged in the process of theory and concept building. The dissemination process is, therefore, a joint one involving pertinent actors and aimed at clusters of interested parties in a wider and more open network than the scholarly community, which tends to be the case in traditional corporate governance research. Publication in scholarly outlets is just one of many dissemination options in this regard, and within the extended network there are usually plenty of other opportunities to consider. These might include, but are not limited to, publication in popular and professional journals addressed at experts or the general public, training programmes, workshops, etc. The aim is for the learning, constructs and solutions to reach a broader network than merely the actors involved in the actual knowledge development process, who are already aware of and involved in the process due to their extensive participation in all steps of the practicholar design.

We take from (Smith, 2018) our typology of phenomenology methods. In conducting our proposal, we take the following three steps: (1) in the RQ part, a pure description of a lived experience is nurtured, (2) in the panel inquiry, an interpretation of a kind of experience is produced by relating it to a relevant context (as in hermeneutics) and (3) the analysis of the form of an experience helps academics to build new concepts/theories.

One of the important departures of our proposal is that the homogeneity of a group of people is not so much the result of consensus among individuals; rather it is the same core elements that individuals fill with 'words' they use (Flament, 1982). Human behaviour is a perpetual combination of individual perceptions and situational contexts, where perceptions of objects arise from everyday experiences and communications (informal, media, school, work, etc.) and are made up of a group of beliefs, information, opinions and attitudes towards a given social object, becoming a specific type of socio-cognitive system. Hence, the meaning of objects is created through a system of social negotiation rather than a fixed and defined mechanism.

An example could be the concept of 'climate change'. This is associated with elements such as global warming, droughts, storms, melting glaciers and rising sea levels. Some studies suggest the difficulty of engaging in climate change actions as they are perceived as 'distant', in an 'elsewhere' in terms of time and space (Lorenzoni et al., 2007). Concern for the problem is minimal when the phenomenon itself and its consequences are viewed as remote in temporal, spatial, social or hypothetical terms (Milfont, 2013; Spence et al., 2012). Practitioners do not consider it a central issue in corporate governance and only act in response to certain reporting requirements. Research findings in corporate governance clearly posit that companies are rewarded on their legitimacy and efficiency in accordance with past behaviours with regard to climate change that are built on opaque rating instruments rather than a capacity for taking responsibility. Consequently, calls from academia for sustainability rarely lead to any impacts on practice. What kind of questions should be asked, and how should research projects be designed to increase the impact of scholarly research on climate change and sustainability in corporate governance? This would be an excellent example of project in which to employ the practicholar design.

We conducted an experiment with the practicholar method regarding another vague concept of corporate governance, the catchword of 'value', on 23 June 2021 at the Critical and Alternative Thinking in Governance workshop, to which we invited academics and practitioners (scholars, board members, owners, policymakers and independent auditors) to join an open session to discuss their perceptions of value in the specific context of corporate governance and boards. Our panel included one policymaker, four board members, two scholars and two independent consultants. Value is a multi-faceted concept (Gummesson, 2006), and the international panel was designed to create a multi-actor platform to produce a multifaceted interpretation of the concept of value encapsulated in the corporate governance context. It became obvious that different interpretations of value lead to conflicts on boards and other instances of corporate governance, as has been discussed extensively in extant research. Associations with the word 'value' presented by the panellists generally leaned towards even more abstract concepts such as stakeholders, happiness, trust and integrity. While an interpretation of 'stakeholders' or 'happiness' in this context would prove difficult, we believe that the use of these associated words illustrates the difficulties encountered by our panellists in associating concrete content with the concept of value. It may also mean that they do not objectify the concept, and hence the word remains abstract and does not interact with their real-life actions or practices. The associated words could also be stereotypes taken from dominant public discourses with no in-depth understanding or consensus around their meaning in a specific context.

These preliminary and general findings pinpoint the fragility of being deprived of debates for reasons such as lack of time or lack of opportunities for direct interaction between different interested communities. Such debates could furnish both practitioners and scholars with ideas about how the concepts might be interpreted in different contexts, resulting in more sophisticated forms of use. It could also raise their awareness of certain central aspects. In terms of research, this is the starting point for more concrete formulation of research questions to help us to better understand how these multifaceted concepts affect modern-day corporate governance and to know how to generate relevant knowledge around these.

CONCLUDING REMARKS

Research on corporate governance cannot be reduced to the mechanical application of proven recipes. Moscovici argues that science is developing within a more theoretical framework that might seem ill-defined but produces interesting data that could be more fruitful than that of a highly structured, dull and sterile scientific programme (Moscovici, 1985, 1988).

Our proposal is an attempt to overcome the critical issues with mainstream design and methodologies used in corporate governance, principally the simplification of reality and universality, by suggesting the deployment of a research design that promotes collaboration and a plurality of theoretical perspectives, as well as context-dependent meanings of corporate governance. It bridges the two apparently compartmentalised parts of a single reality (academia and practice) but also refers to participatory action research. The latter gives the researcher the opportunity to share the experiences by which the situations and behaviours being studied can be defined. It is therefore not a question of obtaining data by subjecting the researcher, their person, their body, their personality and their own social situation to the obligations pressuring a group of individuals (Goffman, 1989).

This interactive approach provides tools to better identify and act on societal issues (Ben Alaya, 2010). In fact, it can reveal certain social representations that are forms of symbolic knowledge that are inherent to public life (Deaux & Philogène, 2001). The shared understanding of social objects does not reflect an external reality but is a reality *sui generis* (Viaud et al., 2007). What Moscovici (1961) calls social representations have a dual vocation: to allow individuals to socially position themselves in relation to an object, and to provide the members of a community with a common reference for communication.

However, our chapter also has several limitations. First, its focus is on the overall and conceptual design of research in corporate governance. There is a need to discuss and reflect on the choice of methods that most thoroughly promote collaborations between different actors. Second, we have not been addressing some critical aspects and challenges of collaboration between different actors such as scholars, policymakers, practitioners, etc. These include but are not limited to the right to the result, information sharing and issues of confidentiality as well as intellectual property. The design needs to take these matters into consideration and create the relevant frameworks that are needed in order to resolve potential conflicts of interest between different parties. Third, we have not comprehensively discussed the alternative outlets for the results of research designed with the practicholar method. There is a need to collaboratively develop ideas with regard to new forums and outlets. Recently, a number of scholarly conferences, such as EURAM and AOM, have paid specific attention to such research designs and networks.

Nevertheless, we hope that the proposed practicholar design will help to create a form of socially developed and shared knowledge that serves a practical purpose. The suggested design goes further than case study and action research methodologies. It helps to understand new and complex phenomena in real-life situations and to expand knowledge of phenomena that have already been investigated collaboratively and in their specific context. It does not limit the study to a few individuals (as case studies do) and neither does it seek to transform the actors' realities (as action research does) or propose solutions to practical problems.

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5. In search of relevance: exploring board work in hybrid organizations through an engaged scholarship approach

Anup Banerjee

INTRODUCTION

Hybrid organizations blend aspects of different organizational forms, identities, and institutional logics (Battilana & Lee, 2014; Jay, 2013; Pache & Santos, 2013). An ideal illustration of such organizations is social enterprises (hereafter, SE) that primarily aim at developing sustainable solutions to social problems while remaining significantly dependent on commercial revenue for their survival (Doherty, Haugh, & Lyon, 2014). These dual economic/social missions pose a host of challenges to SE governance. Studies suggest that governance in SEs often resembles a "grey zone" where boards involve heterogeneous configurations and practices that seek to minimize the risk of "mission drift" while achieving a balance between external and internal stakeholder demands (Cornforth, 2014; Ebrahim, Battilana, & Mair, 2014; Mair, Mayer, & Lutz, 2015; Mair, Wolf, & Ioan, 2020). Naturally, this requires SE boards to be configured with individuals who hold expertise both in the commercial sector and societal issues. In practice, such ideal configurations are unusual due to SEs' inclination to pro bono practices and democratic principles that often outweigh the need for board expertise (Cornforth, 2004; Stone & Ostrower, 2007). As a result, SEs need to secure a balance between their dual missions and install an appropriate board that can take stock of the divergent stakeholder demands and design strategies ensuring accountability to the stakeholders. Needless to say, this underscores the importance of boards knowing how to prioritize multiple and often competing stakeholder demands and social issues—a call that has also been highlighted in many recent publications on corporate governance (Amis, Barney, Mahoney, & Wang, 2020; Bachmann, Gillespie, & Priem, 2015; Barney, 2018; Krause & Miller, 2020).

Scholarship on SEs largely employs different qualitative methods, primarily single case studies, and generates conceptual propositions (Doherty, Haugh, & Lyon, 2014; Saebi, Foss, & Linder, 2019), which differs from the pervasive practice of investigating corporate boards with theory-testing quantitative research designs (see Banerjee, Nordqvist, & Hellerstedt, 2020; Krause, Semadeni, & Cannella, 2014). However, these studies often fall short of fully capturing the complex phenomenon of SEs, as they tend to focus on a single level of analysis instead of multilevel organizational and social settings (see Saebi et al., 2019). More specifically, there is a need to investigate SE governance based on the living experience of practitioners (Ebrahim et al., 2014; Mair et al., 2020).

Against this backdrop, this chapter introduces engaged scholarship (hereafter, ES) (Van de Ven, 2007) as an innovative approach to the complex governance settings and practices in SEs. ES unfolds as an evolving journey and facilitates a co-creation of knowledge through collaboration between researchers and practitioners (Barge & Shockley-Zalabak, 2008; Hodgkinson & Rousseau, 2009; Van de Ven, 2007; von Krogh, Rossi-Lamastra, & Haefliger, 2012). Instead of searching for an academically guided research question, ES encourages interactions between the researchers and different practice-level stakeholders so that together they can share diverse views of a problem, initiate an informed inquiry, and design research approaches that lead to more rigorous, contextually relevant, and theoretically analyzed policy-level implications than traditional stand-alone studies (J. ter Bogt & Jan van Helden, 2014; van Helvert-Beugels, Nordqvist, & Melin, 2020). Arguably, adopting this collaborative journey may provide researchers with more inclusive ways of approaching the dual mission challenges of SEs to generate in-depth insights into how SE boards interpret and respond to these tensions that could advance the overall field-level understanding of the board work in SEs. To illustrate how ES can be applied in exploring governance in hybrid organizations, later in this chapter, I provide an example of a recent experience conducted in collaboration with an association that organizes most of the SEs operating in Sweden, which alleviated the challenge of accessing organizational elites (Ma, Seidl, & McNulty, 2021; Pettigrew, 1992). I shed light on how this collaboration granted an extended legitimacy to access multiple SEs and organize several rounds of data collection through in-depth interviews and discussion forums, as well as to engage in research communication through internal blogs and follow-up meetings.

The chapter proceeds as follows. The next section starts with a brief reflection on rigor and relevance in organizational studies, followed by how ES facilitates engagement with practice and the different activities and forms highlighted in the ES process. It continues with a brief review of the application of ES in different fields within organizational studies. After this, I reflect on governance in SEs and present a research experience illustrating how adopting the ES approach helped us get closer to SE boards and discover multiple important and practically relevant issues related to SE governance. Subsequently, I reflect on some challenges faced during the study process and present some suggestions on how, as researchers, we can adopt the ES approach to collaborate with different practitioners and convert these challenges into opportunities for relevant research.

ES AS AN INNOVATIVE RESEARCH METHOD

Setting the Tone

Over the years, there have been multiple commentaries on the role of scholarship in social science (Hodgkinson, Herriot, & Anderson, 2001; Pettigrew, 2001;

Starkey & Madan, 2001). Our journeys might be different—sometimes as a lone wolf or as a collaboration of multiple researchers from different disciplines—yet, the shared agreement is that we, as social science scholars, aim to approach social problems with critical eyes and approaches so that we can contribute to knowledge creation for society. Arguably, we might see many "interesting" elements in social systems, but a major concern is how to know and establish that we are addressing a valid problem and, subsequently, how we shall approach the issue to advance our current knowledge (Alvesson & Sandberg, 2011). We often become so committed to the academic interest of the research agenda that we detach from the complexities of our research subjects and miss many insights and social clues that influence the way reality is constructed in practice. This failure to integrate a broader set of valid stakeholders into our research processes challenges our pursuit of knowledge creation, particularly when it concerns promoting the application of the research findings at the level of practice. However, this does not warrant designing a research agenda exclusively guided by and focused on practitioners or policy-makers; rather, the latter practice can push researchers for "immediately implantable results" and jeopardize the overall aim of knowledge creation (Tranfield & Starkey, 1998, p. 350). Ultimately, the challenge becomes finding a fit between these "dual objectives" of creating academic knowledge and advancing practice.

If we look at the corporate governance literature, until recently, there has been a strong dominance of US-based quantitative studies that usually look at governance issues by adopting "input-output" approaches and discussing the impact of different board compositions on financial and strategic outcomes (Banerjee et al., 2020; McNulty, Zattoni, & Douglas, 2013; Pugliese et al., 2009). This practice has been so popular that we notice a similar pattern across different studies: the dominance of agency theory, the use of large publicly available datasets, a common set of variables and dummies, and a lack of reflection on the "actual work" of the board (Filatotchev & Wright, 2017; Gove et al., 2017; Huse, 2009). Despite adding important insights into the causal relationship between structure and outcomes, these studies overlook the so-called board "black box," which contains valuable information on board behavior, interactions inside and outside of the board, power tensions, emotional issues, and trust, among other issues (Gabrielsson & Huse, 2004; Van Ees, Gabrielsson, & Huse, 2009). In response to this gap, in recent years, we see a growing body of literature that applies a wide variety of theoretical perspectives and qualitative methods, uses diverse types of data, engages with board members, and, importantly, challenges the dominant assumptions in the field (see, for instance, McNulty et al., 2013; Hoppmann, Naegele, & Girod, 2019; Veltrop, Bezemer, Nicholson, & Pugliese, 2021). However, these studies do not always explicitly express their theoretical aims, philosophical underpinnings, rich description of the data and contexts, or how conceptual insights were developed from the data (Filatotchev & Wright, 2017; McNulty et al., 2013). Additionally, governance systems are anything but static, and we see heterogeneous practices among different organizations. This posits the need for developing new questions that are relevant to the field, which would then be followed by the development of new methods and measurement techniques, ultimately advancing our knowledge of corporate governance (Boyd, Gove, & Solarino, 2017).

What Is ES?: The Philosophical Standpoint and the Research Process

To address this tension between the "dual objectives" of academic scholarship, Ernest Boyer, in his seminal work *Scholarship Reconsidered: Priorities of the Professoriate*, discussed how the traditional concept of higher education and academic work could be expanded so that they offer a broader scope to integrate different interrelated elements. He argued that beyond the typical functions of researching and generating new knowledge both within and across disciplines, publishing, and teaching students, scholars should also focus on how to engage with people and stakeholders outside of the university campus or a selected group of peers so that a broader exchange of ideas and evaluations can take place, thus enhancing the scope of research to solve more complex social, civic, and ethical problems, a dimension that he later defined as the "*scholarship of engagement*" (Boyer, 1990). To him, the creation of knowledge need not necessarily follow a linear path from theory to practice; rather, practice often informs and enriches theory with inconsistencies and invaluable insights observed at the field level (Boyer, 1990). Building on this, Van De Ven and Johnson (2006) discuss how collaborative scholarship can be designed that goes beyond the idea of research *for* practice to research *with* practice. To minimize the gap between theory and practice, they proposed ES as a "collaborative form of inquiry in which academics and practitioners leverage their different perspectives and competencies to co-produce knowledge about a complex problem or phenomenon that exists under conditions of uncertainty found in the world" (p. 803).

The ES approach builds on a fundamental assumption that knowledge in different professional communities is idiosyncratic, that is, the knowledge created and shared in one specific professional group is tailored to the structure, experience, and culture of that particular community (Van Maanen & Barley, 1984). Thus, to facilitate a rigorous and relevant co-production of knowledge, it is important to recognize the "partial, incomplete, and involving inherent bias" associated with the different perspectives and experiences shared among different stakeholders (Van de Ven & Johnson, 2006, p. 808). From a philosophical point of view, this outlook is in line with the *critical realism* perspective that shifts from epistemology to ontology and focuses on the mechanisms rather than the events as such (Bhaskar, 1975). On the one hand, unlike social constructionists, critical realists believe that there is a real world out there that has powers and properties that can be known through scientific inquiry; however, they do not reject the fact that knowledge is a social product and that the objects of this knowledge exist independently of human beings (Bhaskar, 1975; Fletcher, 2017). On the other hand, they criticize positivism for promoting epistemological fallacies and seek the deeper underlying mechanisms that are used to generate empirical phenomena (Alvesson & Sköldberg, 2017; Fletcher, 2017). Critical realism sees the world as theory-laden, not theory-determined, and proposes a stratified version of reality consisting of the *real*, the *actual*, and the *empirical* (Bhaskar, 1975). Here, the *empirical* is what is experienced, that is, things that happen in front of human eyes and that can be understood through human interaction. However, reality is not confined within this scope, which has largely been the case for constructionism, but rather goes more in-depth to the *actual* level where events occur irrespective of our observations and to the *real* level that constitutes the mechanisms and structures that generate and explain events happening at the empirical level (Alvesson & Sköldberg, 2017; Vincent & O'Mahoney, 2018). As a result, the aim of the researchers should be to explore the real level and to determine how this reality is related to the other two domains. Building on these arguments, ES allows and encourages researchers to engage with people from diverse backgrounds and to triangulate "inconsistent and contradictory perspectives" as a way of approaching reality and understanding complex problems (Van de Ven, 2007, p. 68). This suggests that researchers need to let research activities be free from the burden of complying with a specific sequence. Van de Ven (2007) argues that to advance our knowledge of complex problems, it is important to adopt a dialectic process of inquiry between scholars and practitioners, which can start from problem formulation to search for relevant theories to analyze the situation or the other way around. Perhaps, the most important and challenging task is to ensure that the engagement between these stakeholders continues throughout the research process, even if it requires "multiple iterations and revisions of these research activities" (p. 11). In this way, as scholars, we can address the "dual objectives" of rigor and relevance of our research and largely avoid the risk of knowledge transfer problems (Pettigrew, 2001; Starkey & Madan, 2001).

ES comprises four research activities: *problem formulation*, *theory building*, *research design*, and *problem solving*. The *first* highlights the importance of forming a good research question. Van de Ven (2007) argues that "people tend to be solution-minded, rather than problem-minded" (p. 17). In organizational studies, there has been a dominance of "gap-spotting" instead of exploring a phenomenon in-depth and challenging underlying assumptions when necessary (Sandberg & Alvesson, 2010). ES encourages scholars to engage in complex sensemaking processes that involve theories and concepts, as well as different views and experiences of the practitioners grounded in reality. Following this, the *second* activity concerns how theoretical propositions can be developed, refined, or elaborated with the knowledge and outlooks shared by experts from the field. The pluralistic nature of ES allows scholars to learn from and compare multiple and often contrasting plausible hypotheses and to engage with practitioners to explore whether the emerging theoretical model fits with the problem or the given phenomenon in practice. In the *third* research activity, ES discusses different forms of research designs. It agrees that the research question and purpose will have a great influence on the design of any particular research project; however, a research project rarely unfolds linearly. Here, the involvement of practitioners can aid in finding the right design for the given phenomenon. Van de Ven (2007) proposes four alternative forms of ES: engaging practitioners as advisors (*basic science*), co-producing knowledge with practitioners with a negotiated distribution of tasks based on complementary skills (*collaborative basic research*), conducting evaluation research with evidence-based knowledge, cross-case comparison (*design and evaluation research*), and investigating and solving a specific problem of a particular client (*action/intervention research*). The *fourth* research activity highlights an important question of "who are we talking to" with our research. Many of us would agree that our preliminary audience is the scientific communities working in similar or relevant disciplines who share a mutual interest in the research topic. Additionally, in a number of cases, our careers, promotions, and scholarly recognition are often defined based on the number of publications in top-tier journals (De Rond & Miller, 2005; J. ter Bogt & Jan van Helden, 2014), which might partly explain why many of us do not challenge dominant assumptions in the field (Sandberg & Alvesson, 2010). At the same time, one wonders whether practitioners and policymakers read academic journals to reflect on and gather inspiration for their work (Wiklund, Wright, & Zahra, 2019). This means we often discuss in ways and languages that only engage with a particular scholarly community but fail to communicate the richness and novelty of our findings at the level of practice (Van Helden & Northcott, 2010). If the knowledge produced through rigorous research cannot be properly communicated to and translated into practice, the overall relevance of such scholarly pursuits might be questioned (Shapiro, Kirkman, & Courtney, 2007). ES addresses this dilemma, thanks to its pluralistic standpoint, which acknowledges the value of practitioners in the research process and allows for repeated communication among stakeholders that alleviates the risk of knowledge "lost in transition" (Van de Ven, 2007).

ES in Organizational Studies

In preparing this book chapter, I took the liberty of conducting a simple search of the electronic database of Elsevier's *Scopus*. Using the keyword "Engaged Scholarship" and searching within the "Titles, Abstracts, and Keywords" in the subject areas of "business, management and accounting" and "economics, econometrics, and finance" (Banerjee et al., 2020; Foss & Saebi, 2017), I found 114 articles and book chapters since the publication of Van de Ven and Johnson's seminal article in the *Academy of Management Review* in 2006. One might think that the number of articles is surprisingly low compared to the prospects offered by the ES approach. However, the good news is that among these studies, 70 (62 percent) were published in the last 6 years, which clearly shows an increasing interest from scholarly communities in adopting the ES approach. Additionally, we note a broad range of journals covered by these studies, mostly in the areas of management, entrepreneurship, and project management. Some of the popular outlets are the *International Small Business Journal*, *Action Research*, *International Journal of Project Management*, *Academy of Management Review*, *Organization Studies*, *Journal of Business Ethics*, and *Human Relations*. Therefore, it is safe to assume that ES has been recognized by a wider number of scholars and audiences in recent years.

If we look slightly more closely, regardless of the journal focus areas, most of these studies argued in favor of using the ES approach to generate important and relevant insights. From the community-university perspective to entrepreneurship research, scholars discuss how scholarly engagement with practice can lead to better collaboration between different stakeholders involved in a research project. For instance, entrepreneurship scholars mostly reflected on small and medium-sized enterprises (SMEs) and discussed how ES helped the research projects to consider the heterogeneous nature of the business and the surrounding contexts and, at the same time, facilitated the development of new business opportunities at the field level (see, Hyytinen, 2021; Gilman & Salder, 2021; Rosli, de Silva, Rossi, & Yip, 2018). Several studies reflected on how scholarly engagement with practitioners in different major projects run by public organizations facilitated the building of reciprocal relationships with the project communities, promoting mutual learning and negotiation, thus contributing to not only achieving the anticipated project goals but also addressing the social realities in a better way and promoting organizational transformations, wherever necessary (see Brunet et al., 2021; Davies, MacAulay, DeBarro, & Thurston, 2014; van Marrewijk & Dessing, 2019). Furthermore, a few studies shed light on how the ES approach can enrich scholarly discussions on sustainability in management and sustainable development, as researchers would adopt more critical perspectives and obtain a better grasp of different socio-ecological settings and their inherent challenges, which, in turn, will contribute to overcoming theoretical limitations and promoting interdisciplinary knowledge (see Easter, Ceulemans, & Kelly, 2021; Ergene, Banerjee, & Hoffman, 2020). Similar calls are visible in the accounting literature as well, where scholars have urged a rethink of ontological assumptions and epistemological premises in the spirit of the ES approach so that research finds a balance between the search for intellectual excellence and practical relevance (see, Lukka & Suomala, 2014; Modell, 2015; J. ter Bogt & van Helden, 2014). In light of these developments, it can be argued that the reach and acceptance of the ES method have covered many disciplines and scholarly fields of interest. However, much is yet to be done in regard to research in the field of corporate governance, specifically for hybrid organizations such as SEs. Let us explore how we can take it further.

SOCIAL ENTERPRISES AS HYBRID ORGANIZATIONS

What constitutes a hybrid organization varies between different fields of study. In a recent review, Battilana, Besharov, and Mitzinneck (2017) cluster the literature on hybrid organizations into three broad categories: *hybrid identities*, *hybrid forms*, and *hybrid rationales*. The *first* group includes organizations that hold multiple identities that are usually not supposed to be together. These comprise, for instance, educational institutions and healthcare organizations that exist to provide for basic human needs while simultaneously adopting economic principles (see Ezzamel, Robson, & Stapleton, 2012; Kantola & JÄrvinen, 2012; Kaufman & Covaleski, 2019). The *second* group consists of different forms of hybrid organizations that combine different governance types, network ties, social categories, and organizational archetypes, for example, the blending of for-profit and nonprofit models in SEs (see, for instance, Battilana & Lee, 2014; Mair, Battilana, & Cardenas, 2012; Wry, Lounsbury, &

Jennings, 2013). The *last* approach conceptualizes hybrid organizations as a blending of multiple social rationales such as institutional logics, cultures, and institutional arrangements. Of these, the institutional logic perspective has emerged as an important theoretical lens in recent scholarly works on hybrid organizations. Research adopting this perspective explores how organizations navigate through multiple and often competing institutional logics between organizational or sector-based logics and societal logics (see, for instance, Battilana & Dorado, 2010; Pache & Santos, 2013). Another sector-centered perspective on hybrid organizations considers hybrids as different combinations of the public sector, private for-profit sector, and civil society or nonprofit sector (Grossi, Vakkuri, & Sargiacomo, 2021; Seibel, 2015). Correspondence between the public and private for-profit sectors has been historically prevalent around the world, and we see multiple forms of collaboration, such as public-private partnerships, state-owned companies, and municipality-owned enterprises (see Chow & Luo, 2007; Grossi, Papenfuß, & Tremblay, 2015; Maine, Florin Samuelsson, & Uman, 2021), while the nonprofit sector has evolved mostly in recent decades to complement the state by offering creative solutions to seemingly complex problems that the government and the market system have failed to address (Anheier & Seibel, 2013; Lundström, 1996; Seibel, 2015).

Despite these varying ways of defining hybrids, the general agreement is that hybrid organizations rest at the crossroads of complex institutional logics as they gather a diverse set of stakeholders with divergent goals, expectations, and ways of influencing the work of the hybrids (Besharov & Smith, 2014; Vakkuri, Johanson, Feng, & Giordano, 2021). This means that there is always a question of how to find a balance between competing institutional logics that shape the boundaries of how organizations perceive reality, project their vision, design overall strategies, and conduct decision-making (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Thornton, Ocasio, & Lounsbury, 2012). However, logics do not necessarily remain in harmony; rather, power struggles between different logics and recurrent changes in stakeholder demands are commonly observed in these organizations (Besharov & Smith, 2014; Ebrahim et al., 2014). This leads to internal tensions and conflicts and often pushes hybrid organizations to emphasize one dominant logic, ignoring the presence of other significant logics, a term commonly referred to as "mission drift" (Cornforth, 2004; Ebrahim et al., 2014). As a result, individuals, including board members and the management team, need to constantly reflect on how to map overall stakeholder demands and, accordingly, find a balanced outlook that serves organizational objectives without risking the legitimacy and trust of key stakeholders (Carlsson-Wall, Kraus, & Messner, 2016; Doherty et al., 2014).

SEs are often called "extreme cases of hybridization," as they aim to solve societal problems (charity logics) in a financially stable manner (business logics) (Battilana & Lee, 2014, p. 399). SEs adopt both social and commercial goals at their core, in contrast to both the profit-seeking private sector organizations that contribute to different social challenges as a part of their corporate social responsibilities and the charities and philanthropic organizations that adopt business-like practices to enhance their philanthropic or funding activities (Battilana & Lee, 2014; Doherty et al., 2014). To sustain hybridity in the long term, SEs adopt multiple approaches to hybridization, such as *integrating* or *differentiating* between divergent structures and practices of the dominant logics or developing *innovative* approaches adapted to the emerging challenges faced by the organizations (Battilana et al., 2017; Battilana & Lee, 2014; Mair et al., 2015). In doing so, a good governance system along with a competent governing board must be in place so that a balance between the divergent logics is retained and the organization thrives without risking external and internal legitimacy (Bacq, Janssen, & Kickul, 2011; Ebrahim et al., 2014; Mair et al., 2015).

As SE boards navigate the complex terrain of logics, they face three major challenges: (a) designing the board composition, (b) complying with divergent logics, and (c) measuring and communicating performance. *First*, finding the right board members is particularly challenging for SEs, as individuals might come from different sectors and they might not share the same outlook, experience, or motivation for the work of SEs. Individuals from corporate backgrounds might find a strong association with the financial side, whereas others might be more guided by the core societal problems (Lepori & Montauti, 2020; Löhlein & Müßig, 2020). At the same time, many board members in SEs work on a pro bono basis, which restricts boards from spending on training and socialization programs, the absence of which can lead to internal conflicts, high turnover, loss of attraction, and sometimes non-hybridization if not addressed in due time (Doherty et al., 2014; Rautiatinen et al., 2022). Restriction on remuneration also poses a threat to recruiting and retaining skilled employees and volunteers and providing them with adequate training, which, in turn, negatively impacts the SE mission of achieving dual objectives. *A second* challenge, partly connected to the first and coupled with the diverse backgrounds of the members and pressure stemming from the competing logics, is that SE boards might tend to associate with one strong logic while displaying a symbolic attachment, selective coupling, or reconciliation with others (Battilana and Lee, 2014; Mair et al., 2015). Arguably, this can lead SEs toward "mission drift" and eventually risk their hybrid nature. *Third*, due to the presence of dual missions, SE boards often struggle to understand how to measure and communicate organizational performance to key stakeholders. Certainly, there might be some accounting tools to measure financial performance; however, the challenge is to understand the social impact of their work and ensure accountability toward stakeholders (Bagnoli & Megali, 2011; Mair et al., 2015; Vakkuri et al., 2021).

In light of this discussion, it is safe to say that approaching boards in SEs with historically distant, theory-testing research methods might be inadequate for providing in-depth understanding of the complex institutional settings and for generating novel and relevant insights. With this impression, in the following section, I reflect on a recent research experience where we used the ES approach to investigate SE board work.

USING ES IN EXPLORING THE BOARD WORK: AN EXAMPLE

As this handbook particularly focuses on innovative research methods, I describe how we designed and approached a research project instead of discussing the research findings.[1] I try to connect this experience with the research forms and activities suggested by Van de Ven (2007), followed by a reflection on some challenges that we faced during the project and what future studies could learn from this experience.

As researchers in corporate governance, we have always been interested in exploring the board "black box" to understand how boards navigate different stakeholders' expectations and negotiate responsibilities in the process of organizational value creation. As we delved into the *problem formulation*, we quickly realized that hybrid organizations, such as SEs, could be an intriguing setting to explore these questions, as they cover a broad range of stakeholders and combine the dual missions of solving social problems in a financially sustainable manner. Arguably, the concept of values in SEs refers to a broader concept, not limited to an exclusive focus on financial performance, that also considers how values could be created for the public and society at large (Doherty et al., 2014; Miller, Kurunmäki, & O'Leary, 2008; Vakkuri et al., 2021). At the same time, we note multiple recent academic studies that have repeatedly called for more work on governance in SEs (Ebrahim et al., 2014; Mair et al., 2015). Armed with these academic insights, one of our coauthors approached an association that organizes most of the SEs operating in Sweden. Our intention was twofold: (a) to gain access to the membership network of this association that brings together a diverse set of SEs in Sweden, thus alleviating the challenge of accessing organizational elites (Ma et al., 2021; Pettigrew, 1992), and (b) to establish a rapport with practitioners so that we could further refine our research questions and find a fit with our academic interests with practical relevance.

In line with Van de Ven (2007), we decided not to confine our research activities to a sequential form; rather, we engaged with the association to discuss our initial idea and decide on a preliminary *research design* that would be further developed as we engaged with practitioners and refined our *theoretical framework*. As a first step, we organized a meeting with the association itself to gather more information on the membership network—how it works, what issues it addresses, and what the requirements are to be a member of the association, which helped us frame a preliminary contextual mapping of the association. Together with the association, we prepared a list of 13 SEs from different backgrounds that brought together a diverse set of stakeholders, which we considered very important for our intended project.

Following this, we organized a pilot project with these selected SEs so that we could further develop our *theoretical propositions* with important inputs from practitioners. We conducted 13 interviews with the board chairs and the chief executive officers (hereafter, CEO) of these organizations. Our rationale behind engaging with individuals in these two positions is informed by corporate governance research that highlights the importance of these roles in terms of organizational value creation (see Banerjee et al., 2020; Krause et al., 2014). This pilot project provided us with some interesting insights and clarified some contextual issues that were not explicitly discussed in the literature. We returned to the association to discuss these inputs, and soon after the meetings, we organized a discussion forum where we invited not only the participants of the study but also other stakeholders, for example, consultants and representatives from other SEs, to discuss the important themes that emerged in the pilot project. During the discussion forum, we went around the table asking the informants to reflect on how they perceive the emergent framework to explore whether the preliminary findings are in line with the everyday observations (*empirical domain*) and events and regularities occurring in practice (*actual domain*) as well as whether they capture the underlying structures and mechanisms of the SE boards (*real domain*). We found that value creation in SEs constitutes a complex process as SEs not only need to recognize and design their tasks for the dual missions but also to understand how they measure and communicate their values to stakeholders.

The discussion forum provided us with a unique opportunity to go deeper into the key issues and refine the emerging themes; thus, the *problem solving* task of research became more visible. Here, our approach with the ES moved from the *basic advisory engagement* of practitioners to more of an *evaluation research* form where we, as outsiders to the system, engaged with stakeholders and attempted to explore some apparent problems in the field. Soon after the forum, we refined our interview guide to incorporate the new insights and organized the second round of interviews with 13 board chairs and the CEOs of the participating SEs who were not included in the first round. This time, our discussions were more structured and guided by the emerging theoretical framework so that we could go deeper into exploring the underlying mechanisms that SE boards use in capturing and communicating values to the stakeholders.

Throughout this research process, all research data were cross-validated and iteratively discussed among the research team to minimize the risk of compromising theoretical rigor. At the same time, emphasizing the importance of engagement with practitioners, we communicated the research findings with the membership association and the research participants and asked for clarification when necessary. Further, we developed a research blog for the association's official magazine so that enthusiastic practitioners could further reflect on and connect with the study.

CHALLENGES AND OPPORTUNITIES OF USING THE ES APPROACH IN CORPORATE GOVERNANCE: A REFLECTION

As with any other research method, ES also comes with its own set of challenges that researchers should be aware of when adopting this approach. Below, I list some of these challenges and opportunities based on the academic discussion on rigor-relevance fit, along with my observations about the ES approach from the fieldwork.

The *first* challenge is to develop a good research question. The ES method encourages researchers to engage *with* practitioners, which in turn helps to further refine the research questions and align them with practical problems. In doing so, challenges emerge when the role and expectations of the researchers and the practitioners are not clarified from the beginning. For instance, a researcher might be interested in understanding the general phenomenon of a given context, whereas the research participants might be more interested in finding the solution to a particular problem (Van de Ven, 2007). As researchers, academic freedom is something that we care deeply about and are proud of. At the same time, engagement with practitioners is imperative in developing high-quality, relevant studies as they hold in-depth knowledge, experience, and insider information on their relevant industry. Therefore, both parties must understand and align their interests before committing to such a project. Otherwise, the goal incongruence might lead to different and sometimes false expectations and undesirable consequences, such as challenging academic freedom or questioning the necessity of academic analysis, which would prevent productive interactions (Banks et al., 2016; Martin, 2010; Van de Ven, 2007).

Second, good research takes time, sometimes more than what we anticipate at the beginning (Bartunek & Rynes, 2014; Wiklund et al., 2019). To go in-depth into a topic and ensure the triangulation of different sources of information, researchers need to spend a substantial amount of time with the research subjects and the sites. However, in practice, we are often strangled by institutional pressure to deliver as many publications as possible in a short period, preferably in highly reputed academic journals (De Rond & Miller, 2005; J. ter Bogt & van Helden, 2014). This might prevent researchers from developing novel projects, asking new and challenging questions, using innovative methods, and spending more time at the research sites simply because the investment might be more costly than the anticipated outcome. Additionally, in many instances, the original purpose of the study needs to be refined, which is one of the key assumptions in the ES approach. With the fast-changing surrounding contexts and the slow process of research, practitioners might not find a research project as appealing, relevant, and connected to their identities as they initially perceived and committed to (Whitehurst & Richter, 2018; Wiklund et al., 2019). This challenge is even more pronounced in SEs where board members usually work on a pro bono basis in addition to their full-time day jobs (Cornforth, 2004; Doherty et al., 2014). They volunteer many evenings and weekends attending different meetings and discussions for their SEs, which often take away time from their family engagement and mental relaxation (Dempsey & Sanders, 2010; Kim & Charbonneau, 2020). Given this situation, it is very difficult to find genuinely interested participants to commit to a long project, the result of which might not even be delivered during their board tenure. To minimize these challenges, as we also did in our project, researchers should approach the practitioners as soon as possible with flexible meeting times and communication channels, as well as clarify the scope and vision of the research so that the participants find it genuinely interesting to contribute to the study.

Third, even if we can manage the first two challenges, we need to ensure that the generated knowledge is communicated to the right audience through the right channels. Publishing in high-ranked journals might have many good outcomes for the researchers but very few for the practitioners if the results are not transferred, interpreted, and implemented at the field level (Van de Ven, 2007). As we did in our project, researchers can organize different discussion forums, prepare reports and debate articles in nonacademic language, present some preliminary findings, and ask for comments throughout the research process (Wiklund et al., 2019). This will help continue the momentum of the investigation and interactions between the parties, which is perhaps the most important requirement for developing relevant research.

These challenges, however, do not undermine the immense potential that the ES approach offers to the scientific communities. In recent years, we have seen many interesting publications in reputable journals that used the ES approach in addressing different organizational issues that are usually very difficult to understand and to find in many academic outlets. For instance, Haag and Achtenhagen (2021) discuss how divorce in family firms does not end with legal separation but also leaves a longer financial and psychological impact on family business systems, Crossan et al. (2017) present a framework that explores leader characteristics in organizational contexts, Hyytinen (2021) discusses how the ES approach can aid entrepreneurship scholars in approaching shared entrepreneurial problems, and Thomas and Ambrosini (2020) reflect on how business schools can contribute to value creation for their stakeholders. For hybrid organizations, we see calls for adopting the ES approach, for instance, to design relevant studies for public policies and public sector accounting (van Helden, 2019), for SEs (Terjesen, Bosma, & Stam, 2016), and for university-society collaborations (Olsson, Bernhard, Arvemo, & Lundh Snis, 2020). Taking stock of this grandiose development across multiple disciplines, with this book chapter, I would highly encourage corporate governance scholars to explore the ES approach and engage with practitioners to advance our knowledge on the board "black box." As I discussed in the research example, describing how the collaboration with a professional association helped us to go in-depth with a research problem, governance scholars can reach out to professional associations and forums alike, such as the newly formed Board Impact Forum in Europe, that hold regular discussions and debates on practical boardroom problems that might add important insights when analyzed through an academic lens. Further, scholarly projects can also involve practitioners such as board members, board educators, trainers, and consultants as co-investigators, which, in turn, will help secure extended access to organizational upper echelons and advance our knowledge through the sharing of complementary skills.

CONCLUDING REMARKS

As social science scholars, our aim is to approach social problems with a discerning eye and critical thinking so that we can contribute to knowledge creation for society. However, we often forget to include the stakeholders "out there" who hold important insights and experience on topics from a practice perspective. Advancing knowledge as a lone wolf is very challenging and sometimes impractical, especially when so many stakeholders are unheard of. This distance has been highlighted by many scholars in numerous scholarly publications on corporate governance. With this book chapter, I invite fellow researchers to explore the ES approach, as they consider different governance issues, especially at this time when many of our usual assumptions on how we work have been replaced by the deadly pandemic. It is high time that we reach out to practice, invite practitioners to different workshops and discussion forums, listen to contemporary issues, and try to address those challenges collaboratively. The time is ripe to initiate strong and lasting cooperation between academia and practice. ES could be the bridge to establish and sustain this collaboration.

NOTE

1. This is an ongoing research project that I am involved in with two colleagues. All names and personal details are omitted as per the research contract set with the participants.

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6. Polymorphic research and boards of directors: let us make a better world together

Morten Huse and Muthu de Silva

INTRODUCTION

This chapter is written by Muthu and me, Morten. It is written as a dialogue. We have co-created this contribution about polymorphic research and boards of directors. We found that this could highlight the objective of the book, "Innovative research in corporate governance," as well as the particular objective of our chapter – to define polymorphic research and describe how it can be applied to studies on boards of directors.

Muthu and I have very different backgrounds. Muthu is in the early to mid-phase of her academic career, while I am an emeritus and do not need to think about my own career. A main passion for Muthu is to study and promote co-creation. A main passion for me has been to understand and research value-creating boards and actual board behavior. We are both committed to doing research that is theoretically rigorous and practically impactful. We found each other through common involvement in teaching and researching existential issues.

Muthu is from Sri Lanka, but she lives and works in the UK. She has been raised in a Buddhist tradition. I live and work in Norway. I have been raised in a Christian Lutheran tradition. In this chapter we develop our message through our differences. It is a co-creation. We both believe in the contribution of multi-level diversity for both research and practice. This chapter is mostly written in I-form as the examples presented are directly related to my experiences. Muthu is referred to in citations. However, it is a joint work despite the writing form.

I first met Muthu in 2019 in Lisbon. We were both panelists on a EURAM (European Academy of Management) panel session about existential teaching and research. The panel was about the really big and important questions. The panel was initiated by Shann Turnbull from Sydney, and he wanted through this panel to promote scholarship that would "acquire and share knowledge for managing human wellbeing for eternity." In this way Shann stimulated us to think outside the box and our comfort zones.

I was then writing my book about *Resolving the Crisis in Research by Changing the Game* (Huse, 2020). I had then just learned about how Mats Alvesson in various publications argued for doing polymorphic research, and I was seeing how polymorphic research approaches could contribute to resolving the crisis in research. A main crisis in research is that we often do not address the most important topics. Alvesson argued that we typically do research to get credit ourselves and not because we want to create a better world. Muthu and I found each other because we wanted to do research that was important and meaningful.

Polymorphic research is based on scholarly reflection, and it is a non-formulaic way of doing research. Polymorphic research is integrative, based on diversity and it challenges existing ways of doing research. It challenges basic assumptions in mainstream research (Alvesson & Sandberg, 2013; Alvesson, Gabriel, & Paulsen, 2017; Huse, 2020). Our position is that while the existing methodologies are useful, the simultaneous generation of theoretically rigorous and practically impactful research requires innovative methods.

We write about board and governance research. At the beginning of the 1990s I spent much time in the USA with Professor Shaker Zahra. He told me that studies of boards of directors had to follow certain rules. Publications should support what leading scholars had already been doing. He was referring to his problems in publishing board research by using questionnaire surveys. Secondary data had to be used. He referred to the reviewers as gate keepers. Publications of boards studies were then in a very early phase, and the most important publications had applied secondary data. The reviewers were typically those who had already published using secondary data on that topic. Shaker's passion at that time was survey studies. For that reason, he had decided to move from studying boards to another topic, namely to studying innovation and entrepreneurship. This topic had already then accepted more innovative methods.

I had a passion for studying boards of directors, and my academic background and earlier experiences were in organizational behavior and about behavioral perspectives. For my PhD, which was about the importance of board-management relations for actual board behavior, I had mostly been leaning on questionnaire surveys (Huse, 1993, 1994). However, I had already by then had considerable board experiences as executive and board member positions, and I had been a board and strategy consultant in a leading consulting and auditing company. What I realized was that we need to develop innovative methods of doing research by challenging traditional assumptions and methods as polymorphic research suggests in order to make "more" meaningful contributions.

In this chapter we will show what polymorphic research is and how it may contribute to developing research about boards and governance. We have three interactive objectives with the chapter. First, we will contribute to resolving the crisis in research. Second, we want to contribute to meaningful and responsible research about boards and governance. Third, we want to present innovative approaches to studying boards of directors. Co-creation follows our contributions, and co-creation will be applied at different levels: co-creation between the authors in developing this chapter and the ideas behind it; co-creation between academics, businesses, policy makers, civil society, and other stakeholders to develop theoretically rigorous and practically impactful research; and teaching co-creation as a research methodology.

In Huse (2020) I tried to address how we can produce research that is important and credible. I suggested a sharing philosophy of doing research. My 2020 book is grounded in a holistic Humboldtian educational and scholarly philosophy. I presented concepts and methods like introspection, polymorphic research, emotions, and the champagne method. In the book I applied methods and experiences from my corporate governance research. Muthu and I are in this chapter following the suggestions from the book but with an additional focus on co-creation. Muthu's research focuses on co-creation, which she in turn also adopts as a research method to simultaneously generate academic, business, and social value (De Silva & Wright, 2019; De Silva et al., 2019; De Silva et al., 2021). From our different backgrounds, we both wanted the "world to be a better place to be."

This chapter continues in the following sections. We start with a section about formulaic and polymorphic research. We then have a section illustrating how polymorphic research methods may challenge mainstream societal assumptions, challenge traditional research methods, challenge research interpretations, and challenge research communication. We are presenting potential ways to address these challenges within a co-creation framework and sharing philosophy. We then have a section with examples of polymorphic research in innovative studies of boards of directors.

In the final discussion and conclusion sections, we return to our objectives—to show how innovative methods in research can support us in making the world a better place to be. The discussion section illustrates co-creation and is written as a dialogue between Muthu and me.

INTRODUCTION TO POLYMORPHIC RESEARCH AND CO-CREATION FRAMEWORK

Polymorphic research methods may challenge mainstream societal assumptions, challenge traditional research methods, challenge research interpretations, and challenge research communication. We are presenting ways to address some challenges within a co-creation framework and sharing philosophy. It is followed by a section presenting three examples of innovative and polymorphic research on boards of directors.

A Co-Creation Framework

Co-creation is a form of collaborative innovation: ideas are shared and improved together, rather than kept to oneself. Co-creation is interactional creation. Co-creation is the collaborative development of new value together with experts and/or stakeholders. Co-creation was discussed initially as a branch of marketing. We are now talking about it in the innovation-like ecosystem literature; the actors of the ecosystem are co-creating. In the case of this chapter, it is about Muthu and me, especially as two individuals with wide differences, co-creating new knowledge on how to engage in theoretically rigorous and practically impactful research.

We make the argument that while the literature on collaboration could be wider—ranging from knowledge transfer and knowledge exchange to co-creation—the literature on co-creation has a narrowed down perspective mostly discussing how stakeholders integrate knowledge, resources and networks, and so on, to generate common value. As such, co-creation entails specific mechanisms and best practices. A key element of co-creation is to be able to generate multiple values that may have different logics (e.g. academic, business, and social value) through close interactions between actors associated with different organizations in an ecosystem.

Polymorphic Research

What are the characteristics of polymorphic research? Are we just using the term "polymorphic research" to suggest that we are challenging traditional assumptions? Do we have anything else other than challenging traditional assumptions? Alvesson, Gabriel, and Paulsen (2017) paint a critical picture of the present academic publishing game, and they present proposals and suggestions for recovering meaning in our publications. Severe concerns are thus also raised about scientific misconduct in management research. Research is often seen as a self-referential inward-looking system. It is often incremental and gap spotting. It is not heavily influenced by expectations of society and media, politics, and business, and theory and practice are not connected. I take the position that our research should be addressed to a large set of stakeholders and not only to a narrow set of people in academia.

Alvesson et al. (2017) suggested the use of polymorphism to achieve meaningful and innovative research. The major point of polymorphism is to open up alternative ways of thinking, doing, and writing research. It is vital for the academic community to develop good scholarship, including developing innovative ideas, practicing reflexivity, and writing creatively (Alvesson & Sandberg, 2013). In polymorphic research, we break with the mainstream and explore new ways of applying theories and methods, target audiences, and ways of dissemination. We move from procedures and techniques to reflexivity. We are not only gap spotting but also challenging assumptions.

CHALLENGING TRADITIONAL ASSUMPTIONS

We discuss four ways in which traditional formulas for doing research are challenged. We focus on research on boards of directors. These are: (a) challenging mainstream social assumptions, (b) challenging traditional research methods, (c) challenging research interpretations, and (d) challenging research dissemination. In discussing challenges, we also use the champagne method, introspection, and co-creation as potential ways to address these challenges.

Challenging Mainstream Social and Societal Assumptions

Here we highlight two examples of challenging the assumptions of the research on boards of directors.

Boards generating social and societal value

Are boards creating or destroying value? Some years ago, I changed my basic assumption about boards of directors. I concluded that it may be more likely that boards are destroying rather than creating values. It thus became important to find out how it could be possible to stop boards destroying values. More recently, I have changed the micro and meso level value-creating objectives for boards. The value creation of boards should be measured at a macro level. How are boards contributing to societal value creation—long-term value creation in society? I even included existential issues. How can boards contribute to gender equality? How can boards contribute to the integration of immigrants? How can boards contribute to the fights against inequality in society? What about climate change? Or contributions on the global scale?

Muthu's work on co-creation offers some original insights in this regard, especially how boards could simultaneously generate social and business value (De Silva & Wright, 2019). It is important that boards generate financial value for their shareholders, which may be vital for the growth of companies and also to enhance the ability of companies to generate social value. Co-creation with the actors of an ecosystem—including other businesses, research bodies, the public sector, civil society, and intermediaries—enables companies to generate dual value. Muthu's recent work with the OECD on co-creation during the pandemic highlighted that boards were able to scale up and speed up the simultaneous generation of social and business value through co-creation. One great example is the co-creation between Oxford, AstraZeneca, and the UK government—which undoubtedly generated social and business value. Co-creation enabled parties to complete the drug discovery process in less than 1 year; it usually takes 12–15 years. There seems to be a lot of untapped opportunities for co-creation that boards should explore. AstraZeneca, as the commercial partner, has generated obvious business value in the form of profit from the innovation (it should be noted that AstraZeneca provided doses on a cost basis until July 2021) and immense social value in terms of a solution to fight against the virus. While one could argue that this initiative would have increased the social value generation by offering free licensing, it is important to understand that the generation of both social and business value requires the balancing of the objectives of partners. Co-creation is successful only if it offers a win-win situation: thus, rather than making unnecessary demands for boards to generate social value or societal value, we should highlight how boards could make the unimaginable possible through co-creation. This doesn't mean that companies could achieve all their objectives through co-creation. Muthu argues that companies should make careful decisions as to which objectives should be achieved through co-creation, internal research and developmental activities, and knowledge access (De Silva et al., 2021).

Women on boards (WoB)

I questioned in Huse (2020: 114–117) many assumptions in the women on boards debate. In research about WoB there are assumptions that women are discriminated against. Is this always correct? Are all arguments for getting women on boards correct and sustainable? Will I be harming what and those I want to support if I question these assumptions? Is it possible that men sometimes and in certain places are discriminated against? Is gender the main fault line with respect to discrimination? In addition, how do we avoid harm and still make an important topic tangible? How can a male scholar fully understand and argue with female perspectives? From a sustainability perspective, I have started questioning many of the arguments and assumptions in the political, public, and academic debates about getting WoB. I am also entering the space of normative unsayable topics. Here are three examples:

I have applied system theory in action research projects in various countries. I concluded that much of the international debate surrounding how women's representation on boards and business leadership can be increased. Much of the debate is characterized by creative misunderstandings (Rennison, 2012). I argued in career pipeline analyses that men, now, rather than women, in many countries in reality are discriminated against. A main criterion for getting board or top corporate positions is gender, and it is now almost impossible for men to get such positions. If these assumptions have some truths, then changes in research focus are needed.

While some will identify that women can use their erotic capital as an asset (Hakim, 2011), I want to draw attention to erotic capital as an asset also for men—for making careers and even for getting to board positions. Women in the gender harassment literature are considered to be the weak part that needs to be protected. However, will that still be the case in the future? There may be considerable changes as in some places most young leaders, board members, and academics are women. How are women as superiors or bosses acting towards men who are their subordinates or employees? We also need to change our assumptions, at least when we should do something that will be important for the future.

Muthu has only published one paper on gender studies (Halilem, De Silva, & Amara, 2022), yet over six long meetings, we discussed her perspective on WoB. Her research on female academics engaging in informal entrepreneurship has used the "pair-matched" technique to compare female and male academics who share common characteristics in terms of academic position, sub-disciplinary affiliation, and experience. The results suggest that even when compared with a comparable male sample, female academics struggle when moving from non-remunerated to remunerated consultancy. During the conversations with her, she made some intriguing arguments about how acceptable it is to stereotype men and women—as many other characteristics may influence the outcome of their engagement. Also, she looked at gender equality/discrimination through two lenses: first if the research suggests that women should be supported, it is indeed something institutions should consider. Yet, when selecting the right person for the job, it is important that we look at the match between the candidate and the job role regardless of gender. Second, as an ethnic minority woman, who has excelled to become an Assistant Dean (Research) within just six years of starting her academic career, she highlighted that a major drive in her path to success was "not accepting" the assumption that women are discriminated against by men. She is driven to achieve success and work hard to generate value, which is not hampered by potential negativity associated with such assumptions. She also acknowledges the mentoring and opportunities received from individuals and institutions with great gratitude. She said that she has never felt that she was discriminated against by men—instead she felt that she was considered a nice addition to the team. According to her, at the personal level, not being discouraged by such general assumptions on gender discrimination is key to the success of WoB.

Challenging Traditional Research Methods—The Champagne Method

A few years ago, I started challenging my academic environment by talking about the champagne method in my studies about WoB, and I began using it in an explicit and conscious way (Huse, 2020: 117–18).

> The champagne method eased my concerns to connect to own experiences. It made inner transfers possible by melting boundaries. The champagne method became an important approach in my action research project about mentoring advocates for change. It made me connect on a deeper level, and it contributed to building trust and relation between a scholar as a person and a participant as a person – entering human levels on trust.
>
> *(Huse, 2020: 118)*

I got into the champagne method as a part of polymorphic research, but what does the champagne method mean in practice? I explored and used the method in my research about how to get women on boards. I used it on a topic I knew much about beforehand, but the method took me to deeper levels of understanding.

The champagne method involves interactions between two persons, where one is the researcher and the other is the actor. The champagne method has elements of an interview method as the researcher may ask questions. The other person is usually an actor or an activist wanting to contribute to a change. The champagne method is a holistic approach to doing research where we are involved as whole persons; the head, heart, and hands are included, but the heart is in the center. The researcher is getting to the heart of the actor, and through the heart starts a process of getting to the head and hands.

The champagne method will usually require a mutual long-term commitment. The relationship between the researcher and the actor develops based on trust. Normally you will not record the interviews or conversations, and the actor may also ask questions of the researcher. I have called it the champagne method because it usually is not recorded but is based on trust. It is also based on the energy created between the actor and the researcher—like when drinking champagne. The champagne method can be compared to the Finnish interview method—also called the vodka method. You get the most important information when the recording is turned off. In the champagne method you do not even start the recording.

I related the champagne method to Goethe's proverb that "Life is too short to drink bad wine." For me this means that I should give priority to the things that are the most important, and I should do it with people giving me energy. Through the champagne method, I learned the importance of continuous reflections and to relate the inputs from the various conversations to my existing knowledge and experiences.

The champagne method is about co-creation and alternative ways of doing research. It is typically something that creates some kind of energy, fun, and excitement. When applying the champagne method, I met with people that were not necessarily my students. There were even more business people and politicians that I met individually, and I was trying to help in things that were burning questions for them. They taught me about how they experience reality. Together we have this kind of co-creation and are developing something. Things happened on the way. We were sharing together and talking together, and then we were finding solutions. I was learning, and I was giving or sharing. The learning was my research. I was sharing with them. That was my teaching, but it was all directly connected. The champagne method is related to the effectuation concept (Sarasvathy, 2001) that is used in entrepreneurship research.

To make the champagne method or even effectuation and co-creation work successfully, we need to make efforts to make it enjoyable. It is up to us to take the initiative, and it is our charge to make the relationship enjoyable. We need to make sure that the other person is enjoying it, and that we enjoy together.

Challenging Research Interpretations—Introspection

In polymorphic research, we are reflexive and self-critical. We bring in uncertainty and thoughts.

Introspection is the process of observing my own conscious thoughts and emotions (Huse, 2020: 118–19). Introspection helps me interpret and understand my observations or data. In introspection, we critically engage in self-knowledge, and thus we are vulnerable to changing even ourselves. This happens when we understand our positions in the field and the impact of the self and it is becoming in connection with the constructed truth. It happens when making things explicit, intersubjectively transparent, and due to that understandable instead of a hidden bias.

My early experiences as a board member and a board consultant and my meetings and experiences with people on boards or people researching boards have all influenced the way I today interpret data and research about boards and corporate governance. My interpretations today are influenced by more than 30 years of active research on actual board behavior. However, my interpretations are also influenced by my various experiences throughout my life, and who I am today.

Who we are, what we today do, and how we interpret reality are influenced by events throughout all our lives. I have undertaken some introspective journeys into for example understanding career decisions and that of opting-out, and into my medical journey and how that has influenced me and given me possibilities. They are all important for my research—topics, methods, collaborators, and the dissemination and interpretation of data.

When doing research, we need to challenge our personal interpretations as well as general interpretations, and introspection can help us to do so. Usually, there is not one solution, and co-creation may help us see and explore many of the variations and help us benefit from that. When writing this chapter with Muthu, we learned from each other. It has been important also to reflect on our various backgrounds:

Sri Lanka vs Norway, early-mid career vs late career, woman vs man, board vs co-creation, dean vs emeritus. How do our various experiences influence our interpretations and the work we are doing?

For most of my academic career I have balanced experiences from Scandinavia, North America, and Europe. My standards, values, and research were designed based on these experiences and balances. They were also all rooted in basic norms from Christianity. In Norway I did research on boards and governance within the Norwegian and Scandinavian context. As I became established in the American academic community in the 1990s, I had to leave much of my Scandinavian research agenda, methods, ways of dissemination and publication, language, newspapers, and even vacation traditions, in order to fit the local North American traditions and "global" norms. During the following decades, as I shifted my attention and returned to Europe, there were other values, norms, and approaches that became important. The American "global" norms did not fit into that of doing important and relevant research in the complexity I found across Europe. For me it became very visible that the big American academic "tanker" was not able to provide Europe with solutions to its needs. There were needs for "tugboats" helping the big "tanker" maneuver in local waters. I wrote about "tankers" and "tugboats" in my book from 2020—*Resolving the Crisis in Research by Changing the Game* (Huse, 2020).

Still, I was within a Western sphere of knowledge and experiences. I had communicated my research to communities in many parts of the world early in my career, but I think that it has only been during the last five to ten years that I explored new dimensions of my reality in relation to boards and governance. I started working with PhD students in their home countries, and I became curious about the local realities in societies dominated by Hinduism, Islam, and Buddhism. I explored completely alternative sets of values, and the most important issues were not the same in the Arab Middle East or India as in the Western world. This contributed to lifting my attention in my board research from the micro- and meso-levels to macro-level issues.

Working now with Muthu has thus also been very inspiring. Our paths crossed as we got involved in research and teaching about existential issues. "Making the world a better place to be."

Challenging Research Dissemination—Co-Creation and Stakeholders

In becoming an expert in a topic, you may get invitations for various types of dissemination of your knowledge and research. At an early stage I faced the North American publish or perish (POP) culture. Living and working in Norway, I had not been pressed by this culture, but I still wanted to publish in some of the most respected US-based journals—the A-journals. However, I knew of the "hammer and lamp"-syndrome (Huse, 1998). As mentioned, Shaker Zahra had told me how difficult it was to pass the journals' gate keepers if you did not use secondary data in studies about boards of directors. Furthermore, journal reviewers did not really see the big potential and relevance of studies leaning on empirical data from a small country like Norway. Most of my data were from Norway, and most of my data were based on surveys, interviews, or direct observations. Furthermore, studies written in the Norwegian language definitely did not have a chance of getting published. Most reviewers did not even accept references that were written in a language other than English. I needed to develop a research dissemination strategy.

There are many ways of disseminating research. Journal articles are only one way. The first step in a dissemination strategy is to identify the audience. The next step will then be to identify how you can reach the audience with your work and thus make an impact. This leads us to another set of difficult questions. What is an impact, impact for whom, and how can it be measured?

Discussions about impact have recently increased. We see how national research evaluation systems (such as the Research Excellence Frameworks and Knowledge Excellent Frameworks in the UK) are developing, and I have for example signed the San Francisco Declaration of Research Assessment (DORA) and endorsed the Responsible Research in Business and Management (RRBM). When communicating with my PhD students, I have typically advised them to publish their research in such a way that it reaches their audiences. The audiences are typically businesses, politicians, teachers, and the scholarly society in general. In addition to scientific journals, research can be published through newspapers, radio, TV, and so on, scientific or popular science oral presentations, public white papers, and so on. Social media has also become an important outlet for attracting attention to our work. Unfortunately, the purpose of research for many within the POP culture is to get individual credit without thinking about its impact for others.

I have been very happy to see how my impact factors, measured in terms of citations and bibliometric analyses, have been increasing. That is at least an indication that other scholars are using my work. However, what I really appreciate is seeing that my research is being used in teaching for students and executives, and in that way I have been able to influence practice. Another issue is that of changing laws or regulations and in that way influencing norms, values, and practice. Personally, I have been very happy for the times I have been able to speak in parliaments or been an advisor to politicians in various decision-making bodies. These possibilities have been the results of applying the champagne method in my studies about getting women on boards. Still, I think that what gives me the most joy is when PhD students and junior faculty come to me and ask me if I can be their mentor. Even in this case, the champagne method has been important, and I am doing research and investigations with my students. These events are for me learning processes in themselves.

Can such research dissemination be compared to "A-journal hits"? I am not suggesting that we should not publish in A-journals. Yet, the point is that all these sources are valuable and impactful means of dissemination.

Muthu's view regarding A-journal hits and impact generation is quite interesting. She is a believer in conducting theoretically rigorous and practically impactful research. She uses co-creation with multiple stakeholders as a means to achieve this. An example she highlighted was her recent work with the OECD. She is contracted as an OECD consultant to lead a project to understand the policy implications of co-creation during the pandemic. During this project, the delegates of the OECD introduced her to 30 successful co-creation projects and programs across OECD countries (e.g. the UK Ventilator Challenge Programme; the USA's CORD-19 and High Performance Computing initiative; and Canada's Supercluster programs and Pandemic Response Challenge program, among others). She would not have had access to all of these co-creation projects unless she was supported by the OECD. For the OECD, her expertise and academic rigor in understanding policy implications for OECD countries were important. She, through discussions with the leaders of co-creation initiatives, is in the process of generating multiple types of value. First, in collaboration with the OECD team, she is has published two main policy reports (Report 1 and Report 2) that will directly influence the science, technology, and innovation policies of OECD member states. Second, in collaboration with the OECD, she organized several knowledge exchange events which helped leaders of co-creation projects and OECD member states to network and learn from each other. Academically, these events enabled her to validate the emerging findings. Third, she has already published one academic article with the OECD (De Silva et al., 2021) and is in the process of finalizing another two articles. It was the co-creation approach—where she worked closely with the OECD and co-creation leaders—that enabled her to generate both theoretically rigorous and practically impactful research.

She uses co-creation methodology in her teaching. She co-designs and co-delivers teaching with practitioners. Her students are mentored by successful entrepreneurs. She brings practitioners and policy makers to the class to exchange their knowledge with students. She encourages students to apply theories to analyze the content discussed by these practitioners as well as to develop new knowledge that emerges during classroom discussions with practitioners. Using these means she blends academic rigor with practical relevance in teaching.

We have in this section presented core aspects of polymorphic research. Polymorphic research challenges basic formulas and assumptions in mainstream research. We will now present some examples of innovative and polymorphic research on boards of directors.

EXAMPLES OF INNOVATIVE RESEARCH ON BOARDS OF DIRECTORS

I have in several articles and books presented challenges for future research and practice about boards of directors (for example Gabrielsson & Huse, 2004; Huse, 2000, 2005, 2007, 2008, 2018; Huse et al., 2011). In this section I offer some examples.

In 2004, Jonas Gabrielsson and I wrote a review paper about empirical board research that was published in the main management journals (Gabrielsson & Huse, 2004). We analyzed 127 empirical articles and found that most studies on boards and governance had been influenced by a research tradition that treats the board of directors as an isolated "black box." Only a few studies explored boards in context or explored the behavioral perspectives of boards. Almost none of these studies included evolutionary perspectives. In 2019 Zheng and Kouwenberg published a bibliometric study of global research on corporate governance and board attributes (Zheng & Kouwenberg, 2019). A bibliometric review is different from a review article as it incorporates bibliometric methods such as citations, co-citations, and keyword co-occurrence. It attempts to identify the most influential articles, journals, authors, and topics. Zheng and Kouwenberg indicated that based on Scopus coverage, only about 5–7 percent of publications on this topic dated to before 2000. They identified through a network map three main clusters of research on this topic: accounting and auditing publications, finance and economics publications, and management and strategy publications. They also identified different schools of thought in the literature on corporate governance and board attributes. I have been listed, together with Amy Hillman and Shaker Zahra, as a main contributor to a school of thought in the management literature. This stream focuses on actual board behavior and board strategy involvement. I will here show some of the research that has shaped my contributions to this school of thought. Reflections and lessons that are the building blocks in this school of thought are, in addition to several paper publications, presented in some of my books, for example Huse (2008). I will here present three cases.

"One of the Lads" Research

My focus has been on behavioral perspectives and the human side of corporate governance. At the beginning of the 1990s, then working at a small institution in Norway, I did not face major pressure to publish in so-called top-level journals. However, I had time and resources to work with time-consuming data collection. Further, I was bringing with me my own experiences from board memberships and as a board consultant. In a study designed in 1992, I was able to get into three boards in small, but locally significant companies. I was involved not only with interviews, but I was able to get into the boardrooms. I was there not only as a "fly on the wall" but as "one of the lads." (See for example Huse, 1996, 1998; Huse & Zattoni, 2007.) For 18 months I was the chairperson of the board in each of these three companies. Through the whole period I applied anthropological methods in exploring and reflecting on people, board tasks, my interventions, and relations between people inside the boardroom as well as outside the boardroom. I was able to, yes, even forced to, find ways in which my activities and decisions could impact stakeholders and company and board performance. This study, despite many challenges in publishing the findings, gave me lots of knowledge and input for further research and practice. I was then studying what were perceived as un-researchable issues. I had never seen anybody using this micro-perspective in studies of boards. Despite many scientific articles from the project, the main dissemination was through books and executive seminars.

"Fly on the Wall" Study

In 2003, we initiated a "fly on the wall" study (Huse, Minichilli, & Schøning, 2005; Huse & Schøning, 2005). For a year we followed as flies on the wall the board meetings in a major Norwegian corporation. Most meetings were lunch to lunch meetings, and they were in general held monthly. The board had 14 members. In this period, we had an office at the corporate headquarters, next to the CEO. We had all board documents available, and we did interviews with all the board members and members of the top management team as well as the main stakeholders. During the meetings, my research assistant took notes on all communication, including who was saying what. When I was present, I observed physical interactions and the body language of the board members. In addition to exploring boardroom dynamics, we also observed the personalities and deeper level diversities among the board members. We observed the power and status hierarchies among the board members and the implications for board behavior and decision-making. We followed the dynamics behind the evolution of three main strategic decisions.

We had some challenges when publishing our main findings, but we presented our observations to the board nomination committee and the corporation's stakeholder council, as well as to the board itself. In addition, we wrote a report that was publicly available. Finally, during an intense corporate crisis situation, I was able for a full day to follow the board chair physically—a "following directors" study. I was in his home, in his car, listened to his various phone calls, and was able to discuss the various options and actions with him. This study, despite some publishing challenges, has given me invaluable input when presenting research and practice.

"Mentoring Champions for Change"

A third unique study is about women on boards. This is probably the most innovative and challenging project I have ever been involved in. This is an action research project about "mentoring champions for change." In the beginning I did not plan it, but it developed over time. It started in Norway at the beginning of the 1990s and has been following me from Italy (2007–11), Germany (2010–16), and Slovenia (2014–16) to Spain (2014–16). Initiatives were also taken in Austria, Denmark, and the UK. Through this project we nurtured and followed the snowball about getting women on boards—from its start in Norway until it became a global avalanche.

However, similar and supplementary lessons have been learned in interactions with champions for change in a large number of countries. I have individually met smart people wanting to get women into positions of power in business. Through discussions and actions over the years, I have learned about the cultural context of getting women on boards in different countries. These women have taken me around, introduced me to core politicians, women activists, and business people, as well as to scholars (Huse, 2018b; Seierstad et al., 2017). A lesson from this period was to reflect on and develop the "champagne method" for doing research. I was learning and my partners—the women activists—were learning, and we shared experiences and tried to develop actions to reach the objectives of our collaboration. Results have been published in the press in several countries, and it has had impact on political decision-making and legal regulations.

DISCUSSION

In this chapter Muthu and I have presented examples of innovative research on boards of directors, and we introduced and promoted polymorphic research in a co-creation framework to show the importance of innovative and path breaking approaches. We have tried to explore ways to achieve beyond the state of the art. We have also tried to show our passion for doing research that is important.

What is important, and how do we communicate what is important? The Roman statesperson Cato the Elder was famous for always ending his public speeches with the sentence that Cartago must be burnt—*Cartaghe delenda est*. I may also be known for something similar—we need to do research that is important and can contribute to making a better world. “Let us make a better world together.” Muthu and I agree on this point; however, there are nuances in how we promote polymorphic research. Some of these differences become visible in this discussion section.

In the final discussion and conclusion sections we return to our objectives—to show how innovative methods in research can support us in making the world a better place to be. This section contains reflective discussions between Muthu and me about (a) formulaic vs non-formulaic research, (b) values in research, (c) co-creation and the champagne method, and (d) introspection.

In this discussion section we reflect on how innovative methods in corporate governance research can contribute to solving the present crisis in research by moving the dominating research philosophy from “publish or perish” to a “sharing” philosophy. The “sharing philosophy” contributes to sound leadership in training and advancing young scientists, and it contributes to thinking about second and third order impact. Following our overall intention with this chapter, in the discussion we try to follow a co-creation approach leaning on introspection and self-reflection.

Formulaic vs Non-Formulaic Research—Impact and Rigor—Ambidexterity?

Our conversation looks at ambidexterity in terms of simultaneously generating theoretical rigor and practical implications and conducting both formulaic and non-formulaic research.

Morten

A typical issue in much research is that we are trying to get credit for ourselves by publications. But we should try to make an impact beyond ourselves. We need to be venturesome if we want to demonstrate, propose, and conduct groundbreaking and frontier research. We need polymorphic research, and the champagne method and co-creation may be one important path. We should have a system that supports creative and independent thinking.

There are two issues. First, the present research incentive system largely supports personal credit and careers. We are following hammer and lamp syndromes about the availability of data and knowledge methods. The other issue is that expectations should not be the same through all phases of scholarly careers.

Then we should probably have a system that stimulates the use of knowledge in a different way rather than reproducing the same things every year. The system should stimulate academic learning and knowledge development.

Muthu

In research, I think that we should adopt methods that should enable us to simultaneously generate academic, business, and social value. The champagne method and co-creation approaches are indeed innovative mechanisms to achieve this.

However, even if you consider in-depth interviews, I doubt if these deviate much from the co-creation approach. We combine the interviewees' practical experience and the researcher's analytical skills and academic experience in order to generate new knowledge, which is a form of co-creation. Yet, what is required is to go beyond the interaction between interviewee and researcher to work closely with other relevant stakeholders so that a piece of research is able to generate academic, business, and social value. We should integrate the beneficiary's perspective into the finding rather than perceiving them as passive recipients.

Yet, we shouldn't forget the academic career perspective: crediting the author and publishing in A-list journals are as important as generating social and business impacts. Hence, we should adopt innovative methods such as champagne and co-creation methods.

Values in Research

Our discussion around values in research made us realize the need to co-create with potential beneficiaries of research and not be constrained by traditional assumptions in research.

Morten

The research should aim at making impact, but how can we measure and value impact? There might be many people generating an impact, but with some doubts about if the impact is high and valuable. We see many influencers on the internet and social media, for example. They may have a big impact, but at the same time, it questions whether the impact should be trusted or not.

Muthu

We need to find that balance, I think. Again, champagne and co-creation methods should be used to make sure that we include potential beneficiaries of our research early in the process, so that we can make sure that the impact generated is valuable. For instance, when developing research proposals, we could co-create with potential beneficiaries. Also, the proposal could include the co-creation process with them. In the UK such engagements seem to be valued nowadays.

Morten

Do we dare to challenge mainstream assumptions? Sometimes these assumptions may not be correct—or correct anymore. Reality may have been changing, and the argumentations may not be sustainable anymore. I am thinking about much of my work about women on boards. I am afraid that many of the mainstream assumptions being used, in the long run, may be harmful.

Certain arguments need to be challenged.

Well, I've been using the word swearing in the church—that you're doing and saying things that are not accepted in the leading groups. Whatever the leading group is.

Muthu

Yeah, Morten I fully agree with you. Also, in relation to gender studies, there is too much stereotyping, and women being discouraged by the traditional assumptions of discrimination, generating negative impacts.

Morten

And that's true. Too much stereotyping might be very dangerous in what we are trying to do. I might be very supportive of many things, but at the same time this stereotyping may lead us to completely wrong conclusions.

Pushing Methodological Reflections: Champagne and Co-Creation

Morten

Research should integrate the generation of outcomes as well as joyful processes. In my experience, it is this kind of research that has generated outcomes to the optimal level.

Muthu

Definitely, we are talking about co-creation with humans. Co-creation and champagne methods enable us to integrate the resources, knowledge, and networks of different actors to simultaneously generate multiple values. If parties do not enjoy the process, it is not going to be successful.

We should let the interaction be productive as well as enjoyable.

It's not easy to combine three different logics such as academic, social, and business value. But then we have to make an effort to make sure that these different forms of value are simultaneously generated. So that's why I think the innovative methods are important.

Morten

Reflecting on my behavior, I'm more likely to continue the collaborations that simultaneously generate joy as well as papers and impact. We are human beings. We are not like those who might just look at short-term productivity. I want to spend time together with people that are giving me energy.

Introspections—Ritorno al Passato

Morten

I may not be a traditional male and maybe not a traditional American, but I still have a Western way of thinking. However, I have through my students started to see something from an Indian perspective or an Arab perspective. I should really challenge you to get into your history, your background, your logic, and your experiences. I will like to get more into your perspectives from Sri Lanka. You may also try to explore things from my perspectives—understanding the things behind them.

Muthu

I think this is fascinating, Morten. Even though we talk about non-biased research, I fully agree with you that our outcomes are subjective and based on our experience and way of looking at things, and so on. I think that we should accept this. Especially when it comes to co-creation and champagne methods, we cannot overcome such biases. Even traditional methods such as surveys and interviews do have such biases. For instance, survey design, analytical frameworks, interview questions, and associated analysis are all dependent upon the lens that we use. I think that this is something we should acknowledge as beautiful in social science research. I am not sure biasness is something we can eliminate. Well, I think that we are supporting interpretivist perspectives.

Morten

It's important that we understand or go back to your story and try to reflect on that and see what may help. That may influence you and the same on my side. That's why I'm trying to get into some of these introspection perspectives—based on an understanding of ourselves. Then we can come together and try to see or challenge each other's background experiences. They shouldn't be taken for granted. The wisdom that is around us is not free of values, whether it's a US-based wisdom or whatever, but we are seeing how attitudes, knowledge, and behavior are being formed.

Summary

What are the insights we have gotten from co-creation and polymorphic research about boards of directors? First, these innovative methods enable us to challenge some of the traditional assumptions in social sciences such as those associated with women on boards; for example, in research about WoB there are assumptions that women are discriminated against. Is this correct? Are all arguments for getting women on boards correct and sustainable? Likewise on the question of boards generating value, for example are boards creating or destroying value?

Second, we argue that addressing such challenges is possible through the champagne method. The champagne method involves long-term and trusted interactions between researcher and actors. The actors may range from business people, politicians, and students to civil society. They are passionate about generating value. Researcher and actors together generate value, which may include academic, business, and social value. The champagne method is about co-creation and alternative ways of doing research. It is typically something that creates some kind of energy, fun, and excitement. Co-creation also argues that a close working relationship between researchers and actors throughout the research process is key to the simultaneous generation of theoretically rigorous and practically impactful research. We offer some examples of how this is possible. The key point is that since the knowledge is co-created between researchers and actors through the research process, such knowledge offers a more accurate reflection of the "traditional assumptions."

Third, we argue that acknowledging introspection is important in addressing the challenges of research interpretation. Introspection is the process in which one observes one's own conscious thoughts and emotions. This helps in interpreting and understanding observations or data. In introspection, we critically engage in self-knowledge, and thus we might change even ourselves. This happens if we understand our positions in the field and the impact of the self and its becoming in connection with the constructed truth. It happens when things are made explicit, intersubjectively transparent, and due to that understandable instead of a hidden bias. Especially in the set-up leading to co-creation and champagne methods, acknowledging and accepting introspection is vital since the expectation is that researchers and actors learn during the process and co-create the truth.

Fourth, we highlight the significance of co-creation and champagne methods to improve the power of dissemination. As co-creation involves the researcher working closely with beneficiaries from the initial stage of the research process, research dissemination does not start at the end of the research process, which seems to be the norm in journal article publication. We suggest that while "A-journals" are a valuable portal of research dissemination, there are also alternative avenues. These include knowledge co-creation and exchange events, social media, advisory boards, parliamentary talks, consultancy work, and so on. The key is not to consider dissemination as the end result but to consider it as something occurring throughout the process from the beginning.

CONCLUSION

The objective of this chapter was to show how innovative methods can help us contribute to important and path breaking research on boards and governance. We have not only presented actual methods, but we have also challenged existing methodologies and practices. We have suggested non-formulaic and polymorphic research, and we have outlined the champagne method based on a co-creating approach. We have discussed how innovative teaching and research methods such as the champagne method and co-creation models may contribute to the simultaneous generation of theoretically rigorous and practically impactful research. We used research on boards of governance as a platform to illustrate applications. How these innovative research methods address the challenging of social assumptions, research methods, research interpretation, and research dissemination—often highlighted in polymorphic research—is the key contribution of our chapter.

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7. Inclusive governance of partnerships for sustainability: methodological matters

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INTRODUCTION

Governance, in the broader realm of social sciences, refers to the steering mechanism by which social systems manage their public affairs and make and implement collective decisions for societal well-being (Folke, Hahn and Olsson et al., 2005; Jordan, 2008; Scherer and Voegtlin, 2020). Corporate governance is defined as the system by which corporations are directed and controlled by distributing the rights and responsibilities between organisational members and hence creating accountability for decision-making and implementation (Clarke, 2007). We are living through times in which societies and communities are rethinking their expectations about the role of businesses and corporations for more ground-breaking contributions. This entails democratising governance arrangements internally and building and sustaining strong partnerships with local, national and international organisations externally. Hence, we explore the importance of the concepts and practices of collaborative governance, inclusive governance and governance for sustainability, particularly in the context of sustainable and social entrepreneurship.

With the increasing emphasis on the sustainability of organisations in terms of their economic, environmental and social considerations, governance has become more important beyond the corporations and the efficacy of different governance arrangements by boards and business elites. The United Nations (UN) Sustainable Development Goals (SDGs) (United Nations, 2015) mark a historic moment for an international organisation setting governance through goals (Biermann, Kanie and Kim, 2017). Integrating all three pillars of sustainability (social, economic and environmental), SDGs have offered a novel type of governance that entails collaboration and partnerships between a variety of stakeholder groups around resolving a particular problem and/or addressing a goal. This is intended to be a roadmap for bottom-up and stakeholder-oriented governance (Hajer, Nillson, Raworth et al., 2015), which can be the backbone of governance for partnerships. In this chapter, we draw attention to such governance processes that underpin collaborations between multiple organisations including corporations, international policy organisations, national/local government offices, NGOs and other third sector organisations such as charities and social enterprises. We focus on methodological matters that allow for relevant and responsible research grounded in organisational realities and for honouring the voices of multiple stakeholder groups from the outset (problematisation) to the end (dissemination) of the research.

As highlighted by Kakabadse and Morley (2021), advancing governance research can only be possible by putting a simultaneous emphasis on both relevance and rigour in our research endeavours. This entails persuading boards, business elites and relevant organisational players to acknowledge the importance of shifting boundaries in multiple and complex systems, particularly within the domain of the critical challenge of addressing environmental, social and governance (ESG) issues. This implies methodological approaches that allow for understanding and revealing such complexity and the situated nature of governance processes. Moving beyond traditional dichotomies such as positivist versus non-positivist epistemologies and/or qualitative versus quantitative approaches could enable governance scholarship to shed light on understanding and interpreting the complexities surrounding the governance of relationships with the ownership of tasks, responsibilities, authority and accountability in achieving sustainability through partnerships. How can this be possible through innovative and user-inspired methodologies, which (a) capture and address the multiplicity of the needs of stakeholder groups involved in partnerships for sustainability and (b) enable the co-production of knowledge and cross-learning between experts and stakeholders? These questions form the key research questions that we set out to address in this chapter.

We have fashioned the rest of our chapter in the following way: first, we discuss relevant corporate governance research with an emphasis on partnerships with implications for key theoretical and methodological considerations. In the next section, we continue with our understanding of recent governance trends, namely inclusive governance and governance for sustainability. Third, we present a critique of current methodological approaches to corporate governance research and highlight a new and innovative approach, namely participatory action research, as a way of addressing methodological challenges at the intersection of corporate governance for partnerships and sustainability domains. Finally, we conclude with a critical evaluation of such innovative methodologies for advancing corporate governance research.

CORPORATE GOVERNANCE AND PARTNERSHIPS FOR SUSTAINABILITY

Corporate governance is a well-established domain in business and management studies researched from theoretical angles ranging from economic foundations to agency theory, stewardship theory, stakeholder theory and theories of convergence (Clarke, 2004). Traditionally, research on corporate governance has tended to focus on Anglo-American approaches (Turnbull, 2000) and on the private sector (Colenbrander et al., 2017), with a narrow range of interests (Macheridis and Paulsson, 2019). For example, in agency theory managers act as agents of the owners and shareholders (Jordan, 2008; Spear, 2004; Spear et al., 2014), and in stewardship theory managers seek to use a corporation's assets and resources in such a way as to maximise profits and returns for owners and shareholders (Low, 2006; Colenbrander et al., 2017).

Stakeholder theory would seem to offer an alternative approach to governance. This approach assumes that organisations need to take account of their stakeholders in their decision-making processes. This can allegedly be achieved in two ways, either by involving stakeholders directly in governance or by appointing representatives or managers to act on their behalf (Borzaga and Sacchetti, 2015; Colenbrander et al., 2017; Coulson-Thomas, 2017). However, this does not always seem to be the case; this understanding of stakeholder theory does not seem to fit with or be reflected within conventional corporate governance structures (Larner and Mason, 2014). Here, shareholders are understood to be the main stakeholders involved in board decision-making (Mason et al., 2007). In its narrowest sense, stakeholder theory has tended to focus on the interests of economic shareholders (Colenbrander et al., 2017) and disregarded other people or groups, such as employees, whose interests are impacted by the activities of a corporation (Werner, 2019), and hence fails to offer an inclusive approach to corporate governance, which is highlighted, for instance, in the context of scholarship in social enterprise (Mason et al., 2007).

The continuously changing socio-political and economic contexts of business entail a multi-level assessment of corporate governance, taking into account the interaction of governance at global, institutional and individual levels (Yamak and Ertuna, 2017). Contemporary issues of management, such as sustainability, equality, diversity and inclusion, combined with the diffusionist pressures at the global level have led to the emergence of new collaborative institutions through partnerships. These partnerships bring together a diverse range of actors and organisations, namely government offices with businesses, NGOs and other national and international community organisations. Partnerships facilitate collective action (Emerson, Nabatchi and Balogh, 2012) and bring legitimacy to decisions by engaging a wider group of parties who have vested interests. Despite their increasingly significant role in addressing grand societal challenges, partnerships demonstrate a great deal of complexity and variety in their governance arrangements (Smith, Mathur and Skelcher, 2006). Governance arrangements are often made with the trade-offs in the procedures and standards expected for the benefits of flexibility and inclusion (Smith et al., p. 160). The great virtue of partnerships is their flexibility as an instrument for delivering on a collective goal and their capacity to mobilise a range of stakeholders (ibid). Drawing on a strong network of such stakeholders is crucial in building reliable partnerships in order to energise and motivate interested actors to make committed efforts at addressing a common goal as well as access to, and the deployment of, resources efficiently and effectively (Kwak, Ki and Hwang, 2021). For instance, in their study of the environmental impact on regional governance mechanisms and governance outcomes in green economic development, Kwak et al. (2021) stress the importance of local government as an important agent in the field of climate change policy; they provide empirical evidence of the importance of the efficacy of collaborative mechanisms by revealing how such governance mechanisms can serve the purpose of individual actors maximising selective outcomes through collaboration.

There is a surge of interest in the concept and practice of collaborative approaches to governance (Menahem and Stein, 2013; Howlett, 2014; Wu et al., 2015; Halpin and Fraussen, 2019; Lahat and Sher-Hadar, 2021; Unceta et al., 2021). Some view this interest as part of the debates pertaining to post-new public management discourses (e.g. Pollitt and Bouckaert, 2011; Van de Walle et al., 2016) with a strong emphasis on the need for better control and co-ordination of the fragmented structures and mechanisms of government organisations and as an extension of neo-liberal approaches balancing the focus on market mechanisms. In this chapter, we take a more inclusive view of collaborative governance beyond public sector organisations and administrative arrangements. Endorsing a more balanced approach to compliance and collaboration in forming collective goal-driven partnerships, we focus on multi-stakeholder partnerships that include a diversity of actors. Striking this balance through governance arrangements also increases the significance of leadership. Leaders with unique leadership qualities are required to develop complex governance arrangements of such partnerships. In this chapter we consider the question of how the multiplicity of these actors is captured and valued in developing and executing governance processes and mechanisms with an ultimate objective of addressing a particular sustainability-driven goal through a partnership. Hence, our motivation lies mostly in exploring process-relational dimensions of governance and demonstrating the importance of associated methodological matters of such corporate governance research designed to delineate different layers of governance and the interplay of these layers.

Advantages and disadvantages of collaborative governance have also been discussed in the corporate governance scholarship. Some of these debates point at failures due to greater emphasis on compliance rather than collaboration (Keast and Mandell, 2014; Lahat and Sher-Hadar, 2021), while some others argue for a lack of effective leadership (Huxham, 2003; Ansell, 2016). Analysing the collaboration activities of two public innovation labs created under the governance model of the Basque Country in Spain developed within the two key sectors of the creative industries, namely audio-visual production in the Basque language and digital gastronomy, Unceta et al. (2021) exemplify how these labs have brought together policy makers, practitioners and researchers under a governance model which set out to achieve four collective goals: (a) promoting digitalisation, (b) fostering innovation, (c) accelerating the growth of start-ups and (d) contributing to sectoral co-ordination through collaborative governance. They conclude that the interaction of such multiple actors yields many benefits such as developing public strategies and making decisions for such collective goals more effectively. Practitioners' involvement adds credibility in such collaborative governance structures, as in the above creative industries example, as they act as connectors and often as catalysts of change and innovation. However, as Unceta et al. (2021) point out, they also face certain risks in consolidating and scaling up processes in the medium term. This implies another important point, namely the temporal dimension in the governance of partnerships, which we would like to draw attention to in this chapter. Governance arrangements evolve in order to reflect a partnership's lifecycle, that is, the stages of the development of partnership (Lowndes and Skelcher, 1998), namely (a) pre-partnership collaboration, (b) partnership creation, (c) partnership programme delivery and (d) partnership termination and succession (Smith et al., 2006, p. 169), and sustaining partnership in many instances, which can prove to be more challenging. The requirements of each phase of the lifecycle of partnership should be observed in developing and advancing governance arrangements. Value creation for all parties and collective goal achievement (Ramadass, Sambasivan and Xavier, 2018) need to be prioritised alongside the partnership trajectory, and evaluation mechanisms should be embedded within the governance approach. Related to this evolutionary aspect of collaborative governance, and departing from the process-relational premise of corporate governance, it is important to build and sustain relational capital based on trust, communication and commitment (see Sambasivan et al., 2011, 2013), collective effort and sharing responsibility and accountability (Ramadass et al., 2018; Criado and Guevara-Gómez, 2021).

In summary, collaborative governance is driven by the principles of inclusion, balanced capacity and power-sharing, sustainability, mutual responsibility and accountability, drawing on shared values, norms and motivation (Prysmakova-Rivera and Pysmenna, 2021). The underpinning processes of collaborative governance consist of monitoring, providing feedback, forming an advisory group and deploying and sharing resources including knowledge, coordination, collective learning and unlearning if needed (ibid). In times of crisis, such as the COVID-19 crisis, there is a heightened awareness of collaborative governance processes underpinning national and international partnerships. As suggested by Jebran and Chen (2021), crisis situations require more effective governance mechanisms such as risk management, the institutional ownership of tasks and responsibilities and the transparent and equitable allocation and commitment of resources.

INCLUSIVE GOVERNANCE AND GOVERNANCE FOR SUSTAINABILITY

The possibility of collaborative governance opens the way for considering how organisational and institutional structures can foster a more inclusive and diverse approach to governance mechanisms and processes. However, there is still some way to go. Over the last 30 years, corporate scandals and corporate fraud, such as Enron, Worldcom, various banking scandals and the fall-out from the 2007–2008 financial crisis have increased media, political and public attention on governance (Low, 2006; Mason et al., 2007; Spear et al., 2014). More recently there has been an increasing awareness of the need to explore governance in a broader global context and to take account of different institutional and regulatory regimes (Spear et al., 2014; Colenbrander et al., 2017). There has also been a shift in understanding of what is seen as ‘quality’ or ‘good’ governance (McLennan and Ngoma, 2004; Werner, 2019).

The changing context of governance means that organisational decision-makers and processes are increasingly having to consider issues of equality, diversity and inclusion (EDI). In governance, concepts such as equality, diversity and inclusion become even more obscure and uncertain. Diversity can be understood in different ways and often varies, depending on context and culture (Fredette et al., 2016). For instance, diversity and equality could be approached from a legal standpoint in many compliance-based cultures focusing on diversity characteristics such as gender, ethnicity/race, sexual orientation, religious affiliation, age, disability, etc. Alternatively, it could focus on individual contributions of organisational members based on being task-orientated, relationship-orientated (see Batarseh et al., 2017), people-orientated and combinations of these orientations. Equality is often associated with social justice or fairness, and inclusion means ensuring that different kinds of individuals work together (Kelan and Wratil, 2018) and their personal strengths and hence individual contributions to the collective task are valued. Although inclusivity is used in varied ways (Fredette et al., 2016), definitions share common themes of individual belonging and being and people feeling valued for themselves, being heard, being accepted and being seen as unique (Shore et al., 2011). The overall EDI agenda refers to valuing differences and creating synergies between people, partners and stakeholders by bridging understandings, languages, methods and actions.

Within governance, research on EDI tends to be fragmented and focuses on particular issues such as the lack of women on corporate boards (Kirsch, 2018; Markoczy et al., 2020) or research on gender on the boards of social enterprises (Lyon and Humbert, 2012). This lack of diversity and inclusivity is also true for organisations in the third sector (voluntary sector, civic sector). For example, in the UK, trustee boards tend to be white elderly men (Bacchi, 2017; InclusiveBoards, 2018). Concepts such as inclusivity highlight the need to broaden participation in governance by involving and engaging with a wider range of individuals and groups who retain their unique identity and voice (Werner, 2019; Rocha Menocal, 2020). This offers opportunities to explore possible alternative research approaches to governance. For example, using intersectionality as a theoretical lens could offer a means to explore how different aspects of identity can overlap and combine in different ways to form an individual's social reality and influence their experience (Özbilgin et al., 2011; Shore et al., 2011; Tatli and Özbilgin, 2012) in organisations with implications for inclusive governance (Winker and Degele, 2011; Walby et al., 2012; Evans, 2016).

Although there is a clear lack of research on inclusive governance (Werner, 2019), other and sometimes newer forms of organisations, such as social enterprises, offer possibilities for alternative approaches to governance (Richter, 2018). Inclusive governance has been mostly associated with social enterprises, as particular kinds of organisations established to address grand societal challenges through an enterprise model (Spear et al., 2014; Nicolopoulou et al., 2015), which can operate effectively through partnerships and by blending public, private and third sector resources (Chell et al., 2011; Nicolopoulou et al., 2015; Richter, 2018; Teasdale and Dey, 2019). As social enterprises combine both commercial and social functions, they are often described as hybrid organisations (Peredo and McLean, 2006; Ebrahim et al., 2014; Bruneel et al., 2020), and their governance mechanisms lend themselves neatly to collaborative governance, exemplifying governance of complex partnerships.

Research into the governance of social enterprises is a new emerging area (Bruneel et al., 2020). It is not yet clear how social enterprise governance structures and processes manage evolving and at times conflicting and even competing logics and interests, commercial and social (Ebrahim et al., 2014; Mair et al., 2015; Bruneel et al., 2020), which also reflects the complexity of partnerships that social enterprises form with a range of stakeholders in their domain of impact. Boards of social enterprises may include both business-focused and socially orientated members (Bruneel et al., 2020) that represent partners across the private-public-third sector spectrum. The size of the board and their degree of influence may also differ from their commercial counterparts (Mair et al., 2015). The governance of social enterprises is also partly determined by regulatory frameworks and legal structures; for example, in the UK, the Community Interest Company (CIC) was introduced in 2005 as new form of legal entity for social enterprises which includes provisions that allow for stakeholder input (Ebrahim et al., 2014; Bull, 2018; Huckfield, 2022).

In order to amplify the context of social enterprise, as an example, we join the arguments by Fredette et al. (2016) that the stakeholder theory would seem to encourage and promote diversity and inclusion, particularly within social enterprise governance. Members of social enterprise boards are meant to be able to recognise, understand and integrate the interests and concerns of different stakeholders (Mason et al., 2007; Larner and Mason, 2014; Fredette et al., 2016). A social enterprise board that includes diverse members is better able to understand the needs of their clients and beneficiaries and so more able to adjust to a changing external environment (Fredette et al., 2016; Coulson-Thomas, 2017) and to manage the risk of mission drift or shifting focus (Ebrahim et al., 2014). On the other hand, a multi-stakeholder board may create more tension and conflict, leave open the question of to whom boards should be and are accountable (Spear et al., 2014; Fredette et al., 2016; Colenbrander et al., 2017) and not be able to define a road map for action in the context of greater uncertainty and diversity of perspectives. Increasing diversity in a board and involving different stakeholders can shift/change the balance of power and resources, which might work better for the organisations, but at the same time it increases costs (Borzaga and Sacchetti, 2015). That is why inclusive and transformational leadership is highly critical in embedding such inclusive governance in organisations of all kinds.

Linked to this leadership dimension, reforms in governance in different parts of the world in the light of various corporate scandals have increased the responsibilities of directors and their potential legal liabilities (Spear et al., 2014). To some extent, this potentially increased exposure is mitigated for corporate directors as they are often compensated for their time. However, trustees of charities are usually volunteers; for example, by law, charity trustees in the UK can only be paid expenses such as travel costs and cannot be paid for their time (Spear et al., 2014; UK Government, 2022). Although directors of CICs can be paid, CIC members can take action if they feel that such pay is excessive or unreasonable (Department for Business, Energy & Industrial Strategy, 2016). Lack of compensation for giving time and investing in acquiring and developing new skills can reduce the number of individuals who are willing to give their time to sit on the boards of social enterprises and charities. This is particularly the case for disadvantaged communities or beneficiaries (Spear et al., 2014), despite efforts in the UK to widen the recruitment base/pool of boards and trustees (InclusiveBoards, 2018; Getting on Board, 2022).

As well as conventional corporate governance theories, democratic ideas and approaches to governance are a key element of membership-based organisations and public sector organisations; they are central to and have long prevailed in Anglo-American and European societies (Spear et al., 2014). In the UK, co-operatives and friendly societies are mutual aid organisations where the governance structures are membership-based, open and democratic (Rochester, 2013; Bull and Ridley-Duff, 2019; Huckfield, 2022). Social enterprises are expected to be democratic organisations (Larner and Mason, 2014). The involvement and appointment of stakeholders on the boards of social enterprises should be transparent, clearly defined and accountable to outside scrutiny (Mason et al., 2007). Membership-based organisations can expand the scope of governance and increase accountability of the board (Spear et al., 2014). Many third sector organisations are membership based, for example, clubs and charities, and these governance mechanisms are built into their legal forms and structures (Bull, 2018; Huckfield, 2022).

For many organisations 'sustainability' and 'governance' are inextricably linked (McLennan and Ngoma, 2004). Although many organisations have adopted sustainability initiatives in some form or other (Billi et al., 2021; Bonilla-Priego et al., 2021), the motivation for undertaking such practice often stems from seeking competitive advantage (Lombardi et al., 2020). For many organisations, sustainability is a significant element of corporate social responsibility (CSR) (Billi et al., 2021; Hristov et al., 2021). Sustainability has a much broader meaning: financial, political, organisational, institutional and managerial (Cloete, 1999), which are in themselves key elements of governance (Cloete, 1999; Billi et al., 2021).

Sustainability also includes an organisation's financial and long-term economic stability (Hristov et al., 2021), thus associating organisational long-term financial survival with governance and organisational strategy, conserving resources for future generations (Cloete, 1999) and contributing towards achieving SDGs (Hristov et al., 2021). Hence, in this context, sustainable development acquires a much deeper significance; it is ultimately about supporting the triple bottom line (Ridley-Duff and Wren, 2018) as well as organisational and human survival (Mc Lennan and Ngoma, 2004). The SDGs emphasise this; in particular, SDG16 seeks to promote 'peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels' (United Nations Department of Economic and Social Affairs Sustainable Development, 2022). This establishes a clear link between sustainability, sustainable development and inclusive and sustainable governance (Rocha Menocal, 2020); they are about ensuring the fair distribution, management and conservation of Earth's resources for the benefit of everyone and the choices that we make and the activities that we need to undertake to do so (McLennan and Ngoma, 2004; Billi et al., 2021).

Inclusive sustainable governance means challenging the ways in which decisions are made at board level and bridging the views and perspectives of a diverse stakeholder base of organisations. For instance, as scholars such as Ebrahim (2014), Mair (2015) and Spear (2014) have observed, the governance of social enterprises and other hybrid organisations such as third sector organisations, which provide welfare and other social services (Aiken and Harris, 2017; Huckfield, 2022) and rely heavily on partnerships, is still evolving. This is an area where there is scope for in-depth research on how these kinds of organisations achieve their social mission by embedding the multiplicity of needs and perspectives of partners and stakeholders at hand and how they address and manage issues of equality, diversity and inclusivity within their governance structures, in so doing.

METHODOLOGICAL MATTERS: PARTICIPATORY ACTION RESEARCH FOR THE GOVERNANCE OF PARTNERSHIPS

The importance of methodological plurality in governance research has been well-established (Judge et al., 2008; McNulty, Zattoni and Douglas, 2013; Kumar and Zattoni, 2015; Filatotchev and Wright, 2017). Methodological considerations of governance research are particularly important beyond the rigour and relevance debate as advocated by many corporate governance scholars (Filatotchev and Wright, 2017; Kakabadse and Morley, 2021). Endorsing responsible and relevant research principles (Tsui and McKiernan, 2021), governance scholarship is to benefit highly from the Responsible Research for Business and Management (RRBM) principles in developing epistemological and methodological approaches to research. Some of these principles include service to society, valuing plurality and multi-disciplinary collaboration, sound methodology, stakeholder involvement, impact on stakeholders and broad dissemination (ibid). These principles need to be considered in examining extant methodological approaches to, and innovating new ones in, governance research.

Corporate governance research is often critiqued from the perspective of a lack of contextual embeddedness, in other words, the absence of contextual data and/or interpretation of findings according to the contextual dynamics (Filatotchev and Wright, 2017; Gabrielsson, Khlif and Yamak, 2019). Context is used in the broadest sense possible in this chapter. Given our focus on governance processes for partnerships that deal with sustainability matters, contextual dynamics include countries, institutions and even entrepreneurial or open innovation ecosystems depending on the research problem under study. This also requires theoretical alignment both in the stage of problematisation and the interpretation of findings. As Gabrielson and his co-authors have raised, a critical question that warrants answer remains: ‘how can we use context-sensitive theorising without rethinking and reframing some of the central and even taken-for-granted analytical and theoretical rubrics of contemporary society, such as control, diversity, power, sustainability, regulation, imperialism, values and identity?’ (ibid, p. 7). Given that the issue of sustainability cannot be viewed in isolation from a wider vision of the ecosystem within which organisations make their strategic choices, taking into account the strategic contribution of their partnerships, we focus on the method of participatory action research (PAR) in this chapter, through which, we argue, governance scholars could reinforce a broader, inclusive and innovative vision of corporate governance.

In alignment with this call for context-sensitive research, user-inspired methodologies in general and PAR, in particular, have been gaining traction in business and management studies. Greenwood (2020) defines PAR as a family of approaches that share epistemic and ethical principles such as that research and action are mutually necessary and that the goal should be more sustainable and fairer social arrangements. PAR studies have been conducted in a variety of settings in both the developed and developing world and across private, public and third sector organisations (see Table 7.1). Dating back to the seminal work by Lewin (1946), PAR has been widely valued by practitioners with a focus on immediate problem solving and reflexivity (Hardy and Rodman, 2016). In addition to providing effective solutions for a given research problem, PAR also helps in discovering underlying principles that govern relationships and power dynamics and utilising these principles in a flexible and scalable manner (CFD, 2020; Hardy and Rodman, 2016). Flexibility and scalability are highly important dimensions for the inclusive governance of partnerships due to the multiplicity of voices to be represented and acted upon.

In relation to the corporate governance domain, PAR approaches have been increasingly used in studies that are concerned with developing management tools

Table 7.1 Diversity of contexts in participatory action research

Scholar(s)	Contexts/issues
Kurt Lewin	Field theory, European and American domestic contexts
Einar Thorsrud, Fred Emery, Eric Trist, Bjørn Gustavsen, Morten Levin, Ulbo de Sitter, Friso Den Hertog	Socio-technical systems design
Chris Argyris, Donald Schön	Organisational development and reflective practice
Hendrik Wagenaar, Koen Bartels, Julia Wittmayer	Policy studies
John Elliott, Ernie Stringer, Davydd Greenwood, Morten Levin, Mary Brydon-Miller, Susan Noffke	Education with a diverse and divergent set of approaches
Miren Larrea, James Karlsen, Karim-Aly Kassam	Community and regional studies and community-based resource management
Robert Chambers, Norman Uphoff	Action research in international development
Myles Horton, Mary Belenky, Helen Lewis, John Gaventa	The American ‘South’ context
Budd Hall, Rajesh Tandon, L. David Brown	Asia and Africa contexts
Paolo Freire, Orlando Fals-Borda, María Eugenia Sánchez Rivera, Eduardo Almeida Acosta, Libertad Hernández	Latin American liberationist perspective
Patricia Maguire, Mary Brydon-Miller, Alice MacIntyre	Feminist perspective
David Coughlan, William Torbert	Insider action research

Source: Greenwood (2020)

(e.g. the balanced scorecard) to improve the performance of different organisational functions (e.g. accounting and finance, innovation, communication, occupational health and safety) across different settings including private firms, local government and third sector organisations (Farneti, 2009; Gomes and Liddle, 2009; Kaplan, 1998; Kaplan and Norton, 1993, 2001; Naro and Travaille, 2010; Smith and Kerridge, 2012; Tepe and Haslett, 2002). PAR can be a promising approach when exploring the evolution of corporate governance systems as it is seen and enacted by corporate elites and related stakeholders in their respective arenas of professional practice (Jiménez-Seminario, 2018). As stressed earlier in the chapter, this temporal dimension of the context can be better captured through such methodological approaches. With its emphasis on encouraging dialogue among different stakeholder groups and enabling change via a cycle of evaluation, action and further evaluation (Simpkins and Langseth, 2000), PAR is highly valued by scholars investigating the governance and benefits of public-private partnerships (e.g. in the form of corporate community involvement) (Hansen and Spitzeck, 2011). The same applies to those who are conceptualising, developing and testing frameworks for assessing the impact of corporate social responsibility (Banda and Gultresa, 2015; Moir et al., 2007).

As a relational and collaborative learning process encouraging emic approaches to research to enable the co-production of knowledge and future learning across experts and stakeholders, PAR is argued to be especially useful for addressing sustainability challenges (Bradbury et al., 2019; Fazey et al., 2018). For instance, Walkiewicz et al. (2021) use PAR to develop an innovative approach to establish and integrate formal sustainability control systems into management control systems across ecologic, social, financial and knowledge-related dimensions. Similarly, Tarquinio and Xhindole (2021) have relied on PAR to understand why and how a company institutionalises its sustainability reporting. The body of work on PAR capable of driving collaborative action on sustainability remains relatively patchy though. While corporate transformations towards sustainability depend on experimentation and reflection to uncover previously unknown assumptions, relationships and value chains, the sustainability field remains dominated by conventional positivistic approaches whereby collaborative action promoting such experimentation, co-production of knowledge and cross-learning tends to be an afterthought of knowledge generation (Bradbury et al., 2019). Hence, there are urgent calls to further accelerate the production of PAR-driven knowledge forms to support sustainability transitions and transformations (Bradbury et al., 2019; Fazey et al., 2018). In doing so it is also critical on a scholarly level to find ways to enhance cross-learning from PAR practices across different domains (Greenwood, 2020).

CONCLUDING REMARKS

In this chapter, we have focused on methodological dimensions and challenges in researching governance processes shaping partnerships for sustainable solutions to grand societal problems. Taking a critical and reflexive approach, we have raised such key questions as (a) how governance scholarship can generate insights into the complexities pertaining to the governance of relationships with the ownership of tasks, responsibilities, authority and accountability in achieving sustainability through partnerships; and (b) how new, innovative and user-inspired methodologies can capture such complexity and enable co-production of knowledge and cross-learning between experts and stakeholders.

We have addressed these questions by demonstrating the value of recent trends in policy and practice, namely inclusive governance and governance for sustainability, and by offering PAR as a way of addressing methodological challenges. In alignment with the increasing collaborative models and approaches to governance in the policy and practice spheres in general and to governance in sustainability considerations and transitions in particular, PAR has gained increasing traction in business and management and organisation studies scholarship. We argue that the utility of PAR lies mainly in its approach as an enabling methodological framework to embed principles of relevant and responsible research (RRBM, 2021) in the corporate governance domain by facilitating the co-production of knowledge and cross-fertilisation of learning across experts (researchers) and stakeholders (users/beneficiaries of research). We stress that PAR can be a promising methodological approach in governance scholarship, particularly in the light of social enterprise governance models in practice and the stakeholder perspective in theory. The strength of the PAR methodology is its ability to capture the complexity stemming from the dialogue among different stakeholders during the evolutionary trajectory of their collaborative partnership. This trajectory is characterised by an iterative cycle of decision-making, action, evaluation, further action and further evaluation and so on. Such user-inspired and context-sensitive methodologies, which allow for careful consideration of all sustainability pillars, namely environmental, social and economic, and their constant evolution and adaptation, will help us, as responsible management and organisation studies scholars, to move the field of corporate governance forward in meeting future sustainability challenges facing businesses, organisations, communities and societies at large.

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PART III

NEW APPROACHES TO EMPIRICAL STUDIES

8. Understanding persistence and change in corporate governance rules, structures and practices: from shareholder logic to stakeholder logic in the US model[1]

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INTRODUCTION

The chapter analyses the evolution of the US corporate governance model over about 60 years, from the 1960s to 2019, to better understand the processes of persistence and change in corporate governance rules, structures and practices.

The aim of the work, using the theoretical framework of the situationist view of organisations (SVO) (Mastroberardino and Calabrese, 2019, 2020a, 2020b), is to recognise the institutional leaps from one *institutional logic* to another and to understand what happened as regards the beliefs and values that inspire a certain corporate governance model. SVO is focused on the continuous work of two processes – action and institutionalisation – that build, break and rebuild social reality. The macro-level and micro-level are inextricably intertwined.

Institutionalisation can be defined as the process of social reiteration through which a rule, a structure or a practice of corporate governance acquires stability, becoming well established and widely recognised (Huntington, 1968) and able to address the behaviour of social actors (individuals and organisations) who are aiming at improving their legitimacy within a *pro tempore* institutional framework. *Action* is the process through which social actors (individuals and organisations) continuously work, aiming at radically and suddenly creating changes in the institutional framework, trying to increase their strategic freedom and deviating from some institutionalised rules, structures or practices.

Friedland and Alford (1991), analysing the interrelationships among individuals, organisations and society, gave a first notion of institutional logics as 'supra organizational patterns of human activity by which individuals and organizations produce and reproduce their material subsistence and organize time and space' (p. 243). Afterwards, Thornton and Ocasio (1999) defined institutional logics as 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality' (p. 804).

In what follows, using the SVO, we propose a different interpretation of the emerging and dominating of *shareholder logic* during the second half of the last century and about the shifting to *stakeholder logic* in the corporate governance field during the last 20 years. After clarifying some aspects of a methodological nature, the chapter focuses on the evolution of the US institutional framework over the course of about 40 years, from 1960 to early 2000, focusing on American deregulation policy, first in industry and then in finance. Subsequently, attention shifts to the rise of *shareholder logic* and the structuring that consequently assumes the US corporate governance model with reference to five key factors: ownership of corporations, market for corporate control, board composition and roles, executive remuneration policies and the role of gatekeepers. Lastly, we highlight a new change in institutional logics that took shape starting from the mid-1980s, but which exploded following the corporate scandals of the early 2000s. We are witnessing the gradual overcoming of *shareholder logic* towards *stakeholder logic*, at least from a formal point of view. As a matter of fact, in each phase of the transition from one *institutional logic* to another, the actors set up ambiguous behaviours (*institutional decoupling*) derived from the institutional duality. In other words, they try to be formally compliant with the emerging pressures, and, on the other hand, they aim to keep the previous behaviours and routines.

METHODOLOGY

From a methodological point of view, the chapter aims at the reconstruction of the *pro tempore institutional framework* within which, even without falling into a deterministic view regarding the actions of the various strategic actors, individual and coalitional strategies take place. In what follows, to reconstruct the institutional framework, we use a mix of qualitative content analysis (Berelson, 1952; Cole, 1988; Downe, 1992; Corbetta, 2003) and script analysis (Schanck and Abelson, 1977). Particularly, we present a sort of rich and dense narrative of shifting from *shareholder logic* to *stakeholder logic* aimed at *understanding* (Wright, 1971) this institutional change.

From an epistemological point of view, coherent with the SVO, we are not interested in a structural analysis of the content of the collected documents, as would happen in the case of keyword density analysis or network analysis. More than keyword frequencies or correlations among keywords, we are interested in highlighting the emergence of new key concepts and topics that are gradually linked and become evocative of a certain *institutional logic*, dominant or subordinate. Of course, using this qualitative approach, the co-constructive role of the researcher becomes decisive starting with the initial phase of selecting the documents to be included in the research plan (Lee, 2021).

From an operational point of view, our first choice was to reduce the scope of research, so we focused our attention on the institutional framework of the US from the 1960s to 2019. To more precisely highlight the evolution of institutional logic over the decades, the main source will be the documentation produced by the *Business Roundtable* (BRT) from 1978 to 2019. The key passages extracted from the BRT documents analysed in this work will be reported in full (direct quotes) to highlight the changing positions of this important institutional entrepreneur as the institutional framework changes. The same representation will be necessary to highlight the positions expressed by other influential institutional entrepreneurs: the president of the United States, some of the most prestigious economists of the twentieth century, and so on.

The analysis is divided into two parts. First, we quickly retrace the main stages of the deregulation policy from the 1960s onwards. Next, we focus on analysing the text and scripts of a selection of documents. By mixing both qualitative content analysis and script analysis, we created a process through which we detect and then connect both macro and micro changes in the institutional framework that highlight actions of consolidation of a certain institutional logic or, on the other hand, action of its overcoming. As data sources, we use the written text extracted from laws and regulations, standards and guidelines about principles of corporate governance, scholars' articles, press reports, chief executive officer (CEO) letters and newspapers. The main regulatory changes that have taken place are traced.

The first step is always reading the text, which helps us catalogue the document and take some initial notes about its role in the overall narrative. Then, we focus on *table work* for the textual analysis, which has two objectives: to understand the overall meaning of the text and the purposes associated with it by the actor who created it, and to identify the scripts indicating the adhesion or lack of adhesion to a certain institutional logic. In this phase, different interpretations usually emerge, which are then gradually clarified as the reading of further documents progresses. It is a recursive process of exploration and understanding; in some ways, it is a cumulative process. It plays with alternative ideas about what is happening in the institutional framework and about how some actors are reacting. The process ends by selecting the interpretations that, in the context of the overall narrative, appear most significant and shared.

The initial institutional framework, in which the first institutional logic was built up (we could call it the *regulatory logic*), arose from the recurring financial crises of the first two decades of the twentieth century and, above all, from the Great Depression of the 1930s (Galbraith, 1955). During that era, the economy was heavily regulated, and the role of the government was very pervasive. In some countries, such as Italy, the state itself became an entrepreneur, determining the competitive dynamics in numerous key sectors: banks, transport, telecommunications and energy. Our investigation starts from this situation and analyses the emergence of a new institutional framework and a different institutional logic relating to corporate governance starting from the 1960s, which we call *shareholder logic*. Finally, the work outlines the signs of the new and emerging institutional logic (we call it *stakeholder logic*) that seems to take shape in the first two decades of the 2000s.

THE TRANSFORMATION OF THE US INSTITUTIONAL FRAMEWORK OVER THE COURSE OF 40 YEARS: THE DEREGULATION POLICY IN INDUSTRY

In what follows, we present an overview of the changes of the US institutional framework that took place on a cultural and regulatory level in the US society and economy system during the period from the 1960s to the beginning of the 2000s up to the default of Enron in 2001, which made evident the criticality of the corporate governance model consolidated within shareholder logic. In some cases, to foster an understanding of the overall narrative and to highlight the direction of specific changes in the institutional framework, reference is made to events that occurred in the previous period of institutional shifting after the Great Depression of 1929. In this section, we first focus on the industrial level by considering the deregulation policies that affected the main sectors of the American economy during the 1970s and 1980s. In the next section, we present a short history of financial deregulation in the US. Both of these historical overviews allow us to better understand the rise of *shareholder logic* in the corporate governance system.

Starting at the end of the 1960s, a broad consensus of American public opinion (*that economic regulation could not serve the public interest*) tired of the constraints imposed by federal regulations on economic action that had accumulated as a sort of *vaccine* for the health of the economy after the Great Depression of the 1930s, and a powerful phase of change in the institutional framework began. A wide deregulation programme took place, which, with rare exceptions, involved all the key sectors of the economy: from transport to communications, from energy to finance (Crandall, 1983). Substantial support for this new phase of public policy was provided by the *institutional work* (Lawrence and Suddaby, 2005) carried out by the American economic academy (Breyer, 1982).

In a famous article of 1958, Prof. Levitt described the dangerous drift of certain logics of expanding corporate responsibility in this way:

> Its proliferating employee welfare programs, its serpentine involvement in community, government, charitable, and educational affairs, its prodigious currying of political and public favor through hundreds of peripheral preoccupations, all these well-intended but insidious contrivances are greasing the rails for our collective descent into a social order that would be as repugnant to the corporations themselves as to their critics. The danger is that all these things will turn the corporation into a twentieth-century equivalent of the medieval Church.
>
> *(Levitt, 1958, p. 44)*

In 1962, in *Capitalism and Freedom*, Prof. Milton Friedman, who was later awarded the Nobel Memorial Prize in Economic Sciences in 1976 – acting as an *institutional entrepreneur* – became the spokesman for the liberal thought of the American economic academy. Institutional entrepreneurship is defined as the ‘activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones’ (Maguire et al., 2004), with the aim of taking some advantage of the change in the dominant institutional logic due to the powerful role they can occupy in the institutional framework. Public regulation is, in any case, understood as an evil, perhaps lesser than others, but certainly an evil for the economy. It is therefore necessary, as soon as economic conditions no longer make it indispensable, to eliminate all forms of public regulation.

According to Friedman (1962), government monopolies had outlived their usefulness. Illustrating the case of US railways, he said:

> A large degree of monopoly in railroads was perhaps inevitable on technical grounds in the nineteenth century. This was the justification for the Interstate Commerce Commission. But conditions have changed. The emergence of road and air transport has reduced the monopoly element in railroads to negligible proportions. Yet we have not eliminated the ICC. On the contrary, the ICC, which started out as an agency to protect the public from exploitation by the railroads, has become an agency to protect railroads from competition by trucks and other means of transport, and more recently even to protect existing truck companies from competition by new entrants.
>
> *(pp. 31–32)*

The government's deregulation action, as a powerful *institutional work*, was not long in coming. One of the most relevant changes occurred in the transportation sector: railroads (*Railroad Revitalization* and *Regulatory Reform Act* of 1976, *Staggers Rail Act* of 1980), airlines (*Airline Deregulation Act* of 1978) and trucking (*Motor Carrier Act* of 1980) were deregulated regarding the rate, and entry rules started and increased continuously from 1887.

Concerning the airline sector, the highlight was the elimination of all fare and entry regulations for the domestic market over a four-year period, following the suggestions of several scientific studies that established the high negative effects of those rules on the competitiveness within the sector. It is not easy to evaluate the effects of the reform due to the oil shocks of the early 1970s, which had a great effect on fuel costs, but some evidence should be reported. Many new carriers were quickly certified and entered the market by reducing the rates earned by established carriers and favouring strong rationalisation and cost-cutting plans, with a consequent tendency to reduce fares.

Even in the trucking sector, there was a new deregulation path to overcome the 1935 Motor Carrier Act, which established the need to obtain authorisations and certifications to operate. The Act was approved not to protect the public from monopoly pricing but to sustain the trucking industry during the Great Depression. The result was a highly cartelised industry that set prices through a collusive process, creating a substantial loss for clients and a general inefficiency for the competitiveness of many sectors. Similar to what happened in the airline industry, after 1980, the number of new truckers grew rapidly with a consequent reduction in prices and the general tendency to reduce costs in companies' balance sheets.

The deregulation in the railroad sector operated by reducing carrier responsibilities, substantially increasing the space for rate flexibility and liberalising merger and acquisitions (M&A) strategies to facilitate a major restructuring of the US railroad system.

The communications sector also underwent radical transformations, even if, in this case, we cannot strictly define them as deregulation. The Communication Act of 1934 was not changed by Congress; the change in this case was because of technological transformations, on the one hand, and the *institutional entrepreneurship* action of the courts on the other. The antitrust action taken in 1974 by the US Department of Justice, invoking the principles of the Sherman Antitrust Act against AT&T, closed in 1982, established a new course for US policies in the communications sector in both interstate services and terminal equipment. The key idea in this case was that, if the economies of scale (due to the dimension of a market leader) and the economies of scope (due to the synergy between the service and the network) in a certain market are not very high, the positive effects of competition may be quite relevant. However, some rules concerning the public regulation of the communication sector, such as rules on contents and rules on the time of exposure for political candidates, broadcasting ownership and other matters, have not been cancelled.

THE TRANSFORMATION OF THE US INSTITUTIONAL FRAMEWORK OVER THE COURSE OF 40 YEARS: THE DEREGULATION POLICY IN FINANCE

The period between the middle of the 1970s and the end of the 1990s has been characterised as the golden age of deregulation in the financial industry in the US. The theoretical mantra behind this strategy was the following: the more risk-taking opportunities for the economic actors, the more the expected returns on investment will be; the less the level of regulation in the financial sector, the more will be the risk-taking opportunities (Reinhart and Rogoff, 2009).

Among the first areas of deregulation was the New York Stock Exchange. In 1975, the Securities and Exchange Commission (SEC) – another influential *institutional entrepreneur* operating in the changing institutional framework – ended commission rate fixing, and as result, the average commissions have dropped dramatically with higher competition in the brokerage industry and, finally, the beginning of a period of M&A.

Further deregulation affected credit institutions. After the Federal Reserve Act of 1913 (aiming at protecting the economy from dangerous and frequent liquidity crises, such as those of 1893 and then of 1907) and after the drastic measures following the Great Depression during the 1930s, the US financial sector was based on different types of institutions (e.g., Federal Reserve member banks, savings and loans (S&L), commercial banks, credit unions, etc.) regulated through different rules and constraints (reserve requirements, service and price limitations, etc.). Specifically, a clear distinction between thrift institutions and commercial banks was created. An interest rate ceiling was imposed upon both sets of institutions, and thrift institutions were forbidden from offering demand deposits. In addition, neither was permitted to offer mutual funds or money market funds to their depositors. All these rules eroded because of the first deregulation wave of the 1970s (Carron, 1982).

In 1978, deciding in Marquette vs. First of Omaha, the Supreme Court allowed banks to export the usury laws of their home state nationwide and set off a competitive wave of deregulation, resulting in the complete elimination of usury rate ceilings in South Dakota and Delaware, among others. The 1980s opened with what we could describe as the *global manifesto of deregulation* by one of the *institutional entrepreneurs* whose action, over the course of his eight-year presidential term, would influence all Western economies. On 20 January 1981, in his inaugural address, the newly elected president of the United States, Ronald Reagan, promised Americans *a new beginning.*

The economy had to be freed from government interference and would become both more productive and fairer.

> The economic ills we suffer have come upon us over several decades. They will not go away in days, weeks, or months, but they will go away. They will go away because we as Americans have the capacity now, as we've had in the past, to do whatever needs to be done to preserve this last and greatest bastion of freedom. In this present crisis, government is not the solution to our problem; government is the problem . . . Our government has no power except that granted it by the people. It is time to check and reverse the growth of government, which shows signs of having grown beyond the consent of the governed.
>
> *(Reagan, 1981, pp. 1–2)*

The idea that 'government is the problem' was quickly exported on a global scale.

During the 1980s, two major national legislative reforms were approved (the *Depository Institutions Deregulation and Monetary Control Act* of 1980, and the *Garn–St Germain Depository Institutions Act* of 1982) permitting banking activities that were previously disallowed. Together, these two acts created the foundation for a new financial institutional framework. Both eliminated many of the barriers to competition and allowed free market mechanisms to establish deposit and loan rates, thus influencing the behaviour of decision makers in the financial industry throughout the following decade (Evanoff, 1985). The effects of the new policy were not long in coming.

In 1991, the first of the three major financial crises that have characterised the recent history of the US financial market came: the S&L crisis. In 1932, at the moment of their foundation (Federal Home Loan Bank Act), the original purpose of S&L was to operate in low-risk financial activity by providing credit to potential and existing homeowners. This was the reason for creating federal deposit insurance institutions (through the Federal Savings and Loan Insurance Corporation – FSLIC). Among the novelties of the Garn–St Germain Depository Institutions Act of 1982, there was the possibility for the S&L to grant loans with greater leverage than the reserves held due to the guarantee by the federal government to deal with any defaults. The new regulations eliminated loan-to-value ratios and interest rate caps for S&Ls and allowed them to hold 30 per cent of their assets in consumer loans and 40 per cent in commercial loans. With returns uncoupled from risks, the S&L's fund managers began paying higher and higher interest rates to attract funds to be allocated in riskier assets, triggering the most classic of gambling based on financial leverage. This was the opposite of the function entrusted to them within the institutional framework erected during the Great Depression.

This favourable condition and the financial innovation of junk bonds (corporate debt securities with credit ratings below investment grade) allowed the S&Ls to become the main provider of financial funding for the huge number of hostile takeovers that characterised the 1980s. To deal with the big financial crisis, the Resolution Trust Corporation (RTC) was created. It was a federal agency that became a massive property management company and that, from 1989 to 1995, took charge of the S&L crisis, which resulted in the liquidation of about a third of the 3234 S&L associations in the US within a 10-year span with total assets of $394 billion. Moreover, the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 required, among other things, that S&Ls' investments in junk bonds be divested by 1 July 1994 (Brewer and Mondschean, 1994).

Despite the S&L crisis, during the 1990s, further steps of the *institutional work* were made towards deregulation of the financial sector.

In 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act eliminated previous restrictions on interstate banking and branching. In 1998, the Citicorp-Travelers merger between a commercial bank and an insurance company that owns an investment bank created the world's largest financial services company. In 1999, the Gramm–Leach–Bliley Act, supported by both Federal Reserve Chairman and Treasury Secretary of the US, completely repealed the Glass–Steagall Act. Finally, in 2000, during the Clinton administration, the Commodity Futures Modernization Act prohibited the Commodity Futures Trading Commission from regulating most over-the-counter derivative contracts, including credit default swaps (Sherman, 2009).

A further push towards deregulation policies has concerned the energy markets (electricity and gas) since the mid-1990s. Until the utilities (both electricity and natural gas) were regulated, the value of an asset was correctly defined by the book value (*Historical Cost Accounting*). A power plant owned by a regulated utility operating in a regulated power industry is worth, to its owner, the total sum of its residual book value. The value of this asset will decrease inexorably over time. In such a framework, the evaluation based on book value made complete sense.

However, in 1996, with the passage of AB 1890, the State of California opened the era of deregulation in the energy sector. The rhetoric of this law is clearly shown in the following words:

> The Legislature finds and declares that the restructuring of the California electricity industry has been driven by changes in federal law intended to increase competition in the provision of electricity. It is the intent of the Legislature to ensure that California's transition to a more competitive electricity market structure allows its citizens and businesses to achieve the economic benefits of industry restructuring at the earliest possible date, creates a new market structure that provides competitive, low cost and reliable electric service.
>
> *(California Legislature – 1995/1996 – Regular Session, 1995)*

The act was hailed as a historic reform that would reward consumers with lower prices, reinvigorate California's then-flagging economy and provide a model for other states (Weare, 2003). In a free energy market, the value of an energy asset is not independent of the market in which that activity participates. An energy asset that sells its production in a free market with prices set by the dynamics of supply and demand will have a value equal to the stream of profits it will generate for its owner in the future. In this case, it could be more correct to evaluate these assets according to fair value (also called mark-to-market accounting). Due to this possibility, which was also introduced by the SEC regarding energy futures contracts, the second major financial crisis in the US took shape, with Enron's default being its best-known example. On 30 January 1992, a champagne celebration took place on the 31st floor of the Enron corporate office in Houston, Texas, after the SEC notified Enron that it would not object to its use of mark-to-market accounting.

CHANGES IN THE CORPORATE GOVERNANCE INSTITUTIONAL FRAMEWORK AND THE RISE OF *SHAREHOLDER LOGIC*

From the point of view of the corporate governance system, however, our analysis is based on five key dimensions: the ownership of corporations, the market for corporate control, board composition and role, executive remuneration policies and the role of gatekeepers (Jackson, 2010). In this section, through the evolution of these factors over the course of almost 40 years, we present the path that led to the affirmation of the institutional logic of *shareholder value* (Table 8.1).

The following narrative, necessarily short, aims at reconstructing the main pieces of the puzzle of the complex *institutional work* that involved each of the pillars and which, in the interaction between them, institutionalised *shareholder logic*.

The dynamics that followed are understandable in terms of *coercive isomorphisms* (changes to the regulatory framework involve pressures on some organisations from other organisations), *normative isomorphisms* (professional standards or networks influence change in organisational behaviour) and *mimetic isomorphisms* (due to the context uncertainty, some organisations imitate other ones' rules, structures and practices because of the belief that the latter's are legitimated to show to the former the safe way to proceed) (DiMaggio and Powell, 1983).

Rules, good practices and corporate governance structures begin to spread, converging from company to company: the composition of the boards of directors, the powers of the CEOs, the positions of CEO and chairman, the role and weight of the independent directors, the executive remuneration model, the number and functions of the committees (audit committees, compensation committees, corporate governance committees), the accounting and financial practices, the conduct of auditing firms, the practices of rating, and so on.

The ownership structure of US companies underwent a profound change between the mid-1940s and the late 1990s of the twentieth century (Table 8.2): the stake held by individual shareholders collapsed, and the holdings of institutional investors (pension funds, mutual funds and insurance) became significant. Starting in the early 1930s, corporate ownership was in the hands of individual shareholders and was characterised by a high fragmentation rate. This situation lasted until the 1970s, creating a well-known model of *managerial capitalism* characterised by the separation of ownership and control, with strong managers and weak owners (Berle and Means, 1932).

Shareholder activism was limited to the *exit strategy*, with a low engagement (through *voice strategy*) in corporate governance, and hostile takeovers remained

Table 8.1 The institutionalisation of shareholder logic in the US (1960–2000)

	1960s–1970s	1980s	1990s
Ownership of corporations	Very fragmented ownership, individual shareholders. Strong managers and weak owners. Low level of shareholder activism	Institutional investors (like pension funds) become key players in the US corporate governance system. Institutional investors had diversified portfolios and disliked the existing US conglomerates	Institutional investors continued to gain both in size and in significance increasing significantly the shareholder activism
Market for corporate control	Hostile takeovers remained very rare	A huge wave of hostile takeovers shifts power from managers to shareholders	Regulations against hostile takeovers are enacted. Top managers get back a high power
Boards composition and roles	The boards of biggest companies were mainly composed as "inner circles" of corporate insiders, personally chosen by the CEO. They had only a formal advisory role	The role and composition of the board were modified searching for a higher independence of the components from the CEO	Outside directors with a formal monitoring role become the majority of the boards. The real power remains in the hand of CEOs
Executive remuneration policies	Executive remuneration consisted mostly of fixed salaries and bonuses linked to annual performance	A growing attention is focused on the nexus between pay and company performance measured by the corporate market value: stock options become the key solution to align company goals and management interests	Equity-based pay systems become dominant. Stock options are the main part of management gains
Role of gatekeepers	During 1970s the deregulation of the financial markets began	During 1980s there was an acceleration of the deregulation policy of the financial markets	Low level of regulation with the gatekeepers only presiding over the rules of the game

Source: Our elaboration

very rare. Board members were personally chosen by the CEO: executives or former executives and even friends of the CEO in a kind of magic circle that Mace (1971) called the 'old boys' network'. Evidently, these directors never questioned the CEO and limited themselves to a formal advisory role. Outside directors remained very rare (less than 25 per cent) up through the 1970s. During the 1970s the debate on the key role of outsider directors grew. In 1974, the SEC identified the creation of an *audit committee* as a good corporate governance practice. In 1977, the NYSE required an *audit committee with independent directors* as a listing requirement.

Executive remuneration was based on fixed salaries and bonuses linked to annual performance, both of which were strongly tied to the size of the company (revenues, market share, etc.). Less than 20 per cent of CEO compensation was tied to stock

Table 8.2 Ownership of corporations in the US (1945–2001)

	1945	1955	1965	1975	1985	1995	2001
Individuals	93.1%	88.1%	83.8%	69.6%	54.2%	52.3%	41.6%
Government	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.6%
Foreign investors	2.3%	2.3%	2.0%	4.0%	6.0%	5.7%	10.3%
Banks	0.2%	0.4%	0.3%	0.5%	0.2%	0.2%	0.2%
Insurance	2.4%	3.2%	2.9%	5.0%	5.8%	5.2%	6.4%
Pension funds	0.0%	2.2%	5.9%	15.8%	28.0%	23.2%	21.0%
Mutual funds	0.8%	2.4%	4.2%	4.0%	5.0%	12.1%	18.5%
Other	1.2%	1.3%	0.9%	1.1%	0.8%	0.9%	1.3%

Source: Jackson G., 2010, p. 71

market performance in 1980 (Hall and Liebman, 1998). To continuously support the company's growth, the CEOs adopted a strategy based on M&A. The vision of firms as a diversified portfolio of assets produced the multidivisional form and huge conglomerates during the 1960s and 1970s.

During the 1970s, concerning the key question about the purpose of a corporation, it was still the influential voice of Prof. Milton Friedman that led to the cultural setting that framed the evolution of corporate governance in the US. In his book *Capitalism and Freedom*, he called the *doctrine of social responsibility* a 'fundamentally subversive doctrine' in a free society. On 13 September 1970, in an article in *The New York Times Magazine*, he radically confirmed that

> in a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom . . . What does it mean to say that the corporate executive has a 'social responsibility' in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers.
>
> *(Friedman, 1970, pp. 1–2)*

During the 1980s, managers lost their key position in US corporate governance due to the rise of new types of institutional investors – which emerged as an important new category of shareholder (and, of course, of *institutional entrepreneurs*) – and the advent of hostile takeovers. One of the key changes was the *Employee Retirement Income Security Act* (ERISA) of 1974, a federal law that defined minimum standards for participation, vesting, benefit accrual and funding for retirement and health plans in private industry. The new regulations increased the role and relevance of pension funds, and ten years later, in 1985, they owned 28 per cent of the equity of private corporations (Table 8.2).

Institutional investors directly diversified their investment portfolios and turned the US economy against the idea of creating value through huge diversified conglomerates. A lot of profits could be made on the stock exchange by acquiring and restructuring inefficient US conglomerates (the so-called *conglomerate discount* effect). Given the fragmentation of ownership, taking over the controlling stake was not difficult. Once the old management was removed, the new strategy involved focusing on the core business and selling everything else to the highest bidder; the era of hostile takeovers and *stew* had begun.

The takeover wave of the 1980s was triggered by three additional factors that further knot the threads of ongoing *institutional work*: changes in antitrust law, financial innovation related to junk bonds and the new strategy of large investment banks that stopped buying corporate bonds (to support companies' long-term growth) and preferred to make short-term profits by funding takeovers via leveraged buy-outs (LBOs). Along with these changes, the role and composition of the board were also modified in search of a higher independence of the components from the CEO. In 1978, the BRT – a powerful *institutional entrepreneur*, a non-profit lobbyist association whose members are chief executive officers of major US companies – published a document titled 'The Role and Composition of the Board of Directors of the Large Publicly Owned Corporation'. The proportion of independent directors rose from 30 per cent in 1985 to 60 per cent in 1990.

The position of the BRT regarding the purpose of a company and the responsibility of the board was exactly congruent with that of Prof. Friedman.

> The board's responsibility is to direct the enterprise in the interest of the owners, subject to the constraints imposed by law. However, the interest of share owners cannot be conceived solely in terms of short-range profit maximization. The owners have an interest in balancing short-range and long-term profitability, in considering the political and social viability of the enterprise over time and in adjusting to the global environment in which it operates . . . other groups affected by corporate activities cannot be placed on a plane with owners.
>
> *(BRT, 1978)*

In 1981, the same year as President Reagan's inauguration in the White House, the BRT published its 'Statement on Corporate Responsibility', following which

> the antipathy toward corporations is rooted in misconceptions of what corporations are and what their role is in the economic system. Corporations' record of efficiency in the production of goods and services has led to unrealistic expectations that they can do the same in solving social problems . . . At the same time, corporations have been progressively surrounded by limitations imposed by economics, law, government regulation, and taxation . . . there must be recognition of the fundamental importance of profits and their contributions to the long-term economic viability of the enterprise. If a corporation is not profitable in the long run, there is no way that it can fulfil any responsibilities to society. If the bottom line is a minus, there is no plus for society. Thus corporate long-term viability and corporate responsibility to society are interrelated . . . Corporations have a responsibility, first of all, to make available to the public quality goods and services at fair prices, thereby earning a profit that attracts investment to continue and enhance the enterprise, provide jobs, and build the economy . . . That economic responsibility is by no means incompatible with other corporate responsibilities in society.
>
> *(BRT, 1981)*

A further change in the US corporate governance institutional framework concerned executive pay, with growing attention to the nexus between pay and company performance measured by corporate market value. The value of stock options grew from 10 per cent of CEO pay in 1980 to about 50 per cent in 1994 (Hall and Liebman, 1998). To avoid a hostile takeover, managers began to pay increasing attention to the short-term remuneration of the company's shareholders. The '*retain and reinvest*' strategy was rapidly abandoned in favour of '*downsize and distribute*'. Dividend payout ratios and, more importantly, share buybacks increased in the late 1980s. The value of share buyback increased from 13 per cent of corporate earnings in 1984 to almost 36 per cent in 1999, overcoming the total volume of dividends paid (Lazonick, 2007). Further, to protect their position following takeovers, the '*golden parachute*' clause was included in the contracts of top managers: a substantial monetary bonus in the event of job loss due to changes in corporate control. In 1988, this clause was included in 41 per cent of the contracts of the 1000 largest US companies; in 2000, the proportion increased to 70 per cent.

In 1991, the SEC modified Rule 16(b), giving the executives the possibility to exercise stock options and sell their stocks at the same time, enacting a revolution in short-term managerial speculation in stock prices. By the 1990s, after the brief period of the 1980s, top managers had regained all their power. Both the trend towards greater shareholder influence and the idea of market value as corporate performance continued, and shareholder value became definitively the dominant institutional logic. In the same period, whereas average wages felt by 5 per cent in real terms, CEO pay increased by 415 per cent (Jensen and Murphy, 2004).

In terms of corporate ownership, institutional investors became stronger and more relevant, pushing up shareholder activism. This also increased shareholder wealth but did not necessarily improve the operating performance of companies. Meanwhile, the number of M&A had started to decline and became less hostile, giving top management the opportunity to use stock swaps to consolidate industry structures. This change was due to the parallel effect of the following elements: there was the crash of the junk bonds market after the S&L crisis in the late 1980s that cooled the LBOs' financial channel. In addition to the above discussed practice of the *golden parachute*, the enactment of new state governments' anti-takeover legislation due to the top managers' lobbying strategy and consequent much wider range of defensive actions (such as *poison pills*) made hostile takeovers more difficult and, in any case, more onerous.

Concerning board composition, the proportion of independent directors continued to grow during the 1990s until it reached about 70 per cent in 2000. Despite the growth in the number of independent directors, it is worth noting that CEOs still retained almost complete control over the industrial and financial strategies of the companies. Within many US firms, the CEO and chairman of the board were the same person, and outside directors remained strongly loyal to the CEO with the residual role of a formal advisory group. During the 1990s, far more than the fear of hostile takeovers, the combination of the deregulation of financial markets and equity-based compensation created a management obsession with their firm's day-to-day share price. The ideology of shareholder value, based on the principles of agency theory, gave this practice a largely accepted theoretical foundation.

Let's analyse through the texts the change of position taken by the BRT. In 1990, the BRT supported the idea that

> the central corporate governance point to be made about a corporation's stakeholders beyond the shareholder is that they are vital to the long-term successful economic performance of the corporation. Some argue that only the interests of the shareholders should be considered by directors. The thrust of history and law strongly support the broader view of the director's responsibility to carefully weigh the interests of all stakeholders as part of their responsibility to the corporation or to the long-term interest of its stakeholders.
>
> *(BRT, 1990)*

In 1997, in its 'Statement on Corporate Governance', the BRT clearly expressed itself in support of the shareholder logic:

> The Business Roundtable wishes to emphasize that the principal objective of a business enterprise is to generate economic returns to its owners . . . the paramount duty of management and of boards of directors is to the corporations' stockholders; the interests of other stakeholders are relevant as a derivative of the duty to the stockholders. The notion that the board must somehow balance the interests of stockholders against the interests of other stakeholders fundamentally misconstrues the role of directors. It is, moreover, an unworkable notion because it would leave the board with no criterion for resolving conflicts between interests of stockholders and of other stakeholders or among different groups of stakeholders.
>
> *(BRT, 1997)*

Shareholder logic also caught on like wildfire among academics and managers, fuelling a powerful normative isomorphism. Since 1980, finance scholars have published hundreds of articles that have investigated the relationship between various phenomena (the causes, the independent variables) and shareholder value (the effect, the dependent variable). Both strategic management and other business disciplines, searching for legitimacy in their academic institutional frameworks, began to adopt this logic in their own body of research. The next step, through which the transfer from the academy to the managerial profession took place, is represented by the business administration course programmes of the most prestigious US colleges (West, 2011). *Shareholder logic* progressively penetrated the business classrooms and became dogmatically institutionalised as the best professional standard (*rationalised myth*) among business academics and managers.

The relevance of these processes of normative isomorphism in the diffusion of an institutional logic did not escape Ghoshal (2005), according to whom business schools, to make a tangible contribution to avoiding future Enron cases, do not need to do much other than stop doing what they currently do (Ghoshal, 2005).

At the end of the 1990s the whole world praised the efficiency and magical alchemy of the checks and balances of the US corporate governance model:

- A financial market free from the '*problem*' represented by the government;
- The gatekeepers only presiding over the rules of the game and a market for corporate control effective in punishing bad managers;
- Shareholders with a strong 'voice', due to the activism of powerful institutional investors;
- Boards of directors acting as guarantors of healthy company management composed of a majority of independent directors; and
- A management pay system capable of squaring the circle of agency problems, aligning corporate and managerial objectives towards the *common good* of creating wealth for shareholders.

The system could be imitated to the point that the OECD Principles of Corporate Governance published in 1999 were largely inspired by US practices and founded on the institutional logic of shareholder value:

> there is no single model of good corporate governance. Different legal systems, institutional frameworks and traditions mean that a range of different approaches have developed around the world. Common to all good corporate governance regimes, however, is a high degree of priority placed on the interests of shareholders.
>
> *(OECD, 1999)*

The institutional logic of shareholder value, like a train that runs far beyond its speed limits, was destined to derail shortly thereafter.

THE DOMINANT INSTITUTIONAL LOGIC CHANGES AGAIN: THE COLLAPSE OF ENRON AND THE RISE OF THE STAKEHOLDER LOGIC

At the beginning of the new millennium, the US corporate governance model was in full bloom. It appeared to be the *global best practice*, based on five very solid pillars:

- A high level of shareholder activism guaranteed by the role of powerful institutional investors (such as pension funds and mutual funds);
- An efficient market for corporate control, supported by the *laws of the free market*, functional in assuring the correct evaluation of companies;
- Limits and controls on the power of CEOs, thanks to the majority of independent directors on corporate boards;
- Remuneration of top managers strictly linked with the rational purpose of creating wealth for the shareholder; and
- A complex system of outside gatekeepers (supervisory agencies, auditing firms, certified financial statements, corporate ratings, financial analysts and sector journalists) to ensure full compliance with the *rules of the game*.

In 2001, the Enron scandal might have seemed like a classic bolt from the blue, but it showed deep cracks in *shareholder logic*. The figures of the Enron collapse are well known. In early 1993, Enron stocks were quoted at about $10. From 1996 to 2001, the company was the star of Wall Street, with a share price rising about 800 per cent, peaking at about $90 during the 2000s. Enron was awarded "America's Most Innovative Company" for six consecutive years by *Fortune Magazine*. In the first quarter of 2001, it reported profits of $536 million. In less than three years, from 1999 to mid-2001, Enron directors and executives gained $1.1 billion by selling their shares. On 20 August 2001, Kenneth Lay, who became the CEO of Enron after the resignation for 'personal reasons' of Jeffrey Skilling just one week earlier, sent an e-mail to all the employees assuring them that the company was extremely solid and inviting them to buy shares because the prices would significantly rise in a very short time. On the same day, he sold his shares for about $2 million. On 12 October 2001, Arthur Andersen's legal advisor told auditors to destroy all Enron files, except basic documents. In the third quarter of 2001, the company reported losses of $618 million. During October 2001, the SEC finally enquired into Enron's accounting. In December 2001, the company filed for bankruptcy protection, and the stock price plummeted to $0.26. Enron shareholders lost about $74 billion. About 5000 company employees lost their jobs. Many of them, through their pension funds, had also invested in Enron shares. The impact of the scandal damaged Andersen's reputation and ultimately destroyed the firm. Andersen Consulting filed for bankruptcy in late 2002.

If we stopped at analysing the technical profile (managerial, accounting and financial), the Enron failure and bankruptcy could appear as a series of crimes committed by its top management with the complicity of some external actors (auditors) who should have reported and did not.

A deeper analysis shows a different frame. Each of the pillars on which that paradigm rested, instead of steel, was revealed to be clay. The weakness of each pillar increased that of the others, showing that the whole system had not achieved its purpose (Gordon 2002; Coffee, 2003). The concrete level of shareholder activism remained low, with a very residual influence on CEO power. Institutional investors held over 60 per cent of Enron's shares, but nobody did anything regarding the over-evaluation of the price. When a speculative bubble is in place, those who are aware of price outliers do not take responsibility for stopping growth. It is easy to burst a soap bubble but piercing it with a needle to make it gradually deflate is a tricky business. One must choose between two evils: an immediate collapse voluntarily managed or a future disaster (Galbraith, 1955). A more realistic view of the influence of institutional investors, which also considers the high costs of shareholder activism, is that they rely on informal engagement rather than on the formal exercise of control (Jackson, 2010; Cucari, 2018).

Overall, the market for corporate control did not work. Following the first description of this external mechanism of executive control, the bad administration of the company reduced its market value and the price of its shares, thus making it the target of outside investors who believe they can make it more efficient by changing bad managers (Manne, 1965). Worried about the threat of a hostile takeover, to avoid losing their jobs, executives should change their corporate strategy by cutting under-performing assets, improving returns on investments and reducing the weighted average cost of capital. Practically, one of the lessons learned from the Enron scandal is that the effectiveness of the market for corporate control dramatically failed because executives were often (and easily) able to manipulate the stock price. Further, the financial markets failed to assess the consistency of stock prices.

Independent directors, combined with shareholder activism, should be another key pillar for evaluating managerial performance and protecting shareholder interests. The substantial number of empirical studies that investigated the relationship between board independence (estimated by the number and the qualification of outside directors) and firm performance extensively show the opposite results (Bhagat and Black, 1999, 2001). The failure of the Enron board (16 independent directors vs. 2 insiders) confirms that the problem is that outside board members, in addition to suffering from a technical gap and information paucity compared to insiders, remain dependent on CEOs. As described by Gilson (2006), referring to the 1980s, CEOs, rather than being selected by the board, selected board members by themselves. Thus, the disagreement of some directors with the CEO resulted in the resignations of the directors rather than of the CEO.

The combined effect of the foregoing causes, as a chain effect, was the failure of the executive compensation model linked to the interests of shareholders through stock options and other equity-based incentive mechanisms (Bebchuk and Fried, 2004). CEOs are, in fact, able, on the one hand, to obtain approval from the board of directors (or the remuneration committee, if any) of compensation packages based on equity incentives and, on the other hand, to manipulate the market price of the shares to obtain profits through trading activities. This is exactly what happened in the Enron case.

Finally, even gatekeepers (such as independent auditors, rating agencies, securities analysts and investment banks) failed in their tasks. Operating as a sort of reputational intermediary, they should connect shareholders and all other stakeholders with corporate executives, providing true and fair information. The conflicts of interest (gatekeepers are paid by the corporation to certify their information) due to the growth in the share of consultancy services in favour of the same clients for auditing and certification services led to the failure of the principle, according to which their independence is supported by their own *reputational capital* (Windsor and Warming-Rasmussen, 2009).

As a matter of fact, the Enron scandal represents, similar to the '*Black Thursday*' of October 1929, the trigger event of the crisis of both the US corporate governance paradigm and shareholder logic. The threads of different *institutional work*, existing even before that event, find more space by taking advantage of the deep cracks opened by the crisis. *Shareholder logic* is questioned, and a new *stakeholder logic* spreads. As discussed above, the continuous interaction between the processes of *action* and *institutionalisation* means that more institutional logics can simultaneously exist. One of these is the *pro tempore* dominant institutional logic; the other or the others are subordinate.

From the academic community, criticisms of shareholder logic have become more incisive. In the scientific debate on business ethics, stakeholder logic, strictly connected with the issue of *corporate social responsibility*, had been institutionalising since the mid-1980s. A key moment is the publication of *Strategic Management – A Stakeholder Approach* by R. Edward Freeman in 1984. As Freeman (1984) argued, 'current theories are inconsistent with both the quantity and kinds of change that are occurring in the business environment of the 1980s . . . A new conceptual framework is needed' (p. 5). A new theory would have to consider all the constituencies impacted by business, such as employees, suppliers, local communities, creditors and others. The stakeholder approach to strategic management qualifies those constituencies as stakeholders and defines them as 'any group or individual who is affected by or can affect the achievement of an organization's objectives' (Freeman, 1984, p. 46).

In 1987, Nobel Memorial Prize in Economic Sciences winner Amartya Sen published his book *On Ethics and Economics* in which he argued about the two origins of economics (ethics and engineering) and criticised the effects generated by the wide diffusion of the positive economics paradigm. Particularly, he emphasised that:

> The methodology of so-called 'positive economics' has not only shunned normative analysis in economics, it has also had the effect of ignoring a variety of complex ethical considerations which affect actual human behaviour and which, from the point of view of the economists studying such behaviour, are primarily matters of fact rather than of normative judgement. If one examines the balance of emphases in the publications in modern economics, it is hard not to notice the eschewal of deep normative analysis, and the neglect of the influence of ethical considerations in the characterization of actual human behaviour . . . I would argue that the nature of modern economics has been substantially impoverished by the distance that has grown between economics and ethics.
>
> *(Sen, 1987, p. 7)*

During the 1990s, the most widespread theories of the firm and related corporate governance rules, structures and practices had already been the subject of numerous criticisms inspired by the initial reflections of Ghoshal (2005), and Ghoshal and Moran (1996a; 1996b). Ghoshal and Moran criticised one of the fundamental assumptions of shareholder logic about the model of humans: opportunism. If individuals behave opportunistically, they trigger the typical self-fulfilling prophecy: incentives and sanctions created to reduce opportunism will stimulate opportunistic behaviour, thus creating the need for greater incentives and sanctions, and so on (Ghoshal and Moran, 1996a). Other scholars have also argued that shareholder view principles have had a major impact on management practices over the past several decades and may have led to harmful management practices (Stout, 2012). After the Enron scandal, these positions were taken up and expanded by several other academics (Bratton, 2002; Blair, 2003; Pfeffer, 2005; Mintzberg, 2005; Hambrick, 2005).

In the meantime, the BRT felt the need to return to the theme of corporate governance and, in 2002, published the first edition of its 'Principles of Corporate Governance'. For the first time, albeit timidly, attention was paid to other constituencies interested in corporate governance, in addition to shareholders. It is extremely meaningful that both the first and the second of the six principles of corporate governance highlight that corporations must be ethically led by executives.

> First, the paramount duty of the board of directors of a public corporation is to select a Chief Executive Officer and to oversee the CEO and other senior management in the competent and ethical operation of the corporation on a day-to-day basis. Second, it is the responsibility of management to operate the corporation in an effective and ethical manner in order to produce value for stockholders. Senior management is expected to know how the corporation earns its income and what risks the corporation is undertaking in the course of carrying out its business. Management should never put personal interests ahead of or in conflict with the interests of the corporation.
>
> *(BRT, 2002)*

The subsequent principles seem even more strictly the effect of the Enron scandal, as they focus on the transparency of corporate communication to shareholders and other investors so that they are aware of the company's business and the related risks. The text comes to speak of the 'candour' of social communication: 'Candour. Directors and management should never mislead or misinform stockholders about the corporation's operations or financial condition' (BRT, 2002).

Finally, while confirming shareholder value as the primary purpose of the corporation, specific attention is dedicated to relations with other constituencies: employees, communities and government.

Another signalling event of the cracks in shareholder logic is the immediate modification of the regulatory framework. In 2002, the Sarbanes–Oxley Act (SOX) established new rules for corporate governance. Despite being enacted by a Republican president and congress, the SOX is considered a *progressive* reform due to the fundamental change it made in the US regulation model: the federal government, through the SEC, took charge of some areas that had always been exclusively regulated by state laws (Baker, 2008). The strategic goal of the law is to rebuild trust between investors and financial markets.

The five main areas of intervention are as follows:

1) Strengthen criminal penalties and protect whistle-blowers;
2) New requirements about internal audit systems and the duty of the CEO and CFO to attest and sign financial reporting;
3) Restore credibility to auditing firms by strengthening their independence thanks to a new regulatory agency (*Public Company Accounting Oversight Board*) created to increase the public supervision of auditors;
4) Improve the quality of corporate disclosure;
5) Strengthen some corporate governance mechanisms for listed firms (audit committee rules and a ban on officer loans).

In 2005, BRT published the second edition of its declaration 'Principles of Corporate Governance' in which, after reiterating the duty of top management to act ethically, it takes a position according to which the satisfaction of stakeholders' interests is functional for the creation of value for shareholders, according to the instrumental approach of the stakeholder theory. Analysing the text, we read:

> it is the responsibility of management to operate the corporation in an effective and ethical manner to produce value for shareholders . . . It is the responsibility of the corporation to deal with its employees, customers, suppliers, and other constituencies in a fair and equitable manner . . . Corporations are often said to have obligations to shareholders and other constituencies, including employees, the communities in which they do business, and government, but these obligations are best viewed as part of the paramount duty to optimize long-term shareholder value. Business Roundtable believes that shareholder value is enhanced when a corporation treats its employees well, serves its customers well, fosters good relationships with suppliers, maintains an effective compliance program and strong corporate governance practices, and has a reputation for civic responsibility . . . It is in a corporation's best interest to treat employees fairly and equitably . . . Corporations have obligations to be good citizens of the local, national, and international communities in which they do business.
>
> *(BRT, 2005)*

The third edition of the 'Principles of Corporate Governance' statement was published in 2010, after the 2007–2008 US subprime mortgage crisis and the following global financial crisis. This crisis was due to a large and quick decline in US home prices after the collapse of a housing bubble amplified by the packaging and selling of financial derivative products (such as *mortgage-backed securities* and *collateralised debt obligations*), destructuring the initial mortgages and favouring the evaluation of rating agencies.

In 2010, for the first time, the BRT expressly spoke about the long-term sustainability of economic growth.

> Given the fundamental nature of the changes that have occurred during the past decade in the framework of laws and regulations related to corporate governance, in the economy, and in best practices, Business Roundtable believes it is appropriate, once again, to restate our guiding principles of corporate governance. These principles, we believe, should help guide the ongoing advancement of corporate governance practices and, thus, advance the ability of public corporations to compete, create jobs and generate long-term, sustainable economic growth.
>
> *(BRT, 2010)*

The BRT Principles of Corporate Governance have increased from six to nine. The requirement of ethical conduct for the board and top management is confirmed, and it is further emphasised that the corporate governance perspective must have a long-term orientation towards the creation of shareholder value.

> It is the responsibility of management, under the oversight of the board, to operate the corporation in an effective and ethical manner to produce long-term value for shareholders. The board of directors, the CEO and senior management should set a 'tone at the top' that establishes a culture of legal compliance and integrity. Directors and management should never put personal interests ahead of or in conflict with the interests of the corporation.
>
> *(BRT, 2010)*

The new Principle 9 introduces a further strengthening in the perspective of the increasingly relevant *stakeholder logic* by invoking high standards of *corporate citizenship*: ‘it is the responsibility of the corporation to deal with its employees, customers, suppliers and other constituencies in a fair and equitable manner and to exemplify the highest standards of corporate citizenship’ (BRT, 2010).

Despite the remarkable changes, both in the 2010 edition of the Corporate Governance Principles and in the subsequent edition (fourth) of 2012, the approach of the BRT towards *stakeholder logic* still appears instrumental with respect to the purpose of the corporation, which remains the long-term creation of value for shareholders.

> Business Roundtable believes that shareholder value is enhanced when a corporation engages effectively with its long-term shareholders, treats its employees well, serves its customers well, fosters good relationships with and appropriately oversees its major suppliers, maintains an effective compliance program and strong corporate governance practices, and has a reputation for civic responsibility.
>
> *(BRT, 2010, 2012)*

In terms of *institutional work*, the shift from *shareholder logic* to *stakeholder logic* appears complete if we analyse the key scripts of the two most recent BRT documents: the fifth edition of the Principles of Corporate Governance (2016) and, above all, the ‘Statement on the Purpose of a Corporation’ (2019). The latest edition of the principles, by confirming the purpose of a corporation as sustainable long-term value creation, is characterised by three pillars: shareholder activism, stakeholder engagement and corporate responsibility towards the environment and sustainability.

The first concerns the duty of those who lead the companies (board, CEO and other top management) to act proactively for shareholder activism, involving all shareholders and favouring the *voice* strategy instead of the *exit* strategy.

> shareholder engagement, which has become a central and essential topic for public companies and their boards, managers and investors in the early 21st century . . . Further, many of today’s shareholders – and not only those typically viewed as ‘activists’ – have higher expectations relating to engagement with the board and management than shareholders of years past. These investors seek a greater voice in the company’s strategic decision making, capital allocation and overall corporate social responsibility, areas that traditionally were the sole purview of the board and management.
>
> *(BRT, 2016)*

The relevance of shareholder activism to the *institutional framework* of the US corporate governance model began immediately after the Enron scandal. One of the pillars of the new legislation (SOX) is the transparency and reliability of financial disclosure. This turning point fostered a corporate governance culture that promoted greater control by shareholders, and investors in general, over managerial behaviour and underlined the rights of shareholders to actively contribute to some key corporate governance decisions: the election of board members, the choice of the CEO, the setting of executives’ pay, and so on. The 2008 global financial crisis accelerated this phenomenon. Among the most concrete results was the significant growth of activist hedge funds from 2008 onwards.

Other *institutional entrepreneurs* moved in the same direction. For example, on 23 September 2020, aiming at boosting shareholder engagement, the SEC adopted amendments to modernise Rule 14a-8, which governs the process for shareholder proposals to be included in a company's proxy statement. Under the prior version of the Rule, to be eligible to submit a proposal, a shareholder must hold: (a) at least $2000, or 1 per cent of a company's stocks; (b) for at least one year. Rule 14 a-8(b) eliminates the 1 per cent threshold, replacing it with a three-tiered model. A shareholder can submit a proposal if it meets any of the three thresholds: continuous ownership of at least $2000 of the company's stocks for at least three years; continuous ownership of at least $15 000 of the company's stocks for at least two years; or continuous ownership of at least $25 000 of the company's stocks for at least one year. The intent is to give voice, alternatively, to larger shareholders and to the most loyal ones.

The second pillar concerns stakeholders and the responsibility of management to take their interests into account in making business decisions. The BRT lists the stakeholders: employees, customers, suppliers, communities, the environment and government.

> In making decisions, the board may consider the interests of all of the company's constituencies, including stakeholders such as employees, customers, suppliers and the community in which the company does business, when doing so contributes in a direct and meaningful way to building long-term value creation . . . Corporations are often said to have obligations to stakeholders other than their shareholders, including employees, customers, suppliers, the communities, and environments in which they do business, and government. In some circumstances, the interests of these stakeholders are considered in the context of achieving long-term value.
>
> *(BRT, 2016)*

The third pillar concerns corporate responsibility towards the environment and sustainability expressed by the concept of *good citizenship* of a corporation.

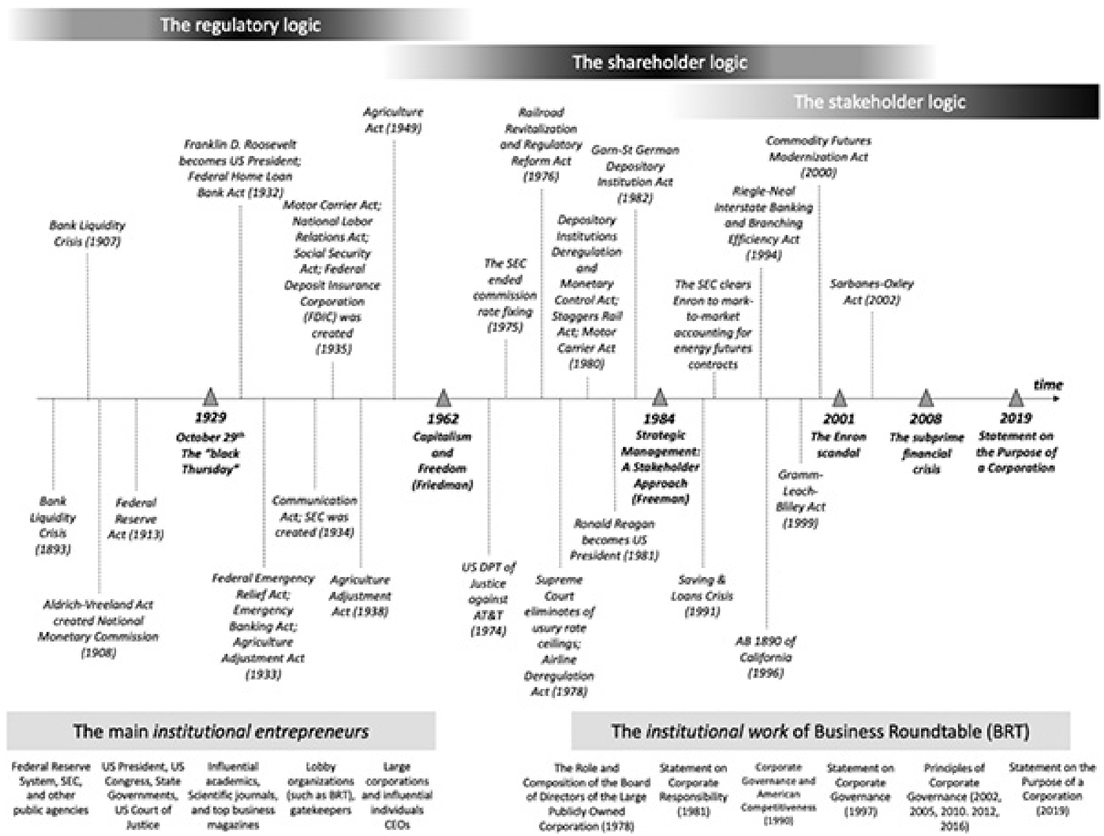
> Companies should strive to be good citizens of the local, national and international communities in which they do business; to be responsible stewards of the environment; and to consider other relevant sustainability issues in operating their businesses . . . incorporating sustainability into the business in a meaningful way is integral to a company's long-term viability . . . A company should strive to be a good citizen by contributing to the communities in which it operates. Being a good citizen includes getting involved with those communities; encouraging company directors, managers and employees to form relationships with those communities; donating time to causes of importance to local communities; and making charitable contributions . . . A company should conduct its business with meaningful regard for environmental, health, safety and other sustainability issues relevant to its operations.
>
> *(BRT, 2016)*

On 19 August 2019, the BRT issued its latest statement titled 'Statement on the Purpose of a Corporation'. This document marks a sea of changes for this influential *institutional entrepreneur*, defining both the duty of directors and the purpose of the corporation in *stakeholder logic*. The 183 CEOs of the largest US corporations made a total turnaround compared to the position taken by the same actors in 1978. They made it explicit that the largest US corporations have a fundamental commitment to serve the interests of all their stakeholders, including, in this order, customers, employees, suppliers, communities and shareholders.

> While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:
>
> - Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
> - Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity, and respect.
> - Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
> - Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
> - Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.
>
> Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.
>
> *(BRT, 2019)*

Figure 8.1 summarises the change in the *institutional logics* presented above, highlighting how, *pro tempore*, in a certain *institutional framework*, different institutional logics can coexist, one of which is dominant and the other subordinate.

The three institutional logics on which we have focused attention (*regulatory logic*, *shareholder logic* and *stakeholder logic*) are represented by the three horizontal bars located at the top of Figure 8.1. The intensity of the grey tone with which each bar is filled highlights the degree of the *pro tempore* degree of institutionalisation of that institutional logic. Each bar passes from a light grey tone (initiation of legitimation) to a dark grey tone (the institutional logic is fully legitimised and appears as the dominant one) to a further light grey tone (deinstitutionalisation). Furthermore, the figure represents the coexistence and overlapping of different institutional logics: on the one hand, the degree of institutionalisation is reduced, and institutional logic gradually loses legitimacy; on the other hand, the new institutional logic increases its degree of institutionalisation and becomes, in turn, legitimised as dominant. Not only that, it is also possible that the previous dominant institutional logic will persist by formally adopting some practices of the emerging institutional logic in order to preserve the substantive *status quo* for as long as possible. This is what we present in the following paragraph through the concept of *institutional decoupling*.



Source: Our elaboration

Figure 8.1 *The change in the* institutional logics

CONCLUSION AND SOME CONSIDERATIONS FOR UNDERSTANDING PERSISTENCE AND CHANGE IN CORPORATE GOVERNANCE RULES, STRUCTURES AND PRACTICES

As is always the case when a new *institutional logic* becomes dominant, the rhetoric and vocabulary of the actors of a certain *institutional framework* change, while, day by day, the memories of the adherence to the previous dominant logic are erased.

We can look at the text of the annual letter to the CEOs of the largest US companies that BlackRock's founder, chairman and CEO, Larry Fink, has been writing since 2012. BlackRock is the world's largest asset management company, overseeing $6.3 trillion worth of investments (for proportionality, Italy's GDP for 2021 is estimated at around $1.92 trillion). Thus, BlackRock's CEO can be considered an influential *institutional entrepreneur* in the US corporate governance institutional framework. The analysis of the content of these letters is useful for understanding the shift towards *stakeholder logic* (Table 8.3).

By tracing the keywords and the emerging themes in the letters, it is easy to see that those terms such as *corporate social responsibility*, *sustainability* and *stakeholder engagement* are becoming the new mainstream of managerial speeches. For example, the term *stakeholder* was absent in letters from 2012 to 2015. It appeared for the first time in 2016, with a single mention. It is used five times in 2018, rising to six times in 2019 (GlobeScan, 2019).

Meanwhile, a new *institutional work* has been triggered that, by activating *isomorphic processes*, pushes towards the strengthening of the *stakeholder logic*:

- Scientific papers on a multidimensional approach to measuring value creation are increasing; many scientific journals focused on the stakeholder approach have been created; specific attention has been paid by scholars to the application of stakeholder logic to corporate governance issues (Freeman and Evan, 1990);
- Corporate certifications (ISO 14000, SA8000, etc.) and ratings concerning business ethics, corporate social responsibility and environmental sustainability increase year by year; for example, the MSCI ESG Rating and the connected MSCI KLD 400 Social Index and KLD database (www.msci.com);
- The largest consulting firms (KPMG, PWC, E&Y, Deloitte, McKinsey & Co, BCG, etc.) have developed procedures for assessing companies' environmental and social sustainability, and the results of these assessments are currently a central element in corporate communication;
- Investment funds and other institutional investors that focus on socially responsible companies and their environmental performance are increasing (Mattingly, 2017);
- Many individual investors seek to hold companies that reflect their life beliefs and values and meet stringent best-in-class criteria for managing their environmental, social and governance (ESG) risks and opportunities;
- Consumers are increasingly paying attention to sustainable products and processes.

Table 8.3 The evolution of the rhetoric of stakeholder logic in Larry Fink's annual letter to CEOs (2012–2019)

Year	Summary of Content	Quotes Show the Evolution
2012	Larry Fink's first letter is focussed on good governance and engaging with companies to start a conversation about this topic.	*"BlackRock's approach to corporate governance can be described as value-focussed engagement."*
2014/ 2015	The next two letters include a clear focus on strong corporate governance for long-term growth and returns.	*"We believe the companies we invest in should similarly be focused on achieving sustainable returns over the longer term. Good corporate governance is critical."*
2016	Long-term focus remains, but the first mentions of context and looking outside of the company, particularly in the form of environmental and social issues (ESGs).	*"Generating sustainable returns over time requires a sharper focus not only on governance, but also on environmental and social factors facing companies today."*
2017	Globalisation is a focus of the 2017 letter, due to the uncertainty created as a result of Brexit and Trump. The need for long-term vision is reiterated, despite the turbulence.	*"As you build your strategy, it is essential that you consider the underlying dynamics that drive change around the world. The success of your company and global growth depend on it."*
2018	The content of the 2018 letter focussed on the purpose of a company and its role in society. The emphasis on long-termism continued, but is developed further this year with numerous explicit mentions of external stakeholders and the need for business leadership on a wide range of issues.	*"To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate."*
2019	In the 2019 letter the purpose imperative is driven home, not just as necessary for a license to operate but as central to long-term profitability. Stakeholders' expectations are no longer about just making a contribution to societal issues, but that companies will provide leadership on these issues.	*"One thing, however, is certain: the world needs your leadership. As divisions continue to deepen, companies must demonstrate their commitment to the countries, regions, and communities where they operate, particularly on issues central to the world's future prosperity."*

Source: GlobeScan, 2019

As argued by Harrison et al. (2020), the ongoing change in *institutional logic* creates pressure on organisations and their leaders to take favourable or unfavourable positions. As the new *institutional logic* advances, it becomes increasingly risky and costly to maintain a position of opposition, and the most reasonable thing to do is to go with the flow.

Due to the richness of the details of the qualitative research methods used, it will be possible to highlight how, when a certain institutional logic declines and changes, the actors reshape themselves and

> the past is reinterpreted to suit the needs of the present. This might be especially salient in fields where remnants of the previous dominant logic are now not only subordinate but also illegitimate and perhaps even a source of collective stigma for actors . . . In this way,

> organizations engage storytelling efforts that strategically utilize historical constructions, to both convince audience of adherence, as well as to distance organizations from the stigma of past association with a now illegitimate logic.
>
> *(Shilo et al., 2013, pp. 412–416)*

Let us ask ourselves one more thing: how do actors react to the pressure exerted in the transition from one institutional logic to another?

As discussed above, the link between the *rationalised myths* that characterise a certain *institutional logic* and the process of *institutional isomorphism* tends to produce institutional convergence. In essence, the adoption of isomorphic behaviours by the actors of a certain *institutional framework* accelerates, more or less rapidly, the stabilisation of the new *institutional logic* and, therefore, of new rationalised myths that replace the old ones. If the new *institutional logic* and the related rationalised myths require conduct that is excessively in contrast with the previous *institutional logic*, the actors could operate towards *decoupling* (Fiss and Zajac, 2006). Following Meyer and Rowan (1977), the main reason companies decouple is the tension between a company having to gain social legitimacy from its stakeholders while also facing pressures to maintain internal efficiency. In our opinion, a further reason for decoupling could be the effort required to shift from one institutional logic to another. In this case, the actors adopt the new *institutional logic* in a purely ceremonial way through a systematic communication activity of window dressing, with the aim of achieving legitimacy by manipulating their own external perceptions. In essence, they retain the previous operating methods almost unchanged (Suddaby and Greenwood, 2005).

Several scholars have investigated, for instance, whether corporate social responsibility (CSR) decoupling qualified as a gap between CSR disclosure and CSR performance (Ähletröm, 2010; García-Sánchez et al., 2021; Shahab et al., 2021). Jain (2017), analysing shareholder letters from US, German and Indian CEOs, finds that companies communicate a multi-stakeholder image towards employees, communities and the environment to enhance their social legitimacy, yet such expectations are not met. Another example is *greenwashing* practices that aim to strengthen the corporate legitimacy of firms in their institutional framework by increasing their reputational capital among stakeholders through the communication of high performance in terms of environmental sustainability (Marquis and Toffel, 2012; Vollero, 2013; Freitas Netto et al., 2020).

NOTE

1. Although the chapter is the result of collaboration of all three authors, Piero Mastroberardino edited the first, second, fourth and seventh sections, Giuseppe Calabrese the fifth and sixth sections and Rosario Bianco the third section.

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9. Disentangling corporate social responsibility: the impact of corporate governance on the social and environmental performance of pharmaceutical and biotech firms

Francesco Gangi, Eugenio D'Angelo and Lucia Michela Daniele

INTRODUCTION

This chapter focuses on effective corporate governance (CG) mechanisms as drivers of greater environmental responsibility (ER) and social responsibility (SR) in the pharmaceutical and biotech industries.[1] In the wake of the 2008 financial crisis, the COVID-19 pandemic and related negative social and economic issues further renewed the central role of corporate social responsibility (CSR) in sustainable development (Crane and Matten, 2020; Manuel and Harron, 2020). Currently, companies face increasingly complex demands from stakeholders, such as important actions in terms of health protection and decisive environmental steps towards climate change, as testified to by the growing pressure exerted by international green movements (e.g., Fridays for Future). According to the OECD (2021), the COVID-19 pandemic has triggered a deep economic regression, simultaneously impacting health, economic activity and social well-being. In 2020, the economic recession caused a drop of 4.3 per cent in global growth, approximately two and half times the impact of the 2008 financial crisis (United Nations, 2021), with an unprecedented negative impact on job losses among the younger generation (WEF, 2020). These negative conditions are even more dramatic in less developed economies (United Nations Conference on Trade and Development, 2021; Sung et al., 2021; Hevia and Neumeyer, 2021).

In this complex scenario, pharmaceutical and biotech companies have become central in the public debate, being in the spotlight for their products' responsibility for global health protection and their environmental engagement (MacDonald, 2004; Belkhir and Elmeligi, 2019; Milanesi et al., 2021). The study of CSR from an industry perspective is an important theme because some industries tend to exert greater environmental or social pressures and risks due to the nature of their activities. Generally, controversial or sinful industries are those considered offensive or immoral by the general public because of their products (e.g., alcohol, tobacco, gambling) (Cai et al., 2012; Jo and Na, 2012). More recently, the definition of controversial industries has expanded to include all industries that involve persistent or emerging environmental, social and ethical issues, especially in relation to sustainability goals, such as energy, finance, food, transport, pharmaceutical and biotech (Jo and Na, 2012; Cai et al., 2012; Vollero et al., 2019; Adnan et al., 2018).

According to prior studies (MacDonald, 2004; Milanesi et al., 2020), life science companies face particular ethical, environmental and social challenges. Earlier literature (Smith, 2008) highlights the importance of strategically leveraging social responsibility in the pharmaceutical and biotech industries, as they pertain to life and social well-being. Accordingly, companies belonging to these sectors are called on to take significant responsibility for the safety of their products. More than other controversial industries (e.g., tobacco), life science companies' products impact the health of millions of people; hence, socially undesirable effects represent relevant risks in these businesses. Indeed, SR assumes specific relevance among pharmaceutical and biotech companies due to the contribution that these industries are called on to give to public health care and to societal well-being (Crane and Matten, 2020; Milanesi et al., 2020). Concurrently, pharmaceutical and biotech industries have also been questioned about the environmental footprint related to their activities (Min et al., 2017; Yang et al., 2019; Milanesi et al., 2020). The pharmaceutical industry is more carbon intensive than other polluting sectors, such as the automotive sector, which is responsible for a relevant portion of global carbon emissions (Belkhir and Elmeligi, 2019). In their study, Belkhir and Elemligi (2019, p. 188) estimate that the pharmaceutical industry accounted for 52 million metric tons (MMT) of CO_2 emissions, more than the 46.4 MMT that was generated by the automotive industry in the same year (Belkhir and Elmeligi, 2019). The authors warn that the entire sector is expected to reduce emissions by 59 per cent to meet the Paris Agreement. This scenario contributes to explaining why these industries are especially worthy of interest concerning the link between CG, social responsibility and environmental responsibility.

In line with the 2021 Global RepTrak Industry Ranking and Reputation Score, pharmaceutical and biotech companies link their reputations to the effort in environmental, social and governance (ESG) disclosure (RepTrak, 2021). At the same time, the profits of so-called Big Pharma (e.g., Moderna, Biotech and Pfizer) are estimated to have skyrocketed due to the sales of vaccines and in light of boosting policies planned by several countries against the spread of new virus variants (Reuters, 2021; Bloomberg, 2021). For instance, the head of Moderna predicts that existing vaccines will struggle with the latest Omicron variant (*Financial Times*, 2021). Recent data indicate that 64.1 per cent of citizens of high-income countries received at least one dose of vaccine, compared to 5.48 per cent in low-income countries (International Monetary Fund, 2021; WHO, 2021). The topic of the fair distribution of vaccines is currently among the priorities of decisive international boards, such as the International Monetary Fund (2021), the United Nations Development Programme (UNDP)[2] and the World Health Organization, as a driver of economic recovery. From an ethical perspective, this calls into question the role of the pharmaceutical and biotech industries in social and environmental sustainability.

As the global community increasingly recognises the relevance of the life sciences to private well-being (Crane and Matten, 2020), the role of corporate governance in pharmaceutical and biotech companies has become increasingly central to ensuring proper stakeholder management (MacDonald, 2004). Indeed, according to Milanesi et al. (2020, p. 3), these companies are characterised by managerial complexity because of higher standards in terms of product safety, efficacy and efficiency while respecting environmental and social sustainable goals.

There is a long-standing debate on effective CG mechanisms and their meanings in the CSR research stream. Consistent with earlier literature (Jamali et al., 2016; Naciti, 2019; Gangi et al., 2021), by effective CG, we mean governance tools (e.g., board composition and committees) to orient firms towards their environmental and social responsibilities while shaping relationships between shareholders and stakeholders. This perspective that focuses on increasing shareholder value contrasts with the narrow vision of agency theory (e.g., Friedman, 1970; Jensen and Meckling, 1976), according to which corporations are considered mere vehicles of property's profit maximisation, which is the only duty of managers. This is well summarised in the well-known proposition by Friedman about the social responsibility of business to increase its profits and the task of managers to make as much money as possible while conforming to the basic rules of society, embodied in law in ethical customs. From this perspective, which opened the agency debate on CSR, effective CG mechanisms are limited to safeguarding shareholders' interests, and CSR expenses are at the origin of additional agency costs to the detriment of shareholders' wealth.

Conversely, the expanded vision of effective CG mechanisms as CSR pillars (Jones, 1995; Barnett and Salomon, 2012; Jamali et al., 2008; Jo and Harjoto, 2012) extends managers' duties towards trustful relationships with all salient stakeholders, including employees, customers, the environment and society at large (Crifo et al., 2019). According to stakeholder theory (Freeman, 1984) and the conflict resolution hypothesis (Jo and Harjoto, 2012), effective CG attributes play a vital role in ensuring environmental and social performance through the balancing of stakeholders' claims (Tan et al., 2017; Naciti et al., 2019; Crifo et al., 2019). In pharmaceutical and biotech companies, the effectiveness of CG mechanisms is particularly relevant because these industries deal with almost all stakeholder categories.

Despite the relevance of these arguments, the current literature still lacks a deeper understanding of the link between CG mechanisms and ER and SR engagement in pharmaceutical and biotech companies. The prior literature mainly discriminates between controversial and noncontroversial industries in terms of CSR engagement and corporate social performance (Cai et al., 2012; Jo and Na, 2012; Adnan et al., 2018). Moreover, studies specifically pertaining to those industries focus on the economic dimension of sustainability (Min et al., 2017; Yang et al., 2019) or are geographically limited (Khan et al., 2013; Yang et al., 2019). Furthermore, prior studies dealing with the link between CG and CSR in the pharma and biotech industries mainly refer to social reporting (e.g., Adnan et al., 2018; Khan et al., 2013). Finally, very few studies are available on the social engagement of pharmaceutical and biotech companies (Von Geibler et al., 2006; Milanesi et al., 2020).

Accordingly, this chapter aims to fill these gaps by investigating whether and to what extent CG can drive greater social and environmental engagement in pharmaceutical and biotech firms. To address the research questions, we investigated a sample of 551 international pharmaceutical and biotech companies from 2009 to 2020. Growing societal pressure for more socially responsible practices has contributed to greater demands for metrics to measure and compare ESG performance (Gangi et al., 2021; Boiral et al., 2020), which has led to the flourishing of so-called social rating agencies (e.g., Refinitiv). These agencies assess sustainable corporate performance and provide ratings to support investors and managers in identifying financial material ESG risks (e.g., Chatterji et al., 2016; Amel-Zahed and Serafeim, 2018; Escrig-Olmedo et al., 2019; Gangi et al., 2022). In line with prior studies, these ratings are widely employed to proxy ESG performance and to align management practices with sustainable goals (e.g., Amel-Zadeh and Serafeim, 2018; Abhayawansa and Tyagi, 2021). Furthermore, consistent with earlier literature (Chatterji et al., 2016), databases from Sustainable Rating Agencies (SRAs) on ESG performance are also useful for academics involved in researching the relationships between CSR and corporate financial performance based on objective measures and qualitative information. Hence, consistent with the aim of the current chapter, we refer to Refinitiv, which offers one of the most comprehensive and reliable ESG databases widely employed in previous studies (e.g., Cheng et al., 2014; Ferrero-Ferrero et al., 2015; Gangi et al., 2019). The ESG ratings provided by Refinitiv cover a wide range of environmental, social and governance nuances, operationalised by adopting both soft and hard measures of ESG engagement (Gangi et al., 2022). The results from empirical analyses corroborate the vision of CG as a driver of greater adherence by life sciences companies to stakeholders' social and environmental expectations. Specifically, both CG effective mechanisms and board characteristics positively affect the corporate social and environmental performance of pharmaceutical and biotech companies, albeit with some differences.

The current chapter advances the prior knowledge on the link between CG and CSR engagement in several ways. First, according to the conflict resolution hypothesis, we disentangle the CSR dimensions (Melo and Garrido-Morgado, 2012) and verify whether and to what extent effective CG mechanisms can drive greater corporate social and environmental performance (CSP, CEP). From a methodological point of view, we advance prior studies by taking into consideration several mechanisms and CG attributes that might impact CSP and CEP. Third, we contribute to the CSR research stream dealing with controversial sectors (Jo and Na, 2012; Cai et al., 2012) by focusing on two specific industries, pharmaceutical and biotech. Fourth, we contribute to filling the gap on drivers of social engagement, a dimension that has been less investigated than environmental commitment in the pharmaceutical domain (Milani et al., 2020). Finally, we focused our investigations on a particular industry – life science – that has long remained underestimated, despite its current relevance and the expected impact that this industry will have on future sustainable environmental protection and wider social well-being. According to the enlarged vision of CG, the analyses conducted in this chapter and related contributions are topical to address future challenges for both life science companies and society. Therefore, the chapter proceeds as follows. The second section presents the theoretical background and hypotheses. The third section explains the design of the empirical study. The fourth section summarises the results, and the fifth and final section concludes.

THE LINK BETWEEN CORPORATE GOVERNANCE AND SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

In the past, CG and CSR issues have typically been addressed separately. This trend has changed in recent years, highlighting the progressive growth of interest in the relationship between these two fundamental dimensions of corporate management. CG, which can be defined as the system through which companies are managed and controlled (Cadbury, 2000; MacMillan et al., 2004), has its historical roots in the solution of the problems emerging from the separation of ownership and control (Berle and Means, 1932; Sacconi 2006). On the other hand, CSR, which the literature (Carroll, 1999) places in Bowen's seminal work (1953) on the obligations of businesses towards society, originates from the progressive awareness of the social and environmental drawbacks caused by the actions of companies based exclusively on calculations of economic goals.

Before getting to the heart of the chapter, a few definitional and terminological aspects should be addressed, clearing the field of possible misunderstandings. First, we need to clarify the differences and links between the triple bottom line (TBL), CSR and ESG. Indeed, these three concepts are closely interrelated. The TBL perspective (Elkington, 1994) assumes that sustainable businesses should add two other performance measurements to the traditional accounting bottom line (profit), that is, 'planet' and 'people', to reflect the effects of companies' activities on the natural environment and society at large. At the same time, CSR refers to the way corporations act to be more socially and environmentally responsible (Carvalho et al., 2014), thus acquiring citizenship rights (Carroll, 1991; 2000) and the licence to operate (Porter and Kramer, 2006). Finally, ESG concerns how business models and investing decisions are integrated with environmental, social and governance concerns. However, given that environmental and social issues are linked with corporate governance (Jamali et al., 2016), scholars often consider CSR and ESG as overlapping concepts, with the particularity that ESG explicitly includes CG, whereas CSR includes it only indirectly (Gillan et al. 2021). This relationship between these concepts has also been highlighted by previous literature on the nexus of causality between corporate governance and financial performance. Jo and Harjoto (2011, p. 45), for instance, state that 'in essence, CSR is an extension of firms' efforts to foster effective corporate governance, ensuring firms' sustainability via sound business practices that promote accountability and transparency'. In this sense, CG can be seen as the missing link between social performance and financial performance, which supports the conflict resolution hypothesis, as opposed to the overinvestment and agency arguments (Harjoto and Jo, 2011; Jo et al., 2015).

Consistent with Carvalho et al. (2014), CSR is a concept that has undergone significant evolution, and, although there is no universally accepted definition (McWillams et al., 2006; Dahlsrud, 2008), over time, the CSR pillars have become better defined. From this perspective, similar to Renneboog et al. (2008, p. 1723), we define CSR as 'corporate decisions fostering social, corporate governance, ethical and environmental issues'. This definition is useful for our analysis as it highlights CG, SR and ER as the three pillars of CSR, in addition to the ethical values of individuals, managers and entrepreneurs.[3] This view is also becoming increasingly popular among financial actors who consider ESG issues when valuing investment options (Leins, 2020; Alda, 2021). Indeed, the integrated approach combines economic and ESG criteria (Gangi and Varrone, 2018) and reflects the parallels between CSR and corporate economic responsibility (Carvalho et al., 2014; Montiel, 2008). This investment approach is generally referred to as the triple bottom line approach (Renneboog et al., 2008).

Furthermore, a more explicit reference to environmental, social and governance responsibility allows us to grasp the multidimensional nature of CSR (Melo and Garrido-Morgado, 2012), which requires deeper investigation into the relationships between these three pillars and, in particular, how and why effective mechanisms of CG impact corporate social and environmental performance. Consistent with this research question, we first discuss the evolution of the link between CG, SR and ER from the agency view to the stakeholder perspective. Second, we refer to board characteristics as primary CG tools that impact both SR and ER (see Figure 9.1).

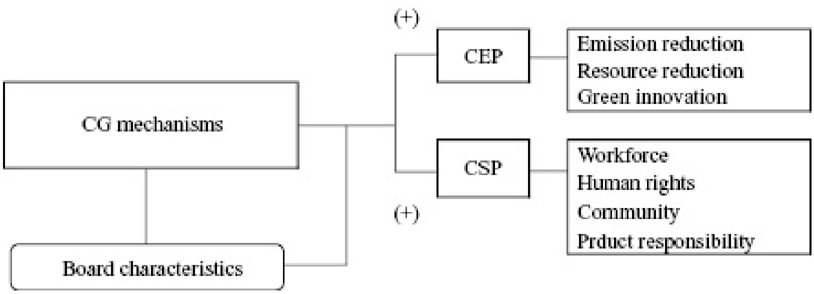

Figure 9.1 *Conceptual and empirical framework*

From the Overinvestment to the Conflict Resolution Hypothesis

The relationship between CG, SR and ER concerns both the vision of CG functions and the economic evaluation of CSR from the perspectives of both shareholders and other stakeholders. The two themes are interconnected, and their interpretation has changed over time.

Historically, CG has been assigned the main task of regulating the functioning of the firm, especially mitigating potential conflicts of interest between managers and shareholders related to the delegation of corporate governance from ownership to management (Berle and Means, 1932). This model, particularly widespread among public companies, has been adopted by agency theorists (e.g., Friedman, 1970; Jensen and Meckling, 1976) and has led to the so-called narrow vision of CG (Jamali et al., 2008). In particular, CG fundamentally represents the set of tools for solving agency problems between shareholders (principal) and managers (agent), which can be traced back to the search for maximisation of the individual utility function and the condition of information asymmetry between insiders (managers) and outsiders (shareholders) (Jensen, 2002). The potential divergence of interests induces the manager to behave opportunistically to the detriment of ownership, exploiting the exclusive information in his or her possession and the limited observability of his or her actions. Therefore, effective CG should ensure that the fiduciary duties arising from formal contracts that bind managers to shareholders are respected, limiting opportunistic behaviours. This interpretation of CG, also known as the contractarian position (Denis, 2001), is well established among agency theorists when analysing the role and implications of CSR. In particular, CSR is read as one of the possible manifestations of conflicts of interest between shareholders and managers (McWilliams et al., 2006) who, by undertaking CSR initiatives, would apply a kind of taxation to shareholders without having any authority to do so (Friedman, 1970). Therefore, to avoid breaching their fiduciary duties, managers seek to make as much money as possible while conforming to the basic rules of society embodied in the law and in ethical customs (Friedman, 1970) and limiting the commitment of resources to social or morally respectable causes that would result in the expropriation of shareholder value. The so-called overinvestment hypothesis, which refers to the broader overconfident thesis (Goel and Thakor, 2008), reinforces agency theorists' critique of CSR. Indeed, given their opportunistic nature, managers are presumed to be interested in overinvesting in CSR to obtain private benefits in terms of personal reputation and legitimacy (Barnea and Rubin, 2010) to the detriment of shareholders. In other words, effective CG mechanisms should limit SR and ER engagement to pursue profit maximisation (Cai et al., 2012). Based on the concept of an opportunistic relationship between insiders and outsiders of the firm, this interpretation configures a trade-off between CG and the level of a company's commitment to its social and environmental responsibility (Jo and Harjoto, 2012). This limitation can be reinforced by the shorter time horizon of corporate governance. In fact, if the effects of social and environmental initiatives must be evaluated in the long term (Beltratti, 2005), a CG conceived from the perspective of short-termism risks further limiting the level of compliance with CSR.

Indeed, the agency perspective and narrow vision of CG do not adequately take into account several counterarguments that can more accurately justify a positive relationship between CG and the other pillars of social and environmental responsibility. As argued by Jamali et al. (2008), both CG and CSR call on companies to assume their fiduciary duties and moral responsibilities towards all stakeholders, including ownership. Both constructs are routed in the same concepts, such as transparency, accountability and respect for equalities and justice. Berle and Means (1932), in their seminal contribution to the separation of ownership and control, warned that the claims of shareholders could not override the interests of the community. Moreover, the agency perspective assumes that human nature is deeply opportunistic; consequently, the preservation of personal reputation may necessarily drive overinvestment in CSR. These assumptions are defined by Goshal (2005) as examples of the pretence of knowledge (Von Heyek, 1989) based on a partial analysis of human intentionality. An overly pessimistic view is that managers' discretion inevitably leads to the pursuit of policies that maximise their utility to the detriment of shareholders.

Moreover, a company, as an organisation of people and resources, is more than a *fictio iuris* based on a nexus of contracts between managers and shareholders. Rather, the firm is at the centre of a network of formal and informal relationships with a multiplicity of interest groups that are influenced by the firm or can influence its behaviour (Freeman, 1984). While it is more straightforward to perceive profit maximisation as the sole responsibility of the manager, this approach suffers from the limitations of the vagueness of what operational risks are taken, including social and environmental risks, and what the time horizon should be. As Goshal (2005) points out, if agency theorists do not recognise the firm as an institution having a moral obligation, this cannot be extended to managers as individuals. Separating business management from ethical and moral values is an attempt to impoverish managerial action (Sciarelli, 2007). Harris and Freeman (2008) state that facts (managerial action) are not separable from (human) values, so the denial of any moral or ethical consideration to give scientific value to managerial studies is an extremely risky endeavour (Gangi et al., 2020). Rather, the agent receives a multifiduciary mandate, that is, the manager is the agent of many other stakeholders besides the shareholder (Hill and Jones, 1992; Boatright, 1994). Businesses have a social and an economic function. From this perspective, organisations 'are pushed to enact new values, such as responsibility and sustainability and pay more attention to the effects of their actions on their stakeholders' (Freeman and Auster, 2011, p. 15).

Social expenses or environmental investments cannot be compared to improper taxation, which is a cost incurred regardless of the actual willingness to pay. In terms of CG, as metaphorically stated by Mulligan several years ago (1986, p. 266), the manager is not a 'lone ranger' who decides on his or her own what the right actions are. A board of directors, control committees, and an assembly of shareholders all interact with the manager's choices. The company is a collaborative, not just a conflictual system between different internal and external stakeholders. In the company, there are several checks and balances, formal and informal. A manager that implements socially responsible policies feels entitled to do so, without the necessary aim of expropriating shareholder value. In this way, the manager does not violate trust to the extent that he or she assumes no specific risk of losing the support of the stakeholders. Therefore, the configuration of socially responsible policies such as illegitimate actions is a bias that can be corrected by effective CG mechanisms.

Indeed, in the long term, the commitment to SR and ER can generate several positive business effects that are justified in the strategic vision of CSR, such as lower operating costs, greater capacity for innovation, recruitment and retention of more qualified workers and greater reliability of the company in relation to the financial markets (Hancock, 2005; Aguilera et al., 2007; Gangi et al., 2021). From this perspective, unlike the agency model, the focus on CG as a constraint on CSR with the presumption of protecting the value of the firm may be a disadvantage for the shareholder. Keeping out of the scope of CG the interests of other 'constituents' that nevertheless invest their resources in the company is certainly the limitation of a too narrow conception of CG (Fassin and Rossem, 2009). In contrast with this vision, good governance mechanisms are those that help to reconcile the interests of different stakeholders, including managers, owners and others, depending on the corporation (Jamali et al., 2008).

From a broader perspective, effective CG is a tool at the disposal of the firm to act responsibly. According to the instrumental stakeholder view (Jones, 1995), CG mechanisms may foster and maintain trusting relationships with all the relevant stakeholders that are sources of sustainable competitive advantage (Barnett and Salomon, 2012). As argued by Morsing and Schultz several years ago (2001, p. 323), research indicates that the more companies communicate their CSR 'ambitions', the more likely they are to attract the attention of critical stakeholders. In this way, managers may fulfil their moral, ethical and social duties while achieving legitimacy and corporate goals in the interest of shareholders (Jo and Harjoto, 2012). Therefore, in contrast to the agency model, the stakeholder perspective supports the conflict resolution thesis (Jensen, 2002; Calton and Payne 2003; Jo and Harjoto, 2012), on which basis effective governance mechanisms enhance CSR engagement and mitigate the conflicts among different stakeholders. As a pillar, an effective CG system is a foundation for solid and integrated CSR activities (Jamali et al., 2008). In line with these perspectives, since boards are the primary internal governance mechanism for curtailing managerial opportunism and protecting stakeholder interests, consistent with prior studies (e.g., Naciti, 2019; Gangi et al., 2020), we consider board characteristics as mechanisms that support companies in addressing different and sometimes opposing social and business pressures from stakeholders (Jo and Harjoto, 2011).

The Impact of Board Characteristics on Social and Environmental Engagement

Consistent with the concept of the corporate responsibility continuum (Bhimani and Soonwalla, 2005) and in contrast with the narrow concept of CG as a system limited to the protection of shareholders' interests (Friedman, 1970), the achievement of socially and environmentally friendly goals is a requirement of a modern vision of CG planning (Naciti, 2019). Indeed, from stakeholder theory (Freeman, 1984) and the conflict resolution perspective (Jo and Harjoto, 2012), CG is a tool for encouraging management to increasingly incorporate practices that address social and environmental issues (Jain and Jamali, 2016; Tan et al., 2017). Similarly, Pirson and Turnbull (2011) proposed a humanistic governance paradigm for which the well-being of firms depends on the good governance of stakeholder relationships, including reliable self-regulation and the integration of CSR into organisational governance. Considering this perspective, social and environmental initiatives can be viewed as a continuation of effective CG mechanisms for resolving potential conflicts between managers and stakeholders.

The functioning of boards of directors is essential to the planning and functioning of CG systems (Naciti, 2019). On that point, Mackenzie (2007) argued that board activity is essential in addressing the incentive problem that causes corporate responsibility failures. In the same vein, earlier studies consider effective board characteristics as suitable proxies of effective CG mechanisms (e.g., Pathan, 2009; Jo and Harjoto, 2011; Jo and Harjoto, 2012; Reguera-Alvarado, 2017) that require a systemic analysis for the linkages with SR and ER. From the perspective of stakeholder theory, the conflict resolution hypothesis extends directors' fiduciary duty to social and environmental responsibilities (Crifo et al., 2019). A board of directors is a top management team that defines and implements a corporate strategy to safeguard the interests of stakeholders (Mason and Simmons, 2013). Hence, effective board characteristics are the primary internal governance solution preventing socially and environmentally irresponsible corporate practices (Naciti, 2019).

Consistent with the resource-based view (Barney, 1991; Barney and Hansen, 1994), the managerial capabilities of boards of directors can influence the environmental and social policies of firms (Barney and Hansen, 1994). Homroy and Slechten (2019) found that board members with higher expertise in corporate sustainability practices lead to better firm CSR performance that, in turn, positively impacts firm value. Thus, a healthy mix of experience and skills among board members may support greater sensitivity to social and environmental practices (e.g., Post et al., 2011; Lu and Herremans, 2019; Khatib et al., 2020). Good board management requires improving relationships with all stakeholder groups, which, then, can improve overall firm performance (Tang et al., 2012). A CSR compliant company theoretically is equipped with critical resources, such as greater social capital (Paldam, 2000; Adler and Kwon, 2002), than less socially responsible firms (Perrini and Russo, 2010; Barnett and Salomon, 2012). Accordingly, effective bords have incentives to invest in sustainable initiatives because good social and environmental performance can indicate business health and good management (Ortas et al., 2013).

Furthermore, from a knowledge-based view, trust relationships with stakeholders represent a source of organisational learning to the extent that they help to reduce fiduciary barriers to knowledge sharing among people (Scuotto et al., 2019). At the same time, the organisational culture drives the ways that managers choose to address the social responsibilities of their companies (Maignan et al., 1999). Hence, since values and knowledge are embedded in top managers of boards that impact stakeholder management (Oelze et al., 2016), the functioning of boards of directors has become one of the main internal CG tools for aligning business knowledge and organisational culture with social issues and environmental safeguards (Siebenhüner and Arnlod, 2007; Bhatia and Jakar, 2021). This perspective strengthens the role of board characteristics as determinants of the quality and intensity of a firm's engagement in social and environmental goals (García Martín and Herrero, 2020).

According to prior literature, several board features are considered proxies of effective CG practices. First, board size is considered a determinant from two opposite points of view. On the one hand, larger boards mean more managers with different skills and sensitivities are involved in business decisions, which should help reduce opportunistic behaviour against stakeholders (Adnan et al., 2018; Gangi et al., 2020b). At the same time, Jensen (1993) argues that as board size increases, boards become less effective mainly because of freeriding problems among directors. Second, studies have focused on the role of gender diversity within boards of directors and have highlighted that a higher percentage of women spurs environmental proactiveness (Jain and Jamali, 2016; Naciti, 2019; Nadeem et al., 2020). Furthermore, since environmentally friendly business models are strictly related to green product and process innovation (Dangelico et al., 2017), Ruiz-Jiménez et al. (2016) find that in technology-based firms, such as pharmaceuticals, GD positively moderates the link between knowledge combination capability and innovation performance. Similarly, earlier literature highlights the link between CG dynamics and innovative activity in the pharmaceutical and biotech industries (Lacetera, 2001). Third, an additional governance tool is the remuneration policy adopted by firms for their directors. In particular, the double link between compensation and shareholder value and sustainability goals is another effective CG mechanism for creating enlarged value for stakeholders (Jain and Jamali, 2016; Gangi et al., 2020b; Hacque and Ntim, 2020). Consistent with Mackenzie (2007), boards that modify the performance management system (PMS) so that it is more long-term focused may well deliver better CSR performance and shareholder value. This is relevant to industries exposed to market failures, depending on the absence of competition or strong patent protection, as in the case of the pharmaceutical industry. In this sense, the CG mechanism of remuneration policy may contrast market failure with incentives for social and environmental initiatives by top managers on the board. Moreover, the presence of a CSR committee indicates companies' concern regarding their social and environmental responsibility (Adnan et al., 2018). In his research, Mackenzie (2007) highlights some tasks of CSR committees in several industries, including the pharmaceutical industry, such as reviewing CSR issues, identifying nonfinancial risks, monitoring compliance with CSR policies, reviewing CSR reporting and overseeing discretionary or philanthropic activity. Thus, the role of such a CG mechanism is relevant to ER and SR engagement. Finally, prior studies have demonstrated that separating the roles of the CEO and the chairman of the board reduces conflicts of interest and strengthens corporate social and environmental performance (Khan et al., 2013; Adnan et al., 2018; Naciti, 2019; Gangi et al., 2020b). Consistent with Barker and Mueller (2002), CEO characteristics play a critical role in higher R&D spending industries such as pharmaceuticals or biotechnology. Furthermore, based on CSR performance in the health care sector, including pharmaceuticals and biotechnology, Uyar et al. (2021) find that CEOs with dual roles harm the performance of companies belonging to that sector.

In summary, boards of directors are the pillar of an effective CG mechanism for aligning stakeholder claims and firm culture. The 'upper-echelons' perspective (Hambrick and Mason, 1984) highlights how organisational outcomes reflect the values and cognitive background of top managers in the organisation. Consistent with prior studies (e.g., Siebenhüner and Arnlod, 2007; Gangi et al., 2019a; Adnan et al., 2018; Bhatia and Jakhar, 2021), boards' care for and attitudes toward environmental safeguards and social instances are relevant to better CSP and CEP.

Accordingly, effective board characteristics are determinants of social and environmental engagement and organisational consciousness, especially for firms belonging to industries that have great social and environmental impacts, such as biotech and pharmaceutical firms. Considering the above, we hypothesise the following:

H1. Effective corporate governance positively impacts CSP in the pharmaceutical and biotech industries.
H2. Effective corporate governance positively impacts CEP in the pharmaceutical and biotech industries.
H3. Effective board characteristics positively impact CSP in the pharmaceutical and biotech industries.
H4. Effective board characteristics positively impact CEP in the pharmaceutical and biotech industries.

MATERIALS AND METHODS

In line with the main objective of this book to provide corporate governance scholars with innovative elements concerning research methods, before moving on to the definition of the sample and of the variables used in the empirical section, it seems appropriate to briefly mention what we consider the contribution of this chapter in terms of research methodology that addresses the link between CG, ER and SR.

In particular, from our perspective, the aforementioned relationships cannot be investigated at a superficial level by using aggregate indices that measure CG effectiveness and socioenvironmental performance. Rather, we need to go into more detail by investigating the links between the subpillars of CG and social and environmental performance. This view is consistent with some previous studies that have also called for more in-depth analysis. For instance, Wu and Shen (2013) conclude their study by arguing that a limitation was the use of an overall aggregate index of CSR, while the use of subcomponents, that is, social, governance and environment, would be ‘helpful in understanding the issue further’ (Wu and Shen, 2013, p. 3546). In the same vein, Melo and Garrido-Morgado (2012, p. 17) highlighted how CSR is a multidimensional construct and stated that ‘this multidimensionality is better expressed once the qualitative areas of CSP are exposed’.

A second methodological contribution is the focus on a specific industry. Indeed, in addition to the need to disentangle CG and CSR constructs in their subpillars, companies belonging to different sectors may behave differently in terms of a systemic approach to CG, ER and SR. For instance, Jones (1999), Brammer and Pavelin (2006) and Porter and Kramer (2002) cited the pharmaceutical sector when they analysed the determinants and impacts of CSR. Differences among sectors cannot be ignored since CSR engagement may be influenced by different stakeholders’ pressures. Moreover, CSR outcomes in terms of drivers and performance are dependent on the nature of the core business of organisations (Dabic et al., 2016).

Data Gathering and Sampling

We collected secondary data from two sources, Refinitiv and Worldscope. The ESG data were gathered from the Refinitiv Environmental, Social and Governance (ESG) database. Even though there are several SRAs and then different ESG ratings (Chatterji et al., 2016), we refer to the Refintiv ESG score, as this database appears the most appropriate for the purposes of our study due to several factors that help address complex questions on CG, ER and SR. First, according to prior literature (Ferrero-Ferrero et al., 2015), Refinitiv generates transparent, auditable and comparable information for evaluating corporate ESG efforts. The Refinitiv ESG ratings cover over 80 per cent of the global market cap, with a history dating back to 2002 (Refinitiv, 2022). Second, in line with prior studies (e.g., Ortas et al., 2019), these scores are periodically updated and tested through multistep verifications by analysts. Third, the Refinitiv ESG database enjoys recognition for its complete ratings of social responsibility (Manrique and Martí-Ballester, 2017). In particular, Refinitiv considers over 630 company-level ESG measures and calculates 186 indicators, grouped into 10 categories that reformulate the 3 pillar scores and the final ESG score. The Refinitiv score reflects companies' ESG commitment and effectiveness (Gangi et al., 2022) based on publicly reported information (Refinitiv, 2022). Fourth, according to recent studies investigating the breadth of sustainability topics covered by ESG ratings (e.g., Chatterij et al., 2016; Munoz-Torres et al., 2018; Alda, 2021; Gangi et al., 2022), the Refinitiv scores encompass both hard and soft information and measures, such as CO_2 emissions, energy use, water use, employee turnover, training hours, environmental and social policies and initiatives and human rights policies. The combination of hard and soft information is particularly useful in the context of the current study, which aims to investigate to what extent effective CG mechanisms can foster environmental and social performance and related subdimensions within the industries of interest. Financial data were gathered from the Worldscope database, which is also frequently adopted to gather financial information (Anagnostopoulous et al., 2017; Rodgers et al., 2019; Cerniglia et al., 2020). The sampling process began by selecting all active companies belonging to the pharmaceutical and biotech sector and led us to obtain an initial sample of 2676 companies (corresponding to 32 112 firm-year observations) that were active in the period 2009–2020. Merging the ESG and financial databases, we had to reduce the sample to those companies that at least reported ESG information.

At this stage, the sample was reduced to 614 companies and 2763 firm-year observations. However, since we wanted to measure the relationship between governance characteristics and the social and environmental engagement of companies with a 1-year lag, we further reduced our sample to 551 companies and 2149 firm-year observations. This latter sample has been used to investigate the first relationship between corporate governance as a whole and CEP and CSP engagement. However, as we will explain in the following sections, our sample is further reduced due to the availability of data when investigating the association between CG, ER and SR in their underpinnings and when including control variables in regression models.

Variable Definition and Operationalisation

Independent variables

According to our research design, our independent variables were several measures of companies' corporate governance, both as a whole and in its underpinnings. The Refinitiv ESG database provides a comprehensive score of corporate governance, namely, the Governance Pillar Score, which is composed of three subpillars: the Management Score, Shareholders Score and CSR Strategy Score. Therefore, our first measures of corporate governance are as follows:

- Governance Pillar Score (Gov) = This variable is the weighted average relative rating of a company based on the reported governance information and the resulting three governance category scores.
- Management Score (Man) = This variable measures a company's commitment and effectiveness in following best practices of corporate governance principles concerning board structures and functions.
- Shareholders Score (Shs) = This variable measures a company's effectiveness in the equal treatment of shareholders and the use of anti-takeover devices.
- CSR Strategy Score (CSRStrat) = This variable reflects a company's practices of communicating that it integrates the economic (financial), social and environmental dimensions into its day-to-day decision-making processes.

Furthermore, to measure the relationship between some important features concerning the board structure and functions, we extended our study to five additional independent variables that are part of the previously mentioned Management Score (Man) variable. According to the availability of data, we focused on board size, board gender diversity, sustainability committee, CEO compensation and CEO duality.

- Board Size (B-Size) = This variable reports the total number of board members at the end of the fiscal year.
- Board Gender Diversity (B-GenDiv) = This variable measures the percentage of females on the board.
- Board Sustainability Committee (B-SustCom) = This is a dummy variable that takes a value of 1 if the company has a sustainability committee (or team) and 0 otherwise.
- CEO Compensation Link to TSR (CEO-Comp) = This is a dummy variable that takes a value of 1 if the CEO's compensation is linked to the total shareholder return and 0 otherwise.
- CEO-Chairman Separation (CEO-Dual) = This is a dummy variable that takes a value of 1 if the CEO is also simultaneously serving as the chair of the board and 0 otherwise.

Dependent variables

Our dependent variables were selected to measure companies' social and environmental performances. To operationalise companies' social engagement, we once again relied on the Refinitiv ESG database structure. Therefore, we measured overall social engagement through the Social Pillar Score and companies' internal and external social engagement through its underpinnings, such as the Human Rights Score, Community Score, Product Responsibility Score and Workforce Score. Additional information concerning the aforementioned operationalisation is summarised as follows.

- Social Pillar Score (Soc) = This variable is the weighted average relative rating of a company based on the reported social information and the resulting four social category scores.
- Human Rights Score (HumRig) = This variable measures a company's effectiveness in respecting the fundamental human rights conventions.
- Community Score (Comm) = This variable measures a company's commitment to being a good citizen, protecting public health and respecting business ethics.
- Product Responsibility Score (ProdRes) = This variable reflects a company's capacity to produce quality goods and services integrating the customer's health and safety, integrity and data privacy.
- Workforce Score (Work) = This variable measures a company's effectiveness in job satisfaction, a healthy and safe workplace, maintaining diversity and equal opportunities, and development opportunities for its workforce.

Regarding environmental performance measures, the Refinitiv ESG database disentangles the overall Environmental Pillar Score into three subpillars, namely, the Emission Score, Resource Use Score and Environmental Innovation Score. Our attempt to deeply investigate the relationships between governance structure and functions and corporate environmentalism has therefore been carried out by employing the following measures of environmental performance.

- Environment Pillar Score (Env) = This variable is the weighted average relative rating of a company based on the reported environmental information and the resulting three environmental category scores.
- Emissions Score (Emis) = This variable measures a company's commitment to and effectiveness in reducing environmental emissions in production and operational processes.
- Resource Use Score (ResUse) = This variable reflects a company's performance and capacity to reduce the use of materials, energy or water and to find more eco-efficient solutions by improving supply chain management.
- Environmental Innovation Score (EnvInn) = This variable reflects a company's capacity to reduce the environmental costs and burdens for its customers and, thereby, create new market opportunities through new environmental technologies and processes or eco-designed products.

Control variables

Finally, we adopted four control variables that have been commonly used in previous CSR studies (Gangi et al., 2019; Wang and Berens, 2015).

- Leverage = (Long-Term Debt + Short-Term Debt and Current Portion of Long-Term Debt)/Common Equity.
- Growth = Represents gross sales (and other operating revenue less discounts, returns and allowances) year-to-year variation.
- Size = This variable is the log transformation of the sum of total current assets, long-term receivables, investment in unconsolidated subsidiaries, other investments, net property plant and equipment and other assets.
- Profitability = Net Income – Bottom Line + [(Interest Expense on Debt-Interest Capitalised) × (1 – Tax Rate)]/Average of Last Year's and Current Year's Total Assets.

Empirical Strategy

After running descriptive statistics and correlation analyses, we tested our hypotheses by adopting panel data regression with fixed or random effects as estimation methods. This approach is commonly used to overcome regressor miscalculations when acquiring cross-section and time-series data. We first tested the basic assumptions of the regression analysis (such as normality, autocorrelation and multicollinearity), and then we performed fixed effects and random effect models. The final step was choosing between the results provided by these two alternative calculations, and we used the Hausman test to verify whether unique errors were correlated with predictors. According to the purpose of our investigation, we had to perform several regression models to provide a comprehensive reading of the relationship between CG and CSR engagement. In all models, as mentioned before, the independent variables were lagged one year to overcome issues of reverse causality and simultaneity (Jo and Harjoto, 2012). The final database, composed of 551 companies and 2149 firm-year observations described in the previous paragraph concerning the sampling process, was used to investigate the relationship between the governance pillar and the environmental and social pillars and subpillars. However, when we investigated the relationship between the governance subpillars and social and environmental engagement, our sample dropped, in some cases, to 10 companies and 185 observations (in these cases, we had 541 companies and 1964 firm-year observations). Furthermore, when performing regressions including control variables, we lost several firm-year observations due to the availability of financial information. This latter analysis reports results from 393 or 378 companies, corresponding to 1063 or 978 firm-year observations. Finally, our sample was further reduced when we analysed the relationship between board characteristics and social and environmental performance. In this latter case, our sample consisted of 287 or 271 companies, corresponding to 801 or 738 firm-year observations. Finally, we investigated this latter relationship, including control variables. The sample in this final case was reduced to 205 or 216 companies, corresponding to 440 or 476 firm-year observations, due to a lack of financial information.

RESULTS

In Tables 9.1 and 9.2, we report the results from the descriptive statistics and correlation analysis. Descriptive statistics show that sampled firms have, on average, a slightly higher social engagement (43.07) than environmental engagement (19.43). Furthermore, biotech and pharmaceutical firms are less engaged in environmental innovation practices (5.89) and in preserving human rights (17.79), but they show a relatively high commitment to the community (49.07), which is also expressed in a higher indicator of product responsibility and safety (43.82). This last aspect, in addition to being consistent with the expectations about a sector that has at the centre of its core business the health of consumers, is certainly reassuring, especially with reference to the production of vaccines, which, in many cases, has raised doubts with reference to undesirable adverse reactions. Among the seven subpillars analysed in our study, however, the best performance of the industries under observation was found with reference to internal CSR and specifically to workforce protection (50.83).

With reference to governance indicators, it should be noted that managerial (45.23) and shareholder protection (47.27) practices are the main drivers of overall governance effectiveness (42.43). More specifically, when analysing the structure of the board, the sample shows a composition of the board that varies between 3 and

Table 9.1 Descriptive statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
Env	**2691**	**19.43**	**27.31**	**0.00**	**95.48**
Emis	2691	21.34	30.78	0.00	99.72
ResUse	2691	21.92	30.96	0.00	99.71
EnvInn	2691	5.89	18.47	0.00	98.36
Soc	**2691**	**43.07**	**22.95**	**0.43**	**97.74**
HumRig	2451	17.79	29.69	0.00	98.57
Comm	2451	49.07	27.99	0.00	99.81
ProdRes	2451	43.82	30.17	0.00	98.73
Work	2691	50.83	29.02	0.43	99.86
Gov	**2149**	**42.43**	**22.76**	**0.24**	**96.73**
Man	2149	45.23	28.21	0.05	99.88
– B-Size	*975*	*10.12*	*2.91*	*3.00*	*21.00*
– B-GenDiv	*977*	*16.97*	*11.58*	*0.00*	*57.14*
– B-SustCom	*2149*	*0.30*	*0.46*	*0.00*	*1.00*
– CEO-Comp	*977*	*0.37*	*0.48*	*0.00*	*1.00*
– CEO-Dual	*977*	*0.47*	*0.50*	*0.00*	*1.00*
Shs	2149	47.27	28.73	0.14	99.95
CSRStrat	2149	21.24	31.35	0.00	99.64

Table 9.2 Correlation matrix

Variables	Env	Emis	ResUse	EnvInn	Soc	HumRig	Comm	ProdRes	Work	Gov	Man	B-Size	B-GenDiv	B-SustCom	CEO-Comp	CEO-Dual	Shs	CSRStrat
Env	1																	
Emis	0.9591*	1																
ResUse	0.9729*	0.8865*	1															
EnvInn	0.5897*	0.4843*	0.5283*	1														
Soc	0.6288*	0.5880*	0.6240*	0.3914*	1													
HumRig	0.7315*	0.6798*	0.7414*	0.4159*	0.7057*	1												
Comm	0.3809*	0.3523*	0.3766*	0.2479*	0.7470*	0.4261*	1											
ProdRes	0.5216*	0.4838*	0.5190*	0.3650*	0.7790*	0.4710*	0.3849*	1										
Work	0.6131*	0.5957*	0.5974*	0.3364*	0.7687*	0.5387*	0.4231*	0.5065*	1									
Gov	0.5465*	0.5220*	0.5462*	0.2718*	0.3723*	0.4587*	0.2192*	0.3456*	0.3744*	1								
Man	0.4167*	0.3969*	0.4159*	0.2078*	0.3000*	0.3486*	0.1790*	0.2866*	0.3018*	0.9474*	1							
– B-Size	*0.4101**	*0.3851**	*0.3989**	*0.2808**	*0.3671**	*0.3323**	*0.2894**	*0.3236**	*0.3190**	*0.2168**	*0.1653**	1						
– B-GenDiv	*0.1383**	*0.1315**	*0.1286**	*0.1152**	*0.1479**	*0.1620**	*0.1672**	*0.1051**	*0.0918**	*0.0941**	*0.0719*	*0.1663**	1					
– B-SustCom	*0.7015**	*0.6722**	*0.6989**	*0.3726**	*0.4556**	*0.5688**	*0.2647**	*0.4312**	*0.4434**	*0.5231**	*0.4000**	*0.3019**	*0.1033**	1				
–CEO-Comp	*0.3594**	*0.3372**	*0.3431**	*0.2796**	*0.3458**	*0.3482**	*0.2838**	*0.2849**	*0.2643**	*0.2197**	*0.1733**	*0.1310**	*0.3175**	*0.2329**	1			
– CEO-Dual	*0.1082**	*0.0887**	*0.1145**	*0.0874**	*0.1332**	*0.1101**	*0.0946**	*0.0979**	*0.0976**	*0.0804*	*0.0721*	*0.1917**	*0.0153*	*0.0409*	*0.1045**	1		
Shs	0.1953*	0.1809*	0.2077*	0.0782*	0.0813*	0.1680*	0.0171	0.0896*	0.1003*	0.4381*	0.1777*	*0.0862*	*0.0353*	*0.2007**	*0.0605*	*0.0255*	1	
CSRStrat	0.8317*	0.8071*	0.8166*	0.4370*	0.5650*	0.6934*	0.3622*	0.4655*	0.5424*	0.5789*	0.4138*	*0.3317**	*0.1459**	*0.7717**	*0.3455**	*0.0871*	0.2106*	1

Note: * 10%, 5%, 1% sig. level

21 people (with an average of 10) and a percentage of participation of women that reaches a maximum of 57 per cent but which, on average, is very low (approximately 17 per cent). The presence of a CSR committee was noted in 30 per cent of the observations. Similarly, a link between CEO and shareholder compensation was detected in 62.4 per cent of the observations, while an overlap between the CEO and the chairman of the board was found in almost half of the observations (53 per cent).

The correlation analysis shows that all ESG variables are significantly correlated with each other. Obviously, the matrix also exposes correlations between pillars (Env, Soc, Gov) and subpillars (Emis, ResUse, EnvInn; HumRig, Comm, ProdRes, Work; Man, Shs, CSRStrat), of which they are linear combinations. From this analysis, however, it is possible to infer, once again, which performance indicators represent those of greatest importance to the sample, driving the overall performance in social, environmental and governance terms.

As we already mentioned when commenting on the descriptive statistics, the overall commitment to the environment is driven by the commitment to reducing emissions (0.95) and the natural resources used in the production process (0.97). Similarly, from the point of view of social engagement, three out of four subpillars (community, workforce and, above all, product responsibility) influence the social commitment of companies in a more incisive way. The effectiveness of corporate governance is consistently driven by the indicator concerning the structure and functionality of the board, which is correlated in a substantially more important way to the overall corporate governance score (0.94). Indeed, the variable that summarises the overall effectiveness of corporate governance is positively and significantly correlated with both social and environmental performance. More specifically, CG is positively and significantly more strongly correlated with environmental engagement (0.54) than with overall social engagement (0.37). At the subpillar level, there is a greater correlation with reference to two pillars of environmental engagement (Emis and ResUse) and one of social engagement (HumRig).

In regard to governance subpillars, the correlation matrix shows that management variables are more correlated with environmental performance (0.41) than social performance (0.30). Furthermore, board structures and functions are also positively correlated with environmental and social performance. Board size, a board sustainability committee and the CEO's compensation link to shareholder returns are the variables that seem to be more interesting when addressing the relationship between governance tools and CSR engagement.

Table 9.3 exhibits models related to addressing the association between the overall corporate governance score (Gov) and corporate environmental and social pillars and subpillars. Models 1 to 4 demonstrate that effective corporate governance is a driver for firms in gaining a higher degree of corporate environmentalism, particularly when trying to reduce waste and other toxic emissions or when seeking to reduce natural resources employed in the production process. Eco-innovation is still positively associated with more effective corporate governance but with a slightly weaker intensity (Model 4). Furthermore, the overall corporate governance score is positively associated with social performance (Models 5 to 9). More specifically, a

Table 9.3 *The impact of CG on CEP and CSP*

Model	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
	Env	Emis	ResUse	EnvInn	Soc	HumRig	Comm	ProdRes	Work
Gov	0.2102577***	0.2749437***	0.210612***	0.0412338**	0.2432004***	0.2094308***	0.1601359***	0.3177391***	0.2262917***
	(0.0215308)	(0.0277758)	(0.0261905)	(0.0191132)	(0.0256514)	(0.0374196)	(0.03134)	(0.0413291)	(0.0309949)
_cons	13.75059***	13.26914***	16.57884***	5.322525***	35.54146***	11.93151***	45.07844***	33.61852***	44.01885***
	(0.9381334)	(1.210237)	(1.141164)	(0.8327951)	(1.117673)	(1.631693)	(1.366589)	(1.80217)	(1.350497)
Obs.	*2149*	*2149*	*2149*	*2149*	*2149*	*1964*	*1964*	*1964*	*2149*
N. firms	*551*	*551*	*551*	*551*	*551*	*541*	*541*	*541*	*551*
F	20.63	15.70	17.39	16.18	10.59	8.15	12.61	6.62	10.97
Prob>F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
R-sqr	*0.2987*	*0.2725*	*0.2984*	*0.0739*	*0.1386*	*0.2104*	*0.0481*	*0.1194*	*0.1402*
Model	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
Gov	0.1513843***	0.1937319***	0.1740538***	–0.0032353	0.1970855***	0.13443**	0.129119***	0.296355***	0.2170516***
	(0.033609)	(0.043322)	(0.0414257)	(0.032939)	(0.0392487)	(0.0565004)	(0.048045)	(0.0649747)	(0.0502724)
Leverage	–0.0046272	–0.0132138	0.0042089	–0.0031853	–0.0064428	0.0226186	–0.0046764	–0.0258265	–0.0226615
	(0.0412036)	(0.0531114)	(0.0507866)	(0.0403822)	(0.0481177)	(0.0652412)	(0.0554777)	(0.0750265)	(0.0616324)
Growth	0.0000000**	0.0000000**	0.0000000*	0.0000000	0.0000000*	0.0000000*	0.0000000**	0.0000000	0.0000000
	(0.0000000)	(0.0000000)	(0.0000000)	(0.0000000)	(0.0000000)	(0.0000000)	(0.0000000)	(0.0000000)	(0.0000000)
Size	–0.273012*	–0.4473867**	–0.1747214	–0.0508194	–0.2210248	–0.4229087*	–0.3353101*	–0.209638	–0.0625124
	(0.1421021)	(0.1831694)	(0.1751518)	(0.1392693)	(0.1659474)	(0.235881)	(0.2005807)	(0.2712598)	(0.2125565)
Profitability	–0.0005512	–0.0003155	–0.001038	0.0001177	–0.0000232	–0.0003228	–0.0008795	0.0003928	0.000647
	(0.0014245)	(0.0018362)	(0.0017558)	(0.0013961)	(0.0016635)	(0.0022618)	(0.0019233)	(0.002601)	(0.0021307)

(*Continued*)

Table 9.3 *(Continued)*

Model	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
	Env	Emis	ResUse	EnvInn	Soc	HumRig	Comm	ProdRes	Work
_cons	21.40159***	24.64996***	21.84702***	8.984873***	40.45706***	22.05046***	50.73696***	37.26129***	45.75117***
	(2.586678)	(3.334225)	(3.18828)	(2.535113)	(3.020733)	(4.29077)	(3.648644)	(4.934325)	(3.869158)
Obs.	*1063*	*1063*	*1063*	*1063*	*1063*	*978*	*978*	*978*	*1063*
N. firms	*393*	*393*	*393*	*393*	*393*	*378*	*378*	*378*	*393*
F	13.13	9.69	10.71	9.99	7.16	6.14	9.53	4.34	6.45
Prob>F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
R-sqr	*0.2589*	*0.2359*	*0.2847*	*0.0572*	*0.1545*	*0.1411*	*0.0353*	*0.1548*	*0.1789*

Note: * = 10% sig. level; ** = 5% sig. level; *** = 1% sig. level; (standard errors)

higher overall governance score may generate a higher commitment of companies to all social issues and, particularly, product safety and health (Model 8). Almost all the relationships described by the first nine models are confirmed in terms of significance and intensity when including control variables in the models (Models 10 to 18). The only relationship that loses significance in this latter case is that which inquires into the association between CG and eco-innovation, which was the weakest relationship according to the first nine models.

Table 9.4 exhibits the relationship between CG subpillars (management structure and function, shareholder protection and CSR strategy) and CSR performance. Models 1 to 9 show that governance subpillars are differently associated with CEP and CSP. Generally, all CG subpillars are positively associated with CEP and CSP; however, these relationships are not always significant. Equal treatment of shareholders, for instance, is a significant driver of CSR performance only with reference to resource reduction (Model 3), with the overall social pillar and with human rights protection and workforce safeguards. Companies' attitudes about communicating their integration of CSR into their day-to-day economic transaction (CSR strategy) is significantly associated with all CSP and CEP except for eco-innovation performance. The only governance subpillar that is positively and significatively associated with all CEP and CSP pillars and subpillars is the Management Score, whose highest effect is on product responsibility (Model 8). These relationships are also mostly confirmed when including control variables in regression models. In this latter case, Models 10 to 18 exhibit the same results with reference to the CSR Strategy Score. The Management Score loses significance with reference to the capability of firms to reduce their resource use and be active in eco-innovation products and processes and in safeguarding human rights. In regard to shareholder protection, in conclusion, while the relationships with resource use reduction and with overall social engagement remain positive and significant, shareholder protection loses its ability to determine a higher engagement in internal CSR (Model 18) but gains a positive and significant effect on product responsibility.

In light of what has been analytically commented with reference to both pillars and subpillars, we can state that Hypotheses H1 and H2 are, in a general sense, confirmed. More specifically, it should be noted that the overall corporate governance mechanisms are positive predictors of both CEP and CSP, but when deeply investigating the effect on environmental and social underpinnings, the relationship is stronger in determining an effect on product health and safety and on workforce safeguards, thus demonstrating its important role in both internal and external CSR. Furthermore, among the CG subpillars, the management structure and functions have a positive and significant impact on all variables, particularly on social ones, such as product health and safety and community and workforce safeguards.

Consistent with what we stated in the methodological section of this chapter, a significant contribution of this study is that it is not limited to the relationship between the aggregate indicators of effective CG and the environmental and social performance of pharmaceutical and biotech firms. Indeed, we have conducted an in-depth analysis regarding the links between more detailed CSR actions or subpillars. The

Table 9.4 *The impact of CG subpillars on CEP and CSP*

Model	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
	Env	Emis	ResUse	EnvInn	Soc	HumRig	Comm	ProdRes	Work
Man	0.0762717***	0.10239***	0.0581655***	0.0320082**	0.0905019***	0.0442714*	0.0783333***	0.1472244***	0.0814248***
	(0.0144831)	(0.0187141)	(0.0178078)	(0.0140823)	(0.0177457)	(0.0260268)	(0.022764)	(0.0295193)	(0.0219654)
Shs	0.022486	0.0276344	0.0444109**	–0.0053422	0.0495777***	0.0563954**	0.0108333	0.0396028	0.0476318*
	(0.0141502)	(0.018284)	(0.0173984)	(0.0137586)	(0.0173378)	(0.0255036)	(0.0223064)	(0.0289259)	(0.0214605)
CSRStrat	0.3715002***	0.4760808***	0.4216214***	0.0076653	0.3770116***	0.4839219***	0.204274***	0.4134712***	0.3616023***
	(0.0193868)	(0.0250505)	(0.0238372)	(0.0188503)	(0.0237541)	(0.0358896)	(0.0313904)	(0.0407056)	(0.0294026)
_cons	10.26814***	8.885319***	11.82885***	5.714555***	31.41558***	5.768042***	43.4454***	29.71377***	40.00528***
	(0.9739777)	(1.258516)	(1.197561)	(0.9470238)	(1.193385)	(1.764692)	(1.543464)	(2.001492)	(1.477162)
Obs.	*2149*	*2149*	*2149*	*2149*	*2149*	*1964*	*1964*	*1964*	*2149*
N. firms	*551*	*551*	*551*	*551*	*551*	*541*	*541*	*541*	*551*
F	9.24	7.61	8.13	13.74	9.06	5.22	11.53	5.96	9.26
Prob>F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
R-sqr	*0.6946*	*0.6510*	*0.6731*	*0.0779*	*0.3147*	*0.4828*	*0.1256*	*0.2241*	*0.2954*
Model	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
Man	0.0385733*	0.0486383*	0.0258199	0.0030242	0.0579849**	–0.0210188	0.0728389**	0.1163895**	0.0745766**
	(0.0226259)	(0.0294655)	(0.0278658)	(0.0242053)	(0.0270729)	(0.0390254)	(0.0350195)	(0.0466931)	(0.0355634)
Shs	0.0167972	0.03487	0.055397*	–0.0281592	0.0560253**	–0.0210188**	–0.0235878	0.0991991**	0.0477155
	(0.0220723)	(0.0287446)	(0.027184)	(0.0236131)	(0.0264105)	(0.0381639)	(0.0342464)	(0.0456624)	(0.0346933)
CSRStrat	0.3489672***	0.4253874***	0.4248014***	0.0251961	0.3532895***	0.4560446***	0.1757846***	0.3608746***	0.3626626***
	(0.0292259)	(0.0380606)	(0.0359942)	(0.031266)	(0.0349701)	(0.0507247)	(0.0455178)	(0.060691)	(0.0459373)
Leverage	–0.0036257	–0.0117303	0.0062225	–0.0036713	–0.0048077	0.0253871	–0.004978	–0.0237974	–0.0212636
	(0.0377505)	(0.0491622)	(0.046493)	(0.0403857)	(0.0451702)	(0.0612351)	(0.0549494)	(0.0732665)	(0.0593363)

Growth	0.00000000407	0.00000000516	0.00000000371	–0.00000000356	0.00000000442	0.00000000582	0.00000000971*	–0.00000000173	0.00000000404
	(0.00000000375)	(0.00000000488)	(0.00000000462)	(0.00000000401)	(0.00000000448)	(0.00000000608)	(0.00000000546)	(0.00000000728)	(0.00000000589)
Size	–0.225474*	–0.3902337**	–0.1184868	–0.0458064	–0.1752264	–0.3263743	–0.3010319	–0.1388273	–0.0151509
	(0.1302565)	(0.1696321)	(0.1604223)	(0.1393493)	(0.1558578)	(0.2216543)	(0.1989018)	(0.2652049)	(0.2047376)
Profitability	–0.00046	–0.0001888	–0.0008796	0.0000913	0.0001055	–0.000044	–0.0008839	0.0005973	0.0007624
	(0.0013053)	(0.0016999)	(0.0016076)	(0.0013964)	(0.0015619)	(0.0021235)	(0.0019056)	(0.0025408)	(0.0020517)
_cons	16.61971***	18.44625***	14.84321***	9.442689***	34.75896***	12.84451***	49.6007***	30.50569**	40.33349***
	(2.491652)	(3.244862)	(3.06869)	(2.665588)	(2.981377)	(4.251376)	(3.814979)	(5.086687)	(3.916388)
Obs.	*1063*	*1063*	*1063*	*1063*	*1063*	*978*	*978*	*978*	*1063*
N. firms	*393*	*393*	*393*	*393*	*393*	*378*	*378*	*378*	*393*
F	6.30	5.02	5.36	8.20	6.16	4.22	8.67	3.88	5.63
Prob>F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
R-sqr	*0.6890*	*0.6438*	*0.6723*	*0.1041*	*0.3426*	*0.4708*	*0.1315*	*0.2494*	*0.3225*

Note: * = 10% sig. level; ** = 5% sig. level; *** = 1% sig. level; (standard errors)

benefit of this more analytical approach consists of the opportunity to empirically verify which specific board characteristics impact specific policies and performance in the complex context of environmental and social engagement by firms. Moreover, our findings have greater practical value to the extent that they refer to sectors that are relevant for societal well-being, such as pharmaceutical and biotech, particularly in the wake of COVID-19.

By analysing the effects of the individual five governance subpillars on social and environmental performance, it is possible to identify which elements can guide more specific corporate actions towards internal or external CSR (Table 9.5). First, consistent with our expectations, the size of the board has positive and significant effects on two of the three measures of environmental performance. On closer inspection, in fact, as the size of the board of directors and its ability to reconcile the different needs of a plurality of stakeholders increase, we find a decrease in harmful emissions and the use of natural resources in production processes. On the social side, larger boards predict better social performance related to internal (worker-oriented) and external CSR. The effects from the point of view of external CSR are particularly evident with reference to the community and product responsibility.

Second, moving on to gender diversity within the boards, contrary to expectations, as the percentage of women on the board increases, there is no greater commitment of pharmaceutical and biotechnology companies to environmental and social responsibility activities. A significant effect was found with reference to eco-innovation, and the result would seem to affirm that with the increase in women on the board, there is less willingness of companies to develop product and process technologies aimed at mitigating environmental impacts. Furthermore, relative to the effect of the presence of a sustainability committee on social and environmental performance, consistent with our expectations, the presence of this CG tool has a positive effect on environmental performance and on social issues, both internal and external. Third, the theme of the relationship between economic performance and social performance has been at the centre of the theoretical and practical debate. Linking CEO compensation to economic performance is one of the main agency solutions that owners adopt to mitigate the risk of opportunistic management behaviour. Accordingly, the investigation of the relationship between compensation policy and social and environmental performance is useful for verifying the overinvestment hypothesis and, eventually, supporting the conflict resolution hypothesis. Our analyses confirm that CEOs of pharmaceutical companies strongly believe in the relationship between social performance and economic performance or that their choices regarding CSR engagement are not influenced by the potential negative effects of such efforts in the short run (Barnett and Salomon, 2012). In particular, a CEO compensation policy linked to economic performance has a positive impact on social and environmental underpinnings. As a whole, the aforementioned relations are also confirmed when including control variables in the models (Models 10 to 18). In summary, board size, sustainability committees and CEO compensation are linked to shareholder returns as predictors of better social and environmental performance.

Table 9.5 *The impact of board characteristics on CEP and CSP*

Model	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
	Env	Emis	ResUse	EnvInn	Soc	HumRig	Comm	ProdRes	Work
B-Size	0.598406***	0.6786147***	0.6533088***	0.2993187	0.657703***	0.4194901	0.7779976***	1.092567***	0.9606678***
	(0.175781)	(0.2477494)	(0.2071163)	(0.192156)	(0.2110383)	(0.321613)	(0.2553296)	(0.3314058)	(0.2314245)
B-GenDiv	−0.0094047	0.0192172	−0.0250933	−0.0885344*	0.0836036	0.0712227	0.0935923	0.0322351	0.0359179
	(0.0449725)	(0.0633852)	(0.0529895)	(0.049162)	(0.0539929)	(0.0821108)	(0.065188)	(0.084611)	(0.0592086)
B-SustCom	11.79252***	15.44996***	11.26402***	8.125576***	14.69629***	14.67697***	6.863834**	22.39866***	13.2206***
	(2.244402)	(3.163307)	(2.644496)	(2.453481)	(2.694573)	(4.061306)	(3.224284)	(4.18497)	(2.954868)
CEO-Comp	4.010769***	4.121189***	4.093637***	2.090.161	5.523311***	8.034671***	3.762694**	8.070105***	3.561922**
	(1.169825)	(1.648775)	(1.378361)	1.278.801	(1.404463)	(2.146645)	(1.704229)	(2.212009)	(1.540133)
CEO-Dual	−0.4732117	−0.7137807	−0.3563814	0.014276	1.08389	2.698487	0.8468669	−0.7467379	−0.3870746
	(0.9498569)	(1.338748)	(1.119182)	(1.038342)	(1.140375)	(1.73728)	(1.379232)	(1.790179)	(1.250534)
_cons	22.70342***	22.99035***	26.62085***	6.710619***	36.50803***	15.89156***	44.91537***	29.7694***	45.62525***
	(2.156237)	(3.039045)	(2.540614)	(2.357103)	(2.588725)	(3.98332)	(3.16237)	(4.104609)	(2.838794)
Obs.	*801*	*801*	*801*	*801*	*801*	*738*	*738*	*738*	*801*
N. firms	*287*	*287*	*287*	*287*	*287*	*271*	*271*	*271*	*287*
F	9.77	6.46	8.99	10.10	5.29	4.76	7.45	3.78	6.29
Prob>F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
R-sqr	*0.5701*	*0.5093*	*0.5537*	*0.1648*	*0.3285*	*0.3995*	*0,1744*	*0.2875*	*0.2778*
Model	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
B-Size	0.388265*	0.3891135	0.4588315*	0.4047706	0.6451029**	0.5432719	0.756265**	1.099809**	1.062932***
	(0.2202432)	(0.3205067)	(0.2670778)	(0.2477074)	(0.2778634)	(0.4046533)	(0.3445002)	(0.4382814)	(0.3334521)
B-GenDiv	−0.0085753	−0.0439944	−0.0101625	−0.0079609	0.0773302	0.0264307	0.1276942	−0.0140531	0.0189603
	(0.0622021)	(0.0905189)	(0.0754293)	(0.0699586)	(0.0784754)	(0.115866)	(0.0986421)	(0.1254948)	(0.094175)

(*Continued*)

Table 9.5 *(Continued)*

Model	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
	Env	Emis	ResUse	EnvInn	Soc	HumRig	Comm	ProdRes	Work
B-SustCom	7.51755**	11.24784***	7.281419**	5.48016*	11.04931***	8.527.784	0.7864088	23.67703***	9.703877**
	(2.934953)	(4.27106)	(3.55907)	(3.30094)	(3.702798)	(5.426289)	(4.619652)	(5.877232)	(4.443571)
CEO-Comp	3.710766**	4.265584*	3.553784*	1.44783	6.590458***	8.800583***	5.280388*	10.07208***	5.310175**
	(1.626292)	(2.366644)	(1.972122)	(1.829089)	(2.051763)	(3.167626)	(2.696747)	(3.430867)	(2.462234)
CEO-Dual	–0.4385484	–1.254576	0.0545014	1.151478	–0.1871182	1.376023	1.639761	–2.730071	0.5069236
	(1.289408)	(1.876397)	(1.5636)	(1.450196)	(1.626744)	(2.409622)	(2.051423)	(2.60987)	(1.952186)
Leverage	1.514983	1.236658	2.607559	–1.260711	–1.133915	2.828499	–3.635023	0.5392207	–1.962929
	(2.015828)	(2.933513)	(2.444493)	(2.267201)	(2.543211)	(3.716942)	(3.164405)	(4.025832)	(3.052)
Growth	–0.0000395	–0.000000909	–0.0000674	–0.0000898*	–0.00000141	–0.0000351	–0.000029	0.0000032	0.000048
	(0.0000482)	(0.0000701)	(0.0000584)	(0.0000542)	(0.0000608)	(0.0000851)	(0.0000724)	(0.0000921)	(0.0000729)
Size	–0.3394039	–0.5210156	–0.3538176	0.0814472	–0.0650813	0.3288816	–0.452151	0.2690451	0.0322055
	(0.2829635)	(0.4117797)	(0.3431355)	(0.3182489)	(0.3569926)	(0.5206025)	(0.4432131)	(0.5638663)	(0.4284118)
Profitability	0.0164091	0.0123687	0.0296641	–0.0148167	–0.022457	0.0050429	–0.0042858	–0.0753575	–0.0178295
	(0.0258267)	(0.037584)	(0.0313187)	(0.0290473)	(0.0325835)	(0.0490033)	(0.0417187)	(0.0530756)	(0.0391021)
_cons	31.8498***	36.9355***	35.0397***	5.201005***	39.30139***	11.93783***	53.93258***	24.88562***	45.5703***
	(5.405186)	(7.86584)	(6.554596)	(6.079209)	(6.819295)	(10.18427)	(8.670344)	(11.03062)	(8.183547)
Obs.	*479*	*479*	*479*	*479*	*479*	*440*	*440*	*440*	*479*
N. firms	*216*	*216*	*216*	*216*	*216*	*205*	*205*	*205*	*216*
F	9.02	5.40	7.83	9.13	4.56	4.69	6.05	3.14	4.43
Prob>F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
R-sqr	*0.4996*	*0.4522*	*0.4677*	*0.2148*	*0.3215*	*0.3416*	*0.1401*	*0.3226*	*0.2572*

Note: * = 10% sig. level; ** = 5% sig. level; *** = 1% sig. level; (standard errors)

CONCLUSION

The theoretical debate on the relationship between corporate governance and social and environmental responsibility, even before Bowen's studies, can be traced back to the 1930s and to the Wall Street Crash that triggered the well-known Berle-Dodd debate. Indeed, the question of whether a company should be managed in the interests of its shareholders or whether it should be oriented towards the interests of a plurality of stakeholders has been at the heart of managerial research for almost a century now, confirming the centrality of the issue from both a theoretical and managerial point of view. If, until the end of the 1970s, the doctrinal position that supported the maximisation of shareholder value dominated the scene, from the 1980s onwards there has been a slow but important reversal of this trend that has led, today, to the emergence of a much broader vision. While still taking into consideration the role of shareholders, a new approach sees, in the creation and distribution of a wider value, not only an ethical choice but also a potential additional source of competitive advantage. However, from a practical point of view, to translate the progress made by management theory on a larger scale, it has been necessary to go through several dramatic crises involving all ESG pillars. From a corporate governance perspective, the last financial crises of the new millennium have brought into focus the need for more robust and transparent markets. From the environmental point of view, we are now going through a period of climate change and natural disasters, much of which can be traced back to business activity. At the centre of global attention is the need to reduce the consumption of natural resources and minimise toxic emissions to safeguard the environment for future generations; in a word, sustainability. Additionally, from a social point of view, the crisis of the COVID-19 pandemic has put the issue of global public health at the centre of the international agenda.

The numerous adverse events that have occurred in the last 20 years have led policy-makers to increase international agreements and regulations aimed at improving the ability to 'give back to the community' that for too long was undervalued by companies. In Europe, with the crisis generated by the COVID-19 pandemic, it was finally understood that a strong economic push was needed to support states in building a more sustainable future, both socially and environmentally. The €806.9 billion of the NextGenerationEu plan, much of it coming from the Recovery and Resilience Facility (RRF), will be used to build the necessary bridge between investment and return due to the gap between the short-term shareholder position and the stakeholder position characterised by greater foresight. 2020 was also the year of publication by the World Economic Forum of the 'Davos Manifesto', which expresses the need to move from a shareholder vision to a stakeholder perspective. Therefore, we are finally witnessing the transition, constantly hoped for by management scholars in the last 40 years, towards a business management model characterised by a different orientation towards CSR. The academic world, the business world and policy-makers are now converging, consistent with institutional theory (Di Maggio and Powell, 1983) and company isomorphism, to achieve sustainability results on a large scale.

From the above points of view, the current chapter has focused on the need to fill a knowledge gap in the relationship between governance mechanisms and social and environmental performance, with the aim of providing indications concerning the best practices to follow to set corporate governance structures aimed at fostering greater social and environmental engagement.

Our goal was pursued by investigating the international pharmaceutical and biotechnology industries, which have been poorly investigated, despite the environmental and social impacts (MacDonald, 2004; Milanesi et al., 2020; Von Geibler et al., 2006; Milanesi et al., 2020). However, the explosion of the COVID-19 pandemic has further drawn attention to these sectors, especially with regard to the safety of products in general and vaccines in particular. The current context strengthens the topical question of the effect of corporate governance on social and environmental performance in the pharmaceutical and biotechnology industries. In line with stakeholder theory (Freeman, 1984) and the conflict resolution hypothesis (Jo and Harjoto, 2012), because the centrality of that industry to a plurality of stakeholders increases, the importance of CG as a driver of social and environmental engagement increases as well. In addition to the importance in terms of impact, the multidimensionality of the pharmaceutical and biotechnology industry concerns in terms of CSR (both social and environmental) is an additional reason to deeply investigate the link between CG and CSR by disentangling the ESG pillars. This approach has allowed us to inquire about multiple connections and relationships between CG and CSR and their subpillars.

Consistent with the instrumental stakeholder view (Jones, 1995), our findings have shown that CG can be a mechanism for improving social and environmental engagement, thus preserving trustee relationships with stakeholders that contribute to the greater competitive advantage of companies involved in sectors at the centre of the current and, probably, future public debate, such as pharmaceutical and biotech firms.

In this study, CG mechanisms have been investigated from the perspectives of policies that may protect shareholders' interests and that may reconcile social responsibility objectives and environmentally friendly practices in industrial and commercial operations. Accordingly, central to our analysis is the structure and functioning of the board of directors. With reference to this last aspect, we have verified the effects of several boards' characteristics and the impact on social and environmental performance. The results showed how increasing board size is associated with greater social and environmental engagement, consistent with the reduction of opportunistic behaviour towards stakeholders and the limitations of freeriding by board members. In addition, we found a positive link between CEO remuneration and shareholders' returns on corporate social and environmental performance, in agreement with previous studies (e.g., Jain and Jamali, 2016; Gangi et al., 2020b; Hacque and Ntim, 2020; Mackenzie, 2007) that have highlighted how remuneration policy represents an effective governance tool for ensuring a long-term focus. As we have discussed, the function of remuneration schemes in organisational vision is particularly important in sectors exposed to market failures, depending on the absence of competition or strong patent protection, as in the case of the pharmaceutical industry. Finally, it has been found that the presence of a CSR committee is able to promote better social and environmental performance, consistent with previous studies that evaluated these committees as a signal of companies' concerns about their social and environmental responsibility (Adnan et al., 2018; Mackenzie, 2007).

In summary, the current chapter aimed to investigate how CG in general and specific board characteristics may positively impact corporate social and environmental engagement. Overall, our findings confirm the positive association between effective CG mechanisms and corporate social engagement and environmentally friendly business models of pharmaceutical and biotech companies. At the theoretical level, our findings confirm the opportunity to disentangle the CSR concept to grasp the systemic relations between its pillars (environmental, social and governance). From this perspective, the stakeholder approach and conflict resolution thesis appear to be suitable frameworks to support CG mechanisms as drivers of better social and environmental performance.

NOTES

1. According to the Global Industry Classification Standard (GICS®) Methodology 2020, p. 31, pharmaceutical companies are those engaged in the research, development or production of pharmaceuticals. Biotech companies are primarily engaged in the research, development, manufacturing and/or marketing of products based on genetic analysis and genetic engineering; this excludes companies manufacturing products using biotechnology but without a health care application.
2. Global Dashboard for Vaccine Equity initiative by UNDP, WHO and University of Oxford: https://data.undp.org/vaccine-equity/.
3. Consistent with Sciarelli (1999), CSR pertains to organizations, while ethics belongs to individuals.

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Appendix 9.1 Description of variables

Variables	Source	Description
Governance Pillar Score (Gov)	Refinitiv, ESG database	Governance Pillar Score is the weighted average relative rating of a company based on the reported governance information and the resulting three governance category scores.
Management (Man)	Refinitiv, ESG database	Management Category Score measures a company's commitment and effectiveness in following best practice corporate governance principles.
Board Size (B-size)	Refinitiv, ESG database	The total number of board members at the end of the fiscal year.
Board Gender Diversity (B-GenDiv)	Refinitiv, ESG database	Percentage of females on the board.
Board Sustainability Committee (B-SustCom)	Refinitiv, ESG database	Does the company have a CSR committee or team?
CEO Compensation Link to TSR (CEO-Comp)	Refinitiv, ESG database	Is the CEO's compensation linked to total shareholder return (TSR)?
CEO-Chairman Separation (CEO-Dual)	Refinitiv, ESG database	Does the CEO simultaneously chair the board or has the chairman of the board been the CEO of the company?
Shareholders (Shs)	Refinitiv, ESG database	Shareholders category score measures a company's effectiveness in the equal treatment of shareholders and the use of anti-takeover devices.
CSR Strategy (CSRStrat)	Refinitiv, ESG database	CSR strategy category score reflects a company's practices in communicating that it integrates the economic (financial), social and environmental dimensions into its day-to-day decision-making processes.
Social Pillar Score (Soc)	Refinitiv, ESG database	Social Pillar Score is the weighted average relative rating of a company based on the reported social information and the resulting four social category scores.
Human Rights Score (HumRig)	Refinitiv, ESG database	Workforce category score measures a company's effectiveness in job satisfaction, a healthy and safe workplace, maintaining diversity and equal opportunities, and development opportunities for its workforce.
Community Score (Com)	Refinitiv, ESG database	Human rights category score measures a company's effectiveness in respecting the fundamental human rights conventions.
Product Responsibility Score (ProdRes)	Refinitiv, ESG database	Community category score measures a company's commitment to being a good citizen, protecting public health and respecting business ethics.
Workforce Score (Work)	Refinitiv, ESG database	Product responsibility category score reflects a company's capacity to produce quality goods and services integrating the customer's health and safety, integrity and data privacy.

(*Continued*)

Appendix 9.1 (Continued)

Variables	Source	Description
Environment Pillar Score (Env)	Refinitiv, ESG database	Environment Pillar Score is the weighted average relative rating of a company based on the reported environmental information and the resulting three environmental category scores.
Emissions Score (Emis)	Refinitiv, ESG database	Emission category score measures a company's commitment to and effectiveness in reducing environmental emissions in the production and operational processes.
Resource Use Score (ResUse)	Refinitiv, ESG database	Resource use category score reflects a company's performance and capacity to reduce the use of materials, energy or water and to find more eco-efficient solutions by improving supply chain management.
Environmental Innovation Score (EnvInn)	Refinitiv, ESG database	Environmental innovation category score reflects a company's capacity to reduce the environmental costs and burdens for its customers, and thereby create new market opportunities through new environmental technologies and processes or eco-designed products.
Leverage	Worldscope	(Long-term debt + short-term debt and current portion of long-term debt)/common equity × 10.
Growth	Worldscope	Year to year variation of gross sales (and other operating revenue less discounts, returns and allowances).
Size	Worldscope	Log transformation of the sum of total current assets, long-term receivables, investment in unconsolidated subsidiaries, other investments, net property plant and equipment and other assets.
Profitability	Worldscope	(Net income – bottom line + ((interest expense on debt-interest capitalized) × (1 – tax rate)))/average of last year's and current year's total assets × 100.

10. Expanding discussions on incentives on corporate governance: employees' compensation and organizational justice

Luciana Iwashita-da-Silva and Sergio Bulgacov

INTRODUCTION

This chapter aims to contribute to a better understanding of the relationships between governance, rewards for non-directive levels – whose investigation is often neglected by the literature – and the consequent perception of organizational justice.

The effectiveness of governance can be compromised by perceived organizational injustice, as under these conditions there are greater possibilities for counterproductive behaviour to occur. Stakeholder theory has recognized for some time how a fair approach can contribute to the performance of the organization (Freeman, 1984; Donaldson & Preston, 1995; Jones, 1995) and to competitive advantage (Harrison et al., 2010). One of the reasons for the emphasis on the fair treatment of stakeholders is the assumption, often implicit and 'borrowed' from traditional justice research, that all stakeholders care about fairness per se (Bridoux & Stoelhorst, 2013, p. 110).

It is also important to consider that governance effectiveness depends on environmental and organizational factors, such as the importance of being familiar with the stakeholders' practices, how they engage in terms of governance and its consequences for the organization (Hambrick et al., 2008).

The empirical field of this study is the advertising agencies' sector in Brazil, which is usually recognized as one of the most important markets in the world, in both total media investments and creation expertise. In recent years, deep contingent changes have affected the market for advertising agencies worldwide, challenging these organizations in terms of service demand, governance and competitiveness.

This sector has been facing a serious crisis of purpose, where the advertising agencies' usefulness itself has been questioned by practitioners and the specialized press for years. Crisis of purpose is an expression currently used in reference to the uncertainties regarding the future and/or the role of advertising agencies in the industry, as well as the role of advertising professionals in general.

One of the most important aspects of this crisis is the issue of governance due to agency conflicts between agencies' stakeholders, especially shareholders, clients and employees. As in other countries, Brazilian agencies are mostly run by corporate international communication groups, which from the 1990s onwards acquired most of the local agencies through merger and acquisition strategies. Since then, the agencies are subject to the governance systems of the global headquarters. Although these systems are based on internationally recognized good governance practices, their effectiveness is questioned as agencies face major performance difficulties due to conflicts of interest between stakeholders and their own governance.

Thus, how do employees' perceptions of organizational justice in relation to agencies' reward practices interact with agencies' corporate governance? This research aimed to understand how agency conflicts affect Brazilian advertising agencies' governance and their effect on organizational performance, in the light of stakeholder theory (Freeman & Reed, 1983).

Regarding the theoretical contribution of the study, it extends the rewards discussions to nonexecutive levels and fulfils the need for alternative approaches to the study of governance (Tihanyi et al., 2014), particularly considering both external and intraorganizational contexts (Hambrick et al., 2008). Its empirical contribution meets the need for qualitative approaches, revealing how governance acts under particular conditions (McNulty et al., 2013) and through multilevel analyses from the macro to the micro level (Hambrick et al., 2008).

The results reveal important relationships between the constructs (governance, compensation and organizational justice) and a paradoxical situation: internationally established governance systems can be questionable in terms of effectiveness at a local level.

This chapter presents a brief literature review regarding the key issues (governance, employees' compensation and justice), the main research strategies (investigations, approaches), the results and the final considerations.

GOVERNANCE, EMPLOYEES' COMPENSATION AND JUSTICE

Agency theory (Jensen & Meckling, 1976; Fama & Jensen, 1983a, 1983b; Eisenhardt, 1985, 1988, 1989a) remains central in discussions of corporate governance. Regarding the use of incentives as a key mechanism to align the interests between the principal and the agent, it is considered the main theoretical lens in the area of compensation management, especially at the level of the top management team (TMT) (Cuevas-Rodríguez et al., 2012).

The literature has focused mainly on the study of executive compensation (e.g., Hambrick & Mason, 1984; Finkelstein, 1992; Westphal & Zajac, 1994; Carpenter, 2000; Devers et al., 2007; Diprete et al., 2010; Cuevas-Rodríguez et al., 2012; Geletkanycz & Sanders, 2012), reflecting the usual attention to the classic agency conflict.

However, the firm's strategies need to account for those groups that can affect the achievement of the firm's objectives (Freeman & Reed, 1983).

> The case for including multiple stakeholder dimensions can be built on the basis of solving the problem of value creation and trade. From a realistic perspective, managers face simultaneous pressure from multiple stakeholders. It is also a better way to understand longer-term implications of firm actions, since ignoring or harming any of a firm's key

> stakeholders can lead to negative implications for the firm in the future. For example, a corporate restructuring that hurts trust between employees and management could lead to cost savings in the short term, but to serious problems with employee turnover and productivity in the future. (Freeman et al., 2010, p. 119)

The employees could achieve results that are more desirable for the principal and the agent if they are motivated to act responsibly (Cuevas-Rodríguez et al., 2012). It would not be possible for an 'organization to function effectively without some measure of honesty, cooperation, and trust, and it is impossible to delegate authority to agents without relying to some extent on their loyalty, honesty, and goodwill' (Cuevas-Rodríguez et al., 2012, p. 531).

The literature analysing compensation at non-directive levels (middle-level managers and employees in general) is still sparse. Regarding this theme, the most common studies refer to the subject of pay variation.

In the last decades, wage inequality has attracted the attention of scholars and legislators. These concerns arise due to the fact that incentive schemes at directive levels have been growing aggressively in recent decades. In the USA, for example, the gap between CEO and average employee pay in large publicly listed firms rose from about 125:1 in 1992 to 380:1 in 2012 (Connelly et al., 2013, p. 2). This significant increase has led regulators to increase the pressure for transparency on companies' wage disclosure as a way to promote equity (Barclift, 2012).

This debate encouraged the production of pay variation studies, extending the vision of governance to the non-directive levels of organizations. However, the effects of pay variation in governance need to be better investigated (Connelly et al., 2013; Shin, 2014).

Barclif (2012) argues that openly discussing reward criteria in itself would denote (more) ethical and reliable decision-making processes. In this line, the laboratory experiment of Belogolovsky and Bamberger (2014) suggests that if the organization treats remuneration policies as a secret (pay secrecy), it negatively affects individual performance and the intention of continuity of the participant. However, even transparent reward criteria – such as those dependent on performance – are not without a negative effect on the behaviour and the relationship of trust of employees, which can compromise their productivity (Werner et al., 2005).

There is a general link of trust between corporate leaders, institutions and governance. Thus, if governance processes are considered to be transparent and fair, including procedures regarding rewards, greater trust exists among stakeholders (Barclift, 2012). Therefore, organizational justice is a key issue in the investigation of the effects of pay inequities between directive and non-directive levels.

Organizational justice refers to the personal perception that members of the organization have about the standards of ethical and moral conduct of management, defining the essence of relationships between individuals and employers (Cropanzano et al., 2007).

In general, organizational justice positively impacts job satisfaction, builds trust and commitment, improves task performance and fosters organizational citizenship behaviours (Cohen-Charash & Spector, 2001, 2002; Colquitt et al., 2001; Colquitt et al., 2013; Viswesvaran & Ones, 2002; Cropanzano et al., 2007). Furthermore, it promotes customers' satisfaction and loyalty, impacting the organizations' performance (Cropanzano et al., 2007).

On the other hand, perceived injustice refers to counterproductive work behaviour or to deviant workplace behaviours (Skarlicki & Folger, 1997; Ambrose et al., 2002; Berry et al., 2007; Zoghbi-Manrique-De-Lara & Suárez-Acosta, 2014). These behaviours harm the organization's performance, directly affecting its functioning and property (e.g., theft, sabotage, vandalism, resistance to deployments, absenteeism and turnover, among others) or impelling the employees to be less effective in their work (e.g., not following instructions properly, doing the work incorrectly, etc.) (Fox et al., 2001).

Organizational justice is a subjective concept, through which one captures what individuals believe to be right, not an objective reality or a prescriptive moral code (Cropanzano et al., 2007). Even so, it highlights the importance of promoting organizational justice and the need to manage it:

> Organizational justice – members' sense of the moral propriety of how they are treated – is the 'glue' that allows people to work together effectively. Justice defines the very essence of individuals' relationship to employers. In contrast, injustice is like a corrosive solvent that can dissolve bonds within the community. Injustice is hurtful to individuals and harmful to organizations. (Cropanzano et al., 2007, p. 34)

Additionally, to address the issue of equity among stakeholders, it is necessary to consider their diversity, their preferences, their capacity of influence and their search for legitimacy (Hambrick et al., 2008). Hambrick et al. (2008), for example, point out that decision-making processes at the board level often consider only the preferences and views of board members.

Certainly, the agency conflict is central to the study of compensation schemes. However, the literature tends to reduce the 'agent' to the top management level of the organization (CEO and/or TMT), that is, to the 'head' of the organization. Thus, it seems to disregard the existence of the 'body' (middle management and employees in general), as if it were simply conducted, reacting in a linear or passive way to the visions and plans of the 'head' – similar to the metaphor of Clegg et al. (2004).

By assuming that the tactical and operational levels respond homogeneously and linearly to the decisions of management, the literature may also be assuming that the interests of these levels match the 'agent's interest' (directive level), necessarily.

The employees have their own interests and expectations, such as security, wages, benefits and meaningful work in return for their labour (Freeman et al., 2010). Thus, the literature might extend discussion of the alignment of principal-agent interests, considering the agent includes the TMT and the non-directive levels. In other words, it might consider incentives schemes for the stakeholder employee.

Therefore, it is important to understand the perception of justice that the non-directive levels (middle management and employees in general) have in relation to their compensation, which is derived from corporate governance, as a way to assess the effectiveness of governance itself.

INVESTIGATION APPROACHES

To understand how the context in which agencies are embedded influences their governance, it is considered that 'corporate governance deals with the forces that influence how firms and their managers behave in the execution of their responsibilities' (Freeman et al., 2010, p. 110). This includes the formulation of objectives, strategic analysis, environmental analysis, strategy formulation, implementation and control (Freeman et al., 2010, p. 89).

Although the use of qualitative approaches in the study of governance is not recent, it remains rare – qualitative studies focusing on employee-stakeholder rewards are rarer again. In the mainstream of governance studies, most pay variation studies contemplate quantitative approaches (e.g., Tosi & Greckhamer, 2004; Connelly et al., 2013; Shin, 2014).

Zattoni et al. (2013) evoke the contributions of Pratima Bansal regarding the use of qualitative approaches in corporate governance studies:

> Pratima Bansal argues that the dominance of agency theory led governance scholars to deductive theorizing. While this approach has its own merits, the overemphasis on agency theory could also have contributed to missed opportunities to find the emperor's new clothes. In other words, Bansal invites scholars to consider inductive and deductive theorizing as complementary methods to advance our knowledge on corporate governance issues. In the last part of the commentary, she underlines that qualitative data can contribute to governance studies in three ways: (1) by exposing new questions, (2) by challenging existing assumptions, and (3) by identifying new constructs. Finally, she claims that qualitative research is also suited to explore issues where there exists strong theory, but inconsistencies in empirical results, and provides some guidelines to address these issues. (Zattoni et al., 2013, p. 120)

Although many pay variation studies have been developed, further investigation regarding its effects in governance is required (Connelly et al., 2013; Shin, 2014). It is plausible to assume that the field still lacks exploratory investigations that can reveal aspects of organizational context and how they interact with corporate governance.

Therefore, the main objectives of this study are: (i) to understand the external context and how it affects the organization's strategies, as well as its governance and compensation practices; (ii) to understand how governance is structured in terms of ownership and organizational structures and how they affect the policies and practices of compensation; (iii) to understand how the practices of governance and compensation affect employees' perceptions of justice; and (iv) to understand how these perceptions of justice affect governance and the practices of compensation.

To accomplish these objectives, we sought a framework that considered both the organization-inward and the organization-outward dimensions to guide the empirical study of governance in the field of business strategy.

Hambrick et al. (2008) consolidated the contributions of research in strategy and organizational studies within the framework 'Perspectives on corporate governance' (Table 10.1). The authors argue that, despite the corporate context, the analysis of

Table 10.1 Perspectives on corporate governance

	Formal structure	Behavioural structure	Behavioural process
Organization ↓ **Inward**	**Economics** Designing optimal incentive and monitoring structures	**Power** Showing how positions affect power/politics within organizations	**Social psychology** Revealing how decision-making processes may be biased
Organization ↓ **Outward**	**Legal** Creating and enforcing governance rules and regulations for societal benefits	**Social networks** Showing how power and information flow in interorganizational networks	**Symbolic management** Understanding how symbols and language can address normative compliance with societal norms and values

Source: Hambrick et al. (2008, p. 382)

Table 10.2 Levels of analysis

Level of analysis	Framework correspondence
The contextual influences over agencies' governance	Organization → outward Analysis of the influence of the external context on the organizations' compensation practices and based on 'legal', 'social networks' and 'symbolic management' perspectives
The governance structure of the agencies	Organization → inward Analysis of internal context influences on the organizations' compensation practices based on 'economics', 'power' and 'social psychology' perspectives

governance issues could be expanded in a micro direction (from within the organization) and in a macro direction (from the organization to the outside):

> We see corporate governance as referring to the formal structures, informal structures, and processes that exist in oversight roles and responsibilities in the corporate context. Given this focus, the central unit of analysis in governance research is typically the corporation, or organization; but governance themes, and research on those themes, can span levels of analysis in both the micro direction (from the organization inward) and the macro direction (from the organization outward). (Hambrick et al., 2008, p. 381)

Based on the framework of Hambrick and colleagues, the study considered two levels of analysis (Table 10.2).

For an accurate understanding of corporate governance issues in general, it is important to recognize that corporate governance stems from arrangements situated in particular historical, social and organizational contexts, even if the results are not generalizable (Aguilera et al., 2008). It is important to highlight that, given the exploratory nature of the study, the objective of this investigation strategy is to obtain a panoramic view regarding the pressures of the external and internal contexts of the organization that influence its practices of rewards for employees, the perceptions of justice of employees and how this relates to its corporate governance.

In this sense, we decided to delimit the investigation to a specific sector of activity. From this delimitation, we developed multiple case studies (Eisenhardt, 1989b), aiming to recognize patterns of relationships among constructs within and across cases and their underlying logic (Eisenhardt & Graebner, 2007).

Therefore, the empirical research includes three phases: the exploratory phase, the data collection phase and the data analysis phase.

Exploratory Phase

The main objective of this phase was the choice of the sector that would be investigated. Evidence indicates the advertising agency sector as an adequate fit to be the chosen sector, involving a governance structure composed of control systems with international standards and aggressive systems of incentives for senior management. In addition, the sector usually presents significant pay variation (horizontal and vertical).

In this phase, ten hours of voice records were collected through semi-structured and face-to-face interviews with five relevant Brazilian advertising practitioners. The results of the interviews, combined with the analysis of specialized materials from the sector (reports and publications from discussion forums), validated the choice of field.

Additionally, this phase addressed the research design, including selection criteria for the cases and informants.

Data Collection Phase

Based on the results from the last phase, it was decided to investigate four types of advertising agencies (cases). The results pointed out the need to take into account the investigation of different types of advertising agencies, such as those having core competence on off-line/online media or belonging (or not) to foreign communication groups.

The case study details are given in Table 10.3.

Related to the selection of the informants, professionals at all hierarchical levels (top management team, middle management and operational level) were considered, as well as all types of departments (or experts' teams): customer service, planning, media, creation and production.

To validate the macro context analysis ('organization → outward' level), 16 Brazilian advertising professionals (CEOs, academics, and consultants) were additionally interviewed.

Thus, the entire empirical field was constituted by 94 personal interviews, totalling over 100 hours of voice records (primary data), in addition to news and reports from the press, online videos and internal documents (secondary data).

Table 10.3 Case study details

Case	International communication affiliation	Group headquarters location	Subsidiary location	Core business media	Employees	Informants	Data records (hours)
1	Group A	London	Sao Paulo	Offline	110	29	28
2	Group A	London	Sao Paulo	Digital	100	13	13
3	Group B	New York	Sao Paulo	Offline	200	27	31
4	Independent agency		Sao Paulo	Digital	30	9	10
Total						78	92

Note: Agencies 1 and 2 belong to the same international communication group. Agency 4 does not belong to any group

THE CONTEXTUAL INFLUENCES ON AGENCIES' GOVERNANCE

Legal Perspective

Brazilian labour legislation has a direct impact on agency costs. It imposes tax and social security obligations on agencies that significantly increase salary costs. This external pressure caused many agencies to create different types of employment contracts.

Hiring workers in compliance with legislation is called 'CLT' (in reference to the Brazilian labour legislation: CLT – Consolidação das Leis do Trabalho) that means labour contract follows the law. The alternative modality of contract created by the market is called 'PJ' (related to legal entity; PJ – Pessoa Jurídica) that means the employee is hired as a service provider which relieves the cost to the employer, since the PJ has the entire tax obligation.

For the employee, the net salary received monthly is higher as a PJ than as a CLT, as there is no income tax and social security deduction. Regarding the employment relationship, employees hired as PJs have the same obligations as CLT employees (fulfilment of the working day, performance goals, etc.) but do not have CLT rights (vacation, an additional monthly salary per year, among others).

'Good governance' presupposes not only compliance with laws and regulatory codes, but also compliance with institutional norms and values (Hambrick et al., 2008; Westphal & Zajac, 1994, 2001).

Considering the aspects of compliance with market practices in isolation, the 'alternative contracts' of work could be seen as 'good governance'. However, it is important to understand 'the context' of this practice, as well as its effects. Thus, this practice implies greater exposure to risks of labour claims for the employer.

According to the respondents, this management practice has spread among the agencies as a cost management strategy in the face of strong pressures for results from shareholders (represented by the holdings that control the agencies) and the significant increase in competition in the sector, which has been flattening the selling prices of services.

It seems to be transparent and understandable to employees that employers seek solutions to reduce their labor costs, such as PJ hiring. However, the fact that the decision between the 'CLT' and 'PJ' regimes is made unilaterally by the employer negatively impacts the employees' perception of justice.

Another legal issue putting pressure on agencies is the advertising (ad) marketing legislation. It determines that advertising agencies are intermediaries in the commercialization of ad spaces between advertising companies and media vehicles. This requirement increases the bargaining power of media vehicles (television companies, etc.), once they package the ad spaces into large lots to sell them to the agencies. The agencies with the greatest bargaining power acquire more competitive spots to offer to their clients (advertisers).

However, due to strong competition among agencies, they are continuously pressured by advertisers in the ad trading negotiations. This is especially important in the case of consumer goods/services advertisers which usually manage the largest ad investment budgets – 'the big accounts'. Therefore, agencies are simultaneously pressured by the vehicle (supplier) and by the advertiser (client).

Social Networks Perspective

Regarding this perspective, the concept of multifocal perspectives of justice (Lavelle et al., 2015) provides an adequate understanding of the external stakeholders' influences, as well as their effects. According to this concept, employees can distinguish between and judge individualized sources of justice. Thus, different internal and/or external organizational parties may constitute sources of (in)justice, such as organizational, supervisor and co-workers (internal parts), or shareholders, clients and consumers (external ones) (Lavelle et al., 2015).

The most powerful stakeholders in the social networks are the 'clients' and the 'shareholders' (represented by the agencies' global headquarters). Clients are constantly using their bargaining power against agencies, under constant threat of contract breaches if their current requests are not met. Evidence points out that the greater the value of the communication investment involved in the contracts, the greater the likelihood of abusive treatment. The clients' behaviours employees most often judged as 'abusive' are:

- Sudden compressions in work delivery deadlines.
- Constant review of the scope of work causing significant wastes of time and resources, apart from reworks needs.
- Deliveries which the agency has not been contracted for (which will not be paid for) but are demanded by the client (e.g., staff tasks).
- Unscheduled urgent demands to be fulfilled out of office hours.
- Calls and messages to the professionals' personal devices out of office hours.
- Disrespectful personal treatment in general.

Yielding to these pressures, however, does not guarantee that contracts will not be broken. It is common that, from time to time, customers make rounds of purchasing tables (committee procurement sessions) in order to lower costs with advertising services. In these sessions, several agencies are invited to compete for the account with the current agency. This pressure mechanism leads agencies to lower prices for services already contracted or increase the number of services contracted for the same amount already agreed upon or increase the number of services and lower the total contract value simultaneously.

This sort of situation is more sensitive in the case of global accounts, whose contracts have been signed at the global headquarters level. In such cases, local agencies become more vulnerable because a client complaint at the local level may jeopardize the global contract. In most cases, the global agency headquarters requires its local subsidiary 'to satisfy the (global) client's requests (at the local level)' aiming to avoid contract disruption.

Employees' perception is that they face significant injustice from clients. Their judgements take into account current abusive clients' requirements and behaviours on daily work, besides the situations cited above.

There are also many challenges in client-agency relationships that hinder the job planning and execution. Successive decision levels are required to approve the service deliveries (client's local manager, local Chief Marketing Officer, local CEO, Latin America CMO, etc.). There is usually a lack of alignment among these instances, which results in sudden changes in ongoing projects due to the demands of different (and even conflicting) decision levels. It often affects schedule execution and increases costs for the agencies, decreasing the profitability of the accounts.

Significant overtime work is usually undertaken to prepare and attend the procurement board disputes and the international creativity festivals (e.g., Cannes Lions International Festival of Creativity), which are important for the agency's reputation among its clients and for the reputation of its employees in the advertising market as a whole.

These issues, in combination with the reduced staffing structure, have overwhelmed employees. They commonly have extended working hours for many days in a row without any compensation (e.g., extra payment or compensatory hours).

Another relevant issue is the perceived disparity between agency and client rewards – clients usually offer higher salaries, career plans and compensatory time, to the detriment of agencies – often accompanied by a strong sense of devaluation – 'why is my lifetime worth less than the client's one?' (Account Manager, Agency 3). Furthermore, reports of work-related illnesses in this industry are common.

There are significant indications of lower job satisfaction when the account involves an unfair client. Under those conditions, the employee may feel that the agency and/or leadership is not supporting them and, thus, that the organization and the supervisor are unfair. In the same way as in the relationship with the clients, this experience leads the employee to lose confidence and commitment to the employer and their leadership (Lavelle et al., 2015). Thus, it also negatively affects their productivity and evaluation of reciprocity in the exchanges with the organization and with the supervisor (Colquitt et al., 2013).

It is important to note that job satisfaction, together with commitment, cooperation and productivity factors, is highly correlated with perceptions of distributive and procedural justice (and vice versa) (Colquitt et al., 2013).

The local leaders seem to share a similar perception of unfairness from clients, as well as a certain sense of lack of support from global headquarters. In that sense, local leaders would like to provide compensatory arrangements for employees as a way of rewarding them for their hard work, or even increasing the size of the teams, but they have no autonomy in decision making.

There is also evidence that leaders and employees believe that headquarters is a significant source of injustice, especially regarding the compensation processes of agency professionals. This judgement is often based on the low degree of problem-solving autonomy and the perception of a lack of transparency in global headquarters' deliberation criteria, beyond centralized and lagging decision making processes at the global level. They tend to see this as a sign of lack of confidence in the local team, contributing to the perception of headquarters as unfair.

Moreover, the global headquarters' incentive schemes for subsidiaries' TMT induce agencies to achieve short-term financial performance. Thus, this sort of scheme pressures local agencies to cut costs continuously, especially through compressing the staff structure and suppressing employees' promotion and/or salary adjustment, impacting organizational performance.

Any local decision related to people management (professional hiring, salary increases, promotions, etc.) must be authorized by the head office. Their decisions may be favourable as long as the subsidiary's financial performance is satisfactory – 'the headquarters only wants to see numbers' (Performance Strategy Director, Agency 2) – no matter the context of local needs.

In the long term, the employee will tend to select the manner will behave with each stakeholder, depending on the quality of the social exchange that they experience in these relations (with the organization, the supervisor, the client, etc.). If employees experience relationships as unfair for a prolonged period, there is a great chance that their confidence and their commitment to the respective stakeholder will diminish or disappear (Lavelle et al., 2015).

In this way, the quality of work and consequently the financial performance of the agencies will be seriously undermined. There is a paradox since claims for better compensation for employees are only complied with under the condition of good performance, but performance may be compromised precisely by the absence of adequate compensation.

Symbolic Management Perspective

The turnover culture in the sector is obvious. The practitioners share the belief that 'the only way to raise wages is by switching jobs' (Planning Assistant, Agency 1). This is because headquarters' compliance generally does not allow salary increases for current employees but tends to allow hiring new professionals to the same position for a higher salary than the current one. Thus, employees usually look for better salary proposals from other agencies to pressure their employers to raise their salaries.

High turnover rates have become a challenge for agencies. When a professional leaves, there is no guarantee that headquarters will authorize the hiring of a new person, which constitutes a serious risk to the productive capacity of the agency. In addition, even if there is labour replacement, there can be a negative impact on workflows with clients. This is because it takes time to remake interpersonal relationship connections with the client's counterparts and to know the individual preferences and the working style of each of the client's interlocutors, among other aspects.

Managers understand that high turnover in the sector is due to the lack of good people management practices in the agencies, coupled with difficult working relationships with clients – in some cases, turnover at the operational and intermediate levels reaches 50 per cent per year.

Therefore, pressures from clients and headquarters may produce counterproductive behaviours such as turnover, undermining the organization's performance and governance effectiveness.

THE GOVERNANCE STRUCTURE OF THE AGENCIES

Economics Perspective

This is related to the economic tradition of governance research, being constituted by the structure of controls and incentives for TMT, which aim at the alignment of interests between the principal and agent (Hambrick et al., 2008).

However, the research has evidenced other elements associated with the structure of controls and incentives, such as the ownership structure, compensation structure and organizational structure.

The ownership structure is an important factor in discussing governance and compensation (Werner et al., 2005). The importance of the ownership structure is highlighted by the degree of autonomy of the agencies in deliberations on people management, mainly involving hiring, salary increases and promotions. In this aspect, having (or not) a controller (principal) directly affects the configuration of decision-making bodies on these and other topics relevant to people management. Except for Agency 4, which does not belong to any communication group, the others must submit their requests to the decision-making bodies of the holding(s) at local and foreign levels.

The lack of agency autonomy unanimously affects managers' perceptions of injustice in relation to the headquarters (Latin American or global decision makers level). Managers have limited power in the exercise of their leadership role, in addition to having to deal with the consequences of losing dissatisfied employees without proper support from headquarters. In this sense, they claim that, first, there is a matter of timing. The consideration of claims concerning employees by headquarters, for example, can take months, when they need answers within a week at most. Another point concerns the lack of transparency in relation to the criteria for judging (and rejecting) the claims. In general, the only argument they usually receive is that the subsidiary does not have satisfactory financial performance to have their claim met. In addition, when the employee leaves, dissatisfied with the lack of adequate rewards, headquarters usually does not allow replacement hires, claiming cost cutting, compromising the delivery capacity of local teams.

Employees also share managers' perceptions of injustice in relation to headquarters regarding approval processes for wage increases and/or promotions. However, in cases where the head office's decision-making processes in relation to local requests are not transparent – and generally it is not – the employee's perception of injustice about the agency's reward practices extends from headquarters to the organization and to the supervisor.

The compensation structure was investigated based on the concepts of pay variation and actual rewards (financial and nonfinancial). Regarding the pay variation, the data suggest the existence of total pay variation, that is, of vertical and horizontal variation combined. This is basically due to the historical market practices of advertising agencies in relation to salaries, the absence of standardization of job classification nomenclature, and so on.

In a behavioural approach to research on the effects of vertical pay variation, the theory most invoked in studying the relationship between pay variation and performance is the Expectancy Theory (Vroom, 1964), according to a bibliometric study by Conroy et al. (2014) on pay variation literature in the last 20 years.

In the cases studied, the effects of vertical pay variation can be better understood in the light of the Expectancy Theory (Vroom, 1964).

The lack of clarity about perspectives and/or rules that regulate 'what are the next (career) steps' (Customer Service Director, Agency 1) – as was mentioned almost unanimously by managers and leaders, especially in cases 1, 2 and 3 – negatively impacts their perceptions of justice concerning headquarters, the organization and the leadership. Agencies run by international groups face an 'abyss' between the strategic and the operational levels. Many tactical positions have been vacant for long periods, due to the board's cost management decisions, not allowing people to be hired or promoted. Thus, employees tend to interpret this as 'lack of perspective' – 'from the [operational] position I've been in to the [next/director] position is too far. No one will promote me' (Media Assistant, Agency 3) – which increases the agencies' turnover rate.

'Agency 1' and 'Agency 2' have instruments and formal cycles of merit judgement for salary increases or promotions as part of their normative framework. However, the need for approval from the holding company to authorize the 'award' negatively affects the perception of fairness of leaders and leaders concern to headquarters and the organization. The perception of injustice can be more intense if the award is rejected even though the employee has worked hard to earn the merit.

It should be borne in mind that rewards and performance-dependent criteria, although transparent, may negatively affect employees' behaviour and trust, compromising their productivity, since there are performance factors that are out of their control, as analysed by Werner et al. (2005).

It is important to note that, generally, the holding company's negatives for salary increases, promotions or new hires are conditioned by short-term financial results, which are not under the control of the employees or even of the agencies directly, as in situations where the customer cancels the contract or some communication action in advanced stages of work, among other possibilities.

Connelly et al. (2013) also points to a common situation arising from vertical pay variation: comparing lower-level professionals to each other and higher-level professionals in terms of their skills to see if they are being paid fairly.

An unfavourable judgement implies a lower motivation and a decrease in the performance of these professionals in the medium and long term (Connelly et al., 2013). Thus, there is a tendency for the professional to adjust their level of effort to the financial reward received, in order to restore a fair exchange between employee and organization (Shaw & Gupta, 2007).

Vertical pay variation implies the reduction of cooperation, productivity, commitment and retention of professionals in the long term (Shaw & Gupta, 2007).

In relation to the horizontal pay variation, great horizontal dispersion may be a characteristic of the sector, resulting from its historical practices of wage definition (especially aggressive offers to attract new professionals). It can be inferred that paying 'average' market wages, as the cases report, would involve large levels of dispersion within the wage bands.

Horizontal pay variation studies based on the Theory of Equity admit that the perception of fairness is affected by horizontal comparisons within the organization (rewards between individuals doing the same thing) and external comparisons (rewards between individuals from different organizations who have equivalent roles/functions) (Conroy et al., 2014). In this sense, there is evidence that the perception of equity positively affects satisfaction with payment (Tremblay et al., 1997).

'Agency 4' offers compensations that agencies generally do not offer, such as payment for overtime and compensatory hours. In addition, the founder of the agency personally refuses abusive clients' requests. This leads her employees to judge the founder, the organization and the leadership as fair. It is important to note that Agency 4's founder is a former employee of Group A – that owns 'Agency 1' and '2'. She resigned because of the lack of rewards and the poor working conditions; her motto is 'I will not allow any employee to suffer what I suffered'.

In 'Agency 1', the leaders' perceptions of injustice are mainly due to the dispersion of salaries among team members in the same function (perception of unfair organization), in the face of difficulties in promoting equalities and wage revisions (perception of unfair organization and headquarters).

'Agency 2' belongs to the same group as 'Agency 1' and is subject to the same global norms. In addition, it presents the aggravating factor of a small number of qualified professionals working with digital marketing. This means that it loses many skilled professionals from the operational level to rival agencies while at the same time having difficulty attracting people to the vacancies due to its unattractive salaries.

In 'Agency 3', the managers understand that the salaries paid by the agency in general are consistent with the practices of the sector, being therefore 'okay' in its evaluation. However, they criticize the agency's remuneration policies by comparing the agency's salaries with the salaries paid by other firms, based on the degree of qualification of the professionals of the agencies and their counterparts with the same positions in their client firms.

The Social Comparison Theory (Festinger, 1954) studies relative deprivation, which refers to the sense of deprivation that people have when they perceive that their outcomes are worse compared to those of others (Crosby, 1976), that is, the evaluation made by the employee of the effort expended and the result obtained is relativized, taking into account the results of others.

According to the review by Conroy et al. (2014), the studies following this approach point out that the greater the deprivation – for example, when they perceive that their salary is lower than that of others with similar jobs – the lower the levels of employee satisfaction and the greater their willingness to leave the company.

In the studied cases, it is evident that the employees are unaware of the salaries paid (for peers and superiors) in the agencies they work for. There is a pay secrecy culture and absence of human resources management as well. This context incentives professionals to constantly seek work in other agencies – 'the only way to raise wages' they usually say. The sense of relative deprivation arises when comparing their salaries with those offered in the competitor agency. It may explain, at least in part, the bargaining behaviour that many professionals engage in with their employers – 'agency X has offered me . . .'

Konovsky (2000) suggests that it is common for employees to have a low level of information about the salaries of others; therefore, they seek procedures, criteria and treatment references to make comparisons and form their judgements about justice.

There are professionals who judge the agency's sense of justice based on the equity of nonfinancial rewards offered to general employees – 'If they can [receive that compensation], why can't I?' (Planning Manager, Agency 3) – for example, cars, training abroad, differentiated treatments given by the leaders to some team members, among others. Thus, the cases give strong evidence of a sense of deprivation that strongly affects the perception of the organization and the supervisor as unfair.

Due to the absence of policies that regulate (or universalize) the distribution of nonfinancial rewards among peers within agencies, the 'privileged' tend to perceive the supervisor as fair, assigning the manager exclusive responsibility for the reward received – 'the agency would not do it, it was thanks to the effort of my boss'. Internally, this comparison extends to pairs of other teams/departments of equivalent status (Conroy et al., 2014), that is, within the same team, within the same area (e.g., comparison between different teams belonging to the same area, or comparison of equivalent positions in the areas of client service, planning, etc.).

Regarding the evaluation of actual rewards, it is notorious that most of the professionals interviewed evaluate their rewards package taking into account, in particular, wages. Especially in cases 1, 2 and 3, respondents consider their wages unfair. In general, this judgement seems to affect the perception of justice of the employer, that is, the organization and headquarters.

Overall, they seem to understand that at nominal values their salaries are 'average' in the advertising market and according to their attribution. It is important to emphasize that companies, in general, seek to set wages at the market average as a way to promote equity.

Meanwhile, the judgement of salaries as (un)fair is relative to employees' (dis) satisfaction in terms of:

- The [low] purchasing power of the salary.
- The work overload (e.g., extended working days, reworking needs, etc.).
- The type of jobs (e.g., jobs that provide learning vs repetitive/low complexity tasks).
- The type of clients (e.g., the pesticides industry is seen as a 'disgusting' issue).
- The personal treatment received from the supervisor.
- The personal treatment received from the client.
- The quality of the work environment.
- The degree of professional recognition achieved (e.g., awards, visibility, positive repercussion in the media, etc.).

Power Perspective

The data suggest two types of power asymmetry: the vertical and the horizontal. The vertical asymmetry of status and power is revealed especially in the skills and capacities lacks between the tactical level and the operational level. This distance seems to have been established with an apparent suspension (or suppression in some cases) of more senior positions at the technical level. The evidence suggests that this occurred largely as a cost reduction strategy.

Aside from the technical qualification needs, performance requires knowledge of the client (preferences, approval flows, etc.) and the development of interpersonal interaction skills, among others. Thus, the 'gap' between the tactical and operational levels contributes to the fact that tactical level professionals are overwhelmed with activities that could be delegated, if there were enough professional team members to share the tasks. On the other hand, if the less experienced professionals are not sufficiently involved in the work to be 'trained', the teams will not be autonomous, increasing the overload of tactical level professionals.

That gap, coupled with the pressures of time and the volume of jobs, encourages many tactical level leaders to centralize most of the activities, reducing the involvement of subordinates, to whom are often relegated support activities.

This imbalance negatively impacts employees' perceptions of injustice regarding the leader (supervisor), associated with a sense of unfairness of the organization (Holtz & Harold, 2009).

It is important to point out that the quality of the supervisor social exchange and the quality of the organizational social exchange are predictors of productivity and impairment (Rupp & Cropanzano, 2002). In this sense, the quality of the employees' exchanges with the supervisor and their perception of support received from the organization are associated with the quality of the social exchange.

The quality of the social exchange that the employee has with their direct supervisor (supervisor social exchange) affects the perception of justice in relation to the supervisor and to the organization (Rupp & Cropanzano, 2002). Thus, leadership performance plays a very important role in the productivity and commitment of its employees, as well as in their willingness to stay in the agency.

The results also suggest that the sizing of the teams in the units seems to prioritize the calculation of profitability per unit, without taking into account other aspects such as the volume of work demanded of each unit and/or the different salary practices due to different status (e.g., higher salaries for creation teams). In these conditions, 'bottlenecks' are created between the units, making their work and communication flows difficult, which contributes to a negative evaluation of justice in relation to co-workers, eroding trust and commitment among the teams over the course of time (Lavelle et al., 2015).

Moreover, these distances, reflected in the vertical and horizontal variation of the agency's salaries, make it difficult to approve salary and/or promotion increases, since the holding company's standards establish parameterized limits – 'salary increase greater than X per cent is not allowed' – with inadequate references to the needs of capital adequacy agency rewards.

Social Psychology Perspective

The literature tends to highlight the study of the preferences of board members or TMT, but it is evident that the employee-stakeholder has their own preferences and expectations. Analogously, the research evidenced the preferences of many internal publics to the agencies.

The evaluation of fairness that the employee makes of each stakeholder takes into account the quality of social exchanges with each of the parties (organization, supervisor, controller, internal and external co-workers, customers, suppliers) (Lavelle et al., 2007, 2015), including their expectations of financial and non-financial rewards.

FINAL CONSIDERATIONS

As presented in the conceptual model, corporate governance is constituted of 'formal structures, informal structures and processes that exist in supervisory functions and responsibilities in the corporate context' (Hambrick et al., 2008, p. 381). It is usually studied in three strands (formal structure, behavioural structure and behavioural processes), which can be broken down into 'corporate governance perspectives', considering that there are internal and external pressures on organizations that affect supervisory responsibilities (Hambrick et al., 2008).

The model proposed by Hambrick et al. (2008) was proved suitable for data analysis regarding the desired research objectives. The overall goal was to understand how the perception of organizational justice in relation to rewards at non-directive levels relates to the governance of organizations, and the specific objectives were to understand:

(1) *How the organization's governance is influenced by the context in which it exists.* The context in which the studied organizations exist can be better understood from the pressures and influences of their internal and external stakeholders, their governance being influenced by aspects of formal structure, informal structure and behavioural processes.
(2) *How the rewards for non-directive levels are established within the organization.* The rewards for non-directive levels are established, in most cases, based on market practices of the advertising agencies sector in Brazil and are governed by the regulatory systems of foreign controllers. The degree of autonomy of managers and HR departments in people management practices plays a key role in managing rewards.
(3) *What is the employee's perception of justice about these rewards.* Employees' perception of fairness in rewards takes into account their individual preferences and expectations, as well as considerations about how they are being rewarded for the pressures or support received from other stakeholders (how fair they are), especially the supervisor, the organization, the controller and the client. In their judgment of fairness, the employee takes into account how fair (or not) their working conditions are compared to the conditions of their leaders and/or subordinates and their peers (inside and outside the organization).
(4) *Whether and how organizational justice can reverberate in the effectiveness of governance.* The effects of perceiving justice in relation to the effectiveness of governance are not direct but are judged by the consequent effects such as trust, commitment, cooperative behaviour, satisfaction with work and productivity. Thus, it can be said that organizational justice is positive for the effectiveness of governance.

There is a paradox in governance: of having good financial performance and governance as a condition for adequate reward practices (financial and non-financial), given that in unfair working conditions, there is a lower probability of having a good organizational environment and, consequently, good financial performance.

Given the results of the application of the model, another contribution of this work is to make it possible to understand that the formal structure, the informal structure (behavioural structure) and the process (behavioural process) involve both supervisory functions and responsibilities 'supervised'.

In spite of the concept of justice that is an implicit precept of Stakeholder Theory, literature that contemplates compensation for the employee stakeholder is rare, especially empirical research. Broadening the 'light' of governance discussions on rewards to the employee stakeholder contributes to an understanding of the effectiveness of governance by revealing important nuances of context and how the elements of the various study perspectives influence each other.

Commonly, the employee distinguishes between the sources of organizational (in)justice. Based on holistic judgements, the employee distinctly assesses the justice practiced by the organization (overall organization-focused justice) and that practiced by the direct manager (overall supervisor-focused justice) (Holtz & Harold, 2009). It is important to note, however, that the client also has an important impact on the employee's perception of justice, so that we could consider the overall client-focused justice a source of (in)justice. The same would apply to the organization-headquarters (overall headquarters-focused justice source) relationship.

In addition, the results of the field reveal that employees make a clear distinction between the 'holding' company (or foreign headquarters) and subsidiaries, given the low level of autonomy of local decision-making bodies, so that headquarters can be considered as a stakeholder independent of the local organization itself.

Under these observations, there are also considerations from the works of Werner et al. (2005) and Scott et al. (2009) that the employee's perception of justice affects the way he produces and behaves. Still in these terms, a vast literature in the field of psychology has identified positive causal relationships between the employee's perception of justice and their job satisfaction, their trust (in the manager and/or in the company), their commitment, their productivity and performance in task execution, among other behaviours – referring to reviews and meta-analyses by Cohen-Charash and Spector (2001, 2002), Colquitt et al. (2001), Viswesvaran and Ones (2002) and Colquitt et al. (2013).

These studies also suggest that the perception of justice is a condition, but not a guarantee, of behaviours and attitudes with a positive impact in relation to work. However, when the organization is perceived as unfair, the negative impact caused is proportionally greater than the positive impact associated with the perception of justice. The field results suggest a direct relationship between the employees' perception of fairness and the high turnover observed in the branches.

Thus, with regard to the low effectiveness of governance, it can be compromised by perceived organizational injustice, as under these conditions there are greater possibilities of counterproductive behaviour, among other implications.

Stakeholder Theory has recognized for some time the important contribution of a fairness approach to the organization's performance (Freeman, 1984; Donaldson & Preston, 1995; Jones, 1995) and to competitive advantage (Harrison et al., 2010). One of the reasons for the emphasis on fair treatment of stakeholders is the assumption, often implicit and 'borrowed' from traditional justice research, that all stakeholders care about fairness per se (Bridoux & Stoelhorst, 2013, p. 110).

It can be expected that the positive perception by employees of the criteria for the reward, that is, the reward being perceived as fair, implies better governance. From a legal perspective, for example, Barclift (2012) highlights the importance of the perception of fairness in corporate governance processes regarding remuneration:

> Without governance procedures that are trusted to produce a fair result for executive compensation, stakeholders will continue to view CEO compensation as too high and unfairly rewarded . . . To obtain a governance process that is trusted to produce a fair result requires an internal governance structure designed around principles of fairness and procedural justice rooted in the social psychology research on how participants in a process perceive fairness. (Barclift, 2012)

The research also shows that although the three strands of study are consolidated (mainly the formal structure), it is not possible to treat them with 'purism', that is, as isolated alternatives, in the study of governance in business strategy from the point of view of Stakeholder Theory. The results show that the elements present in all 'perspectives' are relevant and interdependent.

In this way, it is proposed to expand the framework of Hambrick et al. (2008), adding the common and relevant elements identified in the research, which impact the perceptions of organizational justice of the professionals in relation to the remuneration structure, as a way to integrate the employee-stakeholder in governance discussions (Table 10.4).

This study focused on investigating the relationship between justice and rewards. A possibility for future studies is an expanded investigation of control systems, another important assumption of agency theory. Scott et al. (2014), for example, investigating managers' motives for adhering to fair practices, concluded that under fair conditions there is greater alignment both between productivity and performance goals, as well as between compliance and behaviour. In addition, this study suggests that under these conditions, there would be less need for control over the employee, which would reduce the costs of control structures (Scott et al., 2014).

From the empirical point of view, besides contemplating the non-directive levels, the study also contributes to the expansion of the use of qualitative methods of investigation – equally scarce in the literature of governance – whose inductive character reveals more relevant elements for understanding the theme.

Obviously, this work has limitations. One of them is the restriction of the study to a single sector, suggesting, therefore, that in other contexts, the results could be different.

Another limitation concerns the cross-sectional collection of data, especially considering the constant changes in the context (sector competition arena, Brazilian labour legislation, etc.) and of the agencies themselves (restructurings, managerial moves among agencies, etc.), which advance the discussions.

There are also limitations inherent to qualitative approaches, such as the impossibility of generalization of the relationships between the concepts and the interpretive biases of the investigated actors – in this case, only agency professionals were surveyed, to the detriment of other stakeholders.

However, we intend to continue the research on the subject by means of the empirical testing of propositions and also the extension of the studies together with other stakeholders of the agencies (local holdings and estrangement, clients and suppliers).

Table 10.4 *Prospects for governance of advertising agencies in Brazil*

	Economics	**Power**	**Social psychology**
Intraorganizational (organization → inward)	• Structure of controls* • Incentives for TMT* • Ownership structure • Reward compliance • Financial and non-financial rewards • Pay variation • Organizational structure • Norms in general	• Managers' autonomy over rewards decisions • Horizontal status and power asymmetries related to pay variation • Vertical status and power asymmetries related to pay variation • Workflows • Local HR team power and status	• TMT preferences and expectations* • Leadership preferences and expectations • Team members' preferences and expectations • People management practices
	Legal*	**Social network**	**Symbolic management***
Institutional (organization → outward)	• Brazilian labour legislation • Legislation of the advertising sector • Other regulations • Contracts with clients • Contracts with vehicles • Contracts with suppliers • Contracts with partners	• Influence of shareholders • Influence of global network • Influence of clients • Influence of partner agencies • Influence of vehicles • Influence of suppliers • Influence of competing agencies	• Management practices instituted in the sector • Competitive practices • Advertising festivals • Labour supply (*off* and *digital marketing*) • Turnover as a behaviour pattern • Changes in progress in the industry • Influence of consumers' behaviours

Notes: Based on Hambrick et al. (2008). Given the study's focus on compensation for the employee stakeholder, we consider that especially the perspectives 'economics', 'power', 'social psychology' and 'social networks' present little explored elements in the literature

In addition, it is suggested that studies should be conducted in other cultural contexts and other productive sectors as a way to understand how the perspectives of governance are (re)configured.

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11. Using Q methodology to open the "black box" of corporate governance

Matthew Sorola

INTRODUCTION

Corporate governance (CG) scholars have long lamented the theoretical and methodological limits of "black boxed" understandings in mainstream research, particularly the oversimplistic "input and output" understandings it inspires that focus only on "finding an optimal balance" between variables (Gabrielsson and Huse, 2004, p. 20). Core to this issue is that mainstream CG research is constrained by an overabundance of, and overreliance on, simplistic theories that are bound by the narrowly defined financial interests of shareholders (Daily et al., 2003; Finkelstein and Mooney, 2003; Gendron, 2018; Huse, 2005; LeBlanc and Schwartz, 2007; Parker, 2008). To substantiate these interests, quantitative methods are often used to construct "simple demographic solutions," where demographic characteristics and variables on board structure and composition are reduced to "principle-agent" issues (Finkelstein and Mooney, 2003, p. 112; Roberts et al., 2005). The shallowness of these connections means they do little to represent the mechanisms of CG, particularly boards of directors, as anything more than a mythical "black box" (Parker, 2008, p. 284). For researchers, the simplicity of these "black box" representations can obstruct deeper understandings in CG, like how to develop more effective forms of governance (LeBlanc and Schwartz, 2007; Zona and Zattoni, 2007) or addressing "for whom" and "for what" questions that relate to marginalization and silencing (Gendron, 2018).

Empirical methods that can help researchers render "black boxed" issues salient by structuring the way they are engaged with are needed in CG research (Gendron, 2018; McNulty et al. 2013). This type of structuring requires critical reflexivity and consideration on the part of researchers, which can be difficult, particularly for those unfamiliar with either qualitative or critical research methods. To provide researchers with one avenue towards overcoming such problems, this chapter promotes Q methodology (QM) as a tool that can help explore individuals' perspectives around politically contentious issues. Ultimately, QM does this by providing researchers with a structured process to develop rich empirical data for analysis, but importantly, it matters *how* they use it.

QM is a "means and not an ends" in and of itself (Pettigrew, 2013, p. 123). This means QM does not provide researchers with answers, but rather, QM is a research method that can help researchers come to understand their data in a unique way. Across this chapter, a *critical* approach to QM is presented, which signals an attentiveness to power relationships through critical discourse analysis and critical reflexivity. Although some CG research has applied discourse analysis, *critical* discourse analysis focuses on the role of language in shaping meaning, ideology, and expressions of power. In turn, this allows researchers to use QM as a springboard for reflexive inquiry that can help reduce the impact of their own bias and develop rich insights into "black boxed" issues involving individual and group identity formation, motivations, and power relations.

CG scholars have made various calls for change that call for an expanded use of qualitative research methods in CG research (Ahrens and Khalifa, 2013; Brennan and Solomon, 2008; Clarke, 1998; Filatotchev and Wright, 2017; Hambrick et al., 2008; Judge, 2008; Letza et al., 2004, 2008; McNulty et al., 2013; Parker, 2008). Although this work is still ongoing, in the wake of external economic shocks and a rapidly declining socio-environmental context (BRT, 2019; Davos Manifesto, 2020; Gelter and Puaschunder, 2021), there currently exists a rich potential for change in CG research. Namely, there is widespread recognition of the inherent shortcomings of "shareholder-oriented" approaches (Alvesson and Spicer, 2012; Gendron, 2018; Clarke et al., 2019; Khlif et al., 2019), providing conceptual space to challenge the financial interests embedded within much of mainstream CG research. Furthermore, there are ongoing efforts to pursue more democratic, pluralist, or stakeholder-oriented forms of governance (Brown and Dillard, 2015; Daily et al., 2003; Purcell, 2009; Raymond and DeNardis, 2015), as illustrated by the expanding focus on multi-stakeholder initiatives (Arenas et al., 2020; deBakker et al., 2019; Huse et al., 2011; MSI Integrity, 2017; Scherer and Palazzo, 2011; Whelan, 2013). Although researchers looking to advance more pluralist forms of governance have reasons to be skeptical about this expansion (Bebchuk and Tallarita, 2020; Brown and Dillard, 2015; McDonnell et al., 2021; Scherer et al., 2013), mounting social and environmental crises mean there is simply not enough time to wait and deal with these issues "once other changes have come to fruition" (Alawattage et al., 2021, p. 239).

Across this chapter, QM is presented as a mixed methods research (MMR) tool that can help CG researchers structure and analyze individuals' understandings of complex and politically contentious, or "wicked" (Head, 2008; Rittel and Webber, 1973), issues in CG by surfacing insights on the way(s) in which meaning is connected to individuals' understandings and experiences (Mckeown and Thomas, 2013, p. 2). As CG researchers pursue questions about behaviors, influences, power, and decision making (Gabrielsson and Huse, 2004; Huse, 2005), they are increasingly engaged with complex perspectives that can be difficult to analyze. Despite calls to increase the use of qualitative methods in CG, like interviews and participant observation, analyzing such data can be challenging. The longstanding dominance of quantitative methods in CG research suggests an existing familiarity with statistically based inquiry amongst researchers. In this regard, QM can help "render empirical" the similarities and differences between individuals' perspectives in a way that is both familiar to those who normally use quantitative methods and difficult to replicate using only qualitative *or* qualitative methods alone (Robbins and Krueger, 2000, p. 644). In this way, QM can help researchers reimagine important concepts in CG, like accountability, power, and value, in more pluralistic ways (Brennan and Solomon, 2008; Dillard and Vinnari, 2019; Hamidi, 2019; Huse, 2005).

After over 80 years of development, there now exists a wide variety of "how to" guides on QM.[1] Rather than producing—yet another (Sneegas et al., 2021)—general description, this chapter is concerned with the *way* QM is applied (Pettigrew, 2013). Given the aims of this handbook, a brief description of the steps involved in a Q study is presented, but attention is primarily focused on four areas of "productive tension" in conducting a Q study where "key moments" of engagement between researchers, participants, and elements of their Q study are surfaced (Sneegas, 2020). Although Sneegas (2020) is oriented towards issues in human geography, the areas of productive tension she identifies can help researchers understand how to apply QM critically to "black boxed" issues in CG. To help illustrate the utility embedded within areas of productive tensions, insights from an application of QM in critical accounting literature, Sorola (2021), are discussed.

In short, Sorola (2021) surfaces three divergent Factors, or shared perspectives, of social and environmental reporting (SER) amongst a group of accounting students, academics, and practitioners from Aotearoa New Zealand. These perspectives were analyzed to illuminate the political frontiers constructed within and between competing discourses. Ultimately, "seeds of hope" and "spaces of possibility" were identified amongst accountants' understandings, which helped recharacterize accountants' capacity to engage with SER. While Sorola (2021) is set within the critical dialogic accounting and accountability (CDAA) project (Brown, 2009; Dillard and Vinnari, 2017; Gallhofer and Haslam, 1997; Manetti et al., 2021; Roslender and Dillard, 2003), there is a high degree of similarity between the needs of CG researchers and researchers working in the critical accounting project (Gendron, 2018; Parker, 2008). Given that QM has not yet been applied in CG literature,[2] Sorola (2021) also provides a more detailed description of QM than what can be presented in this chapter alone, meaning it should be reviewed alongside this chapter.

The remainder of this chapter is structured as follows. First, a brief review of the general steps in research using QM (a Q study) is provided. This discussion focuses on the basic structure of a Q study, including key concepts that are referred back to across later portions of the chapter. Although QM can be adapted to a variety of research objectives, it is important that researchers understand the type of insights it does, and—perhaps more importantly—does not, enable them to develop. For CG researchers looking to use QM, such an understanding comes from not only becoming familiar with each of the steps involved, but also recognizing the role that each step plays within the larger Q study. Thus, what researchers should, and should not, expect from a Q study is also discussed.

Next, a review of the need to engage with wicked issues in CG to articulate the potential for MMR and QM is presented. Although an over-abundance of quantitative insights across prior literature is part of the reason why complex issues in CG have been "black boxed," advancing an overly simplistic "tribal" adherence to qualitative methods would be a similarly shortsighted solution (Shah and Corley, 2006). Building on an understanding of what QM is and its potential within CG research, focus is placed on the theoretical lens through which researchers should apply QM: critical discourse analysis (CDA). To illustrate the use of CDA in a Q study, four areas of "productive tension" are discussed wherein "key moments" of engagement between researchers, participants, and elements of a Q study are surfaced (Sneegas, 2020). In effect, these moments involve the type of critical reflection and consideration that is missing from mainstream CG research. Here, the underpinning rationale of each tension is illustrated in reference to Sorola (2021).

To conclude, the potential for QM within CG research is discussed. Informed by calls to advance new theories, methods, and methodologies in CG research, QM can help researchers map and analyze perspectives amongst key actors in CG processes. Furthermore, QM can be applied to the design and evaluation of stakeholder engagements, which will be of particular interest to researchers engaged in the push for stakeholder-oriented forms of CG and those looking to help realize more pluralist forms of governance.

Q METHODOLOGY, MIXED METHODS, AND CORPORATE GOVERNANCE RESEARCH

As the shortcomings of principle-agent understandings are increasingly recognized in CG literature (Daily et al., 2003; Finkelstein and Mooney, 2003; Huse, 2005; LeBlanc and Schwartz, 2007; Roberts et al., 2005), researchers are finding themselves engaged with complex phenomena like culture and social realities (Cucari, 2019; Gabrielsson et al., 2019; García-Castro et al., 2013; Zattoni et al., 2020), particularly in the wake of COVID-19 (Jebran and Chen, 2021; Zattoni and Pugliese, 2021). While some promote methodological pluralism (Judge, 2008) and call for enhanced qualitative insights (Ahrens et al., 2011; Bluhm et al., 2011; Pratt, 2008; Pettigrew, 2013), there is still much work to be done to "rethink and challenge" CG research (McNulty et al., 2013).

Qualitative insights can help scrutinize the complexity embedded within CG (Khlif et al., 2019, p. 607) and are indeed underrepresented in CG literature (McNulty et al., 2013), but it would be simplistic to assume that more interviews or more observations are enough to address this issue. Research methods are a "means and not an ends in themselves" (Pettigrew, 2013, p. 123), meaning tribal adherence to either qualitative or quantitative distinctions is not only overly simplistic, but it can obscure the benefits of combining such methods (Shah and Corley, 2006). Recognizing this potential, scholars have called for more MMR in CG research to enable a richer understanding of complex phenomena (Aguilera et al., 2016; McNulty et al., 2013; Kumar and Zattoni, 2019).

Defining MMR is difficult, even for those considered experts in the field (Johnson et al., 2007). Generally speaking, MMR is often understood as research that combines elements of qualitative and quantitative approaches to develop deeper understanding and confirmation (ibid, p. 123). While MMR is often championed for the "rich understandings" it can help researchers develop (McNulty et al., 2013, p. 193), such understandings are not easily obtained. This means researchers must carefully consider the approaches they are combining (Bryman, 2006) and reflect on deeper, multidimensional, questions of method and methodology (Niglas, 2010; Newman and Ramlo, 2010).[3] Rather than a dichotomy, mixed methods researchers often use a continuum to discuss the multidimensionality of MMR, ranging between quantitative (post-positivist) and qualitative (constructivist) extremes (Newman and Ridenour, 2008; Tashakkori and Teddlie, 2010). Perhaps it is due to lengthy debates about the role of QM in social sciences, but in the over 80 years that QM has been under development, it has only recently begun to be promoted as MMR (Newman and Ramlo, 2010; Ramlo, 2016).

Q METHODOLOGY

Q methodology (QM) was originally developed by William Stevenson for use in psychology to help structure the scientific study of human subjectivity (Brown, 1980; Mckeown and Thomas, 2013; Stephenson, 1952; Watts and Stenner, 2012). In QM, human subjectivity is understood as inherently expressive, a phenomenon that is "out in the open . . . and available for direct confrontation" (Brown et al., 2015, p. 528). Conversely, this means human subjectivity is rooted in individuals' capacity to express their understandings and make their points of view known. This understanding of subjectivity is inherently messy, and researchers concerned with the way meaning is connected to individuals' understandings and associated with their personal experiences may find it difficult to engage with (Mckeown and Thomas, 2013, p. 2). QM uses both quantitative data to render such messiness empirical in a way that is structured, replicable, and empirically robust (Robbins and Kruger, 2000), and qualitative data to help understand the nuance of the perspectives being represented. As a form of triangulation in MMR (Teddlie and Tashakkori, 2010, p. 9), the insights developed across a Q study can help researchers illustrate the rich tapestry of perspectives that exist on their topic of study.

QM has been used by researchers across a wide variety of disciplines, like human geography and policy development (Eden et al., 2005; Robbins and Krueger, 2000; Sneegas et al., 2021), to explore perspectives on a diverse range of topics, like alternative energy (Cuppen et al., 2016) and understandings of love (Watts and Stennar, 2014). Motivating much of QM's interdisciplinary application has been its adaptability to different research objectives, the structured approach it provides researchers to otherwise messy issues, and the rich insights developed (as is often attributed to MMR). In its most basic form, all Q studies are composed of six interrelated steps:

Step 1: Identify topic and concourse
Step 2: Develop a representation of the concourse (Q set)
Step 3: Participant (P set) rank the Q set (Q sort)
Step 4: Conduct post-sort interviews
Step 5: Factor identification, analysis, and interpretation
Step 6: Verify interpretation with the P set

After selecting a topic and identifying a broad spectrum of views ("concourse") on it (Steps 1 and 2), a Q study asks participants (the "P set") to sort a set of statements (the "Q set") that represent the concourse (Step 3). Conceptually speaking, a concourse can exist on anything, and there can be multiple concourses around an issue; it is limited only by the boundaries of human subjectivity.[4]

The P set then sorts the Q set on a Q sort (Figure 11.1), a process referred to as "sorting."[5] After each participant completes their Q sort, a post-sort interview is conducted by researchers to better understand how and why they constructed their Q set in the way they did (Step 4). All completed Q sorts are then gathered together, and a factor analysis is performed to identify groups of participants (Factors) that sorted the statements in a similar way. Here, a dedicated software package like PQMethod 2.35 (Schmolck, 2014, November) is often used to help with the raw factor analysis calculations. However, there are still important decisions to be made regarding the number of Factors to extract, data rotations, and flagging Q sorts for data rotation (Brown, 1980; Watts and Stenner, 2012).

Each Factor identified is understood to represent an archetypal perspective that can subsequently be analyzed and interpreted by researchers using multiple sources of quantitative and qualitative data (Step 5). To construct these archetypes, participants are assigned a Factor loading score[6] that represents the strength, or significance, of their association with each Factor identified.[7] Then, Q sorts significantly associated with each Factor are combined using a weighted average of individual participants' loadings. This data is then used to produce three standard descriptive tables: (1) a synthetic Q sort for each Factor, (2) distinguishing Q set items for each Factor, and (3) consensus Q set items between pairs of Factors. Researchers then examine these tables, along with all other sources of data collected (post-sort interviews, researcher journal, etc.) to interpret each of the perspectives being represented. In the final step of a Q study, these articulations are re-presented to the P set, along with information on their individual loadings, to verify and refine the researchers' understanding of the discursive landscape captured in their Q study (Step 6).

WHAT Q METHODOLOGY IS, AND IS NOT

For those unfamiliar with QM, it can be easy to overestimate the insights that can be drawn from the Factors identified. While these insights are useful for analysis, they are contextually bound artifacts of the Q study that can help develop deeper understandings, not normative categories to be generalized across populations. In this way, the perspectives identified in a Q study come from an understanding of participants' relationship with the Factors, rather than the Factors themselves, which is developed across the Q study. Although its lack of generalizability is often portrayed as a limitation, from a critical perspective, it is naive to assume quantitative Q sort data could ever provide a holistic representation of individuals' perspectives. In this way, Q studies can, *and should*, be replicated in different contexts, but cannot, and *should not*, be generalized across populations.

-5 Place 2 items here	-4 Place 4 items here	-3 Place 4 items here	-2 Place 5 items here	-1 Place 6 items here	0 Place 7 items here	1 Place 6 items here	2 Place 5 items here	3 Place 4 items here	4 Place 4 items here	5 Place 2 items here

Figure 11.1 *Blank Q sort response grid*

QM is also not a "turnkey" solution to organizing and understanding individuals' perspectives. In choosing to develop a Q study, researchers must be prepared to understand, and meaningfully represent, individuals' perspectives. This means it is not enough to simply identify similarities and differences; researchers must seek to understand why participants think the way they do and how they express their perspective. Furthermore, researchers must critically reflect on their own beliefs, values, and knowledge claims, in an effort to mitigate their own bias in representing the perspectives of others. In failing to do so, researchers risk oversimplifying perspectives and, perhaps even worse, reinforcing the marginalization or exclusion of alternative perspectives in the name of pluralism (Bebchuk and Tallarid, 2020; McDonnell et al., 2021).

QM AND CRITICAL DISCOURSE ANALYSIS

Discourse analysis is often used as a theoretical lens to surface the way language is used to assign and convey meaning. It is also particularly useful for those looking to understand the construction of social identities and the relationships between knowledge and beliefs (Fairclough, 1992). Moving beyond the functional role of language, *critical* discourse analysis signals recognition of the role of power in constructing social realities (Wodak, 2001). Constructed through social interactions (Fairclough and Wodak, 1997), meaning cannot be separated from the context in which it is developed. This is a particularly important consideration in CG, where asymmetric power relations can often obscure the struggle and conflict that occur within tradeoffs in decision making (Khlif et al., 2019). This means that researchers engaged with discursive data in a Q study must look beyond surface-level rhetoric; asking questions like "how," "why," and "by whom," language is being used to construct meaning and influence understandings (Gendron, 2018, p. 7; citing: Said, 1994). In this way, critical discourse analysis is a theoretical lens that can help CG researchers "tune in" to the ways in which dominant discourses (in)directly influence "social shared knowledge, attitudes, and ideologies" (van Dijk, 1993, pp. 258–259).

To develop richer insights in CG, and as part of conducting a critical Q study, researchers must recognize the role of language in shaping meaning, ideology, and identity and as an expression of power. While there has been some CG research that has touched on this role in relation to sense-making (Fassin & Van Rossem, 2009) and behavior (Huse et al., 2011; van Ees et al., 2009), the role of language is not often considered beyond its functionality within content analysis (Merkl-Davies et al., 2011). Carroll et al. (2017), Pye (2002), and Hendry et al. (2006) are notable exceptions, each of which illustrate the role of language in the complexity surrounding different issues. For example, both Carroll et al. (2017) and Pye (2002) use interview data to explore "sense-making" amongst directors and surface "shared meanings" and "mind-sets," while Hendry et al. (2006) surface divergent conceptualizations of institutional investors. Rooted in the knowledge of individuals' discursive understandings, these authors articulate an increasingly complex context for decision-making that highlights both "formal and informal structures and processes," which is missing from much of CG research (McNulty et al., 2013, p. 184).

PRODUCTIVE TENSIONS IN A Q STUDY

Across a Q study, there are four moments "for interrogation and query," or "productive tensions," that draw researchers' attention to "gaps, silences, and contradictions" (Sneegas, 2020, p. 79):

1. Representation of perspectives in the Q study
2. Multiple layers of meaning and insight
3. Triangulated interpretation
4. Drawing distinctive connections

The overarching idea is that researchers' engagement in these areas of "productive tension" promotes a sense of "sustained critical reflexivity" across their Q study (ibid, p. 83). Using critical discourse analysis, these tensions lead researchers to surface, problematize, and explore taken-for-granted understandings of power, identity, context, and behavior (Alvesson and Kärreman, 2011; Huse et al., 2011). This is particularly important for those who seek to challenge taken for granted assumptions in CG research, like agency theory (Daily et al., 2003), behavior (Huse et al., 2011), and contextual bias (Gabrielsson and Huse, 2004).

Tension #1—Representation of Perspectives in the Q Study

The first area of productive tension comes when researchers identify the concourse (Step 1) and develop the Q set (Step 2), to form the "discursive foundation" of the perspectives being represented in their Q study. In QM, there are two approaches to represent the concourse and generate the Q set: *naturalistic* and *ready-made* (McKeown and Thomas, 2013, p. 25). *Naturalistic* is effectively the application of grounded theory to a range of interviews that are understood to represent the concourse. Documentary evidence, like news and journal articles, also helps identify additional perspectives that might not have been represented in the interviews. In contrast, the *ready-made* approach articulates the concourse using an in-depth literature review of perspectives on the issue. One approach is not necessarily better than the other, rather, each comes with its own set of considerations. For example, drawing a contrast with Byrch et al. (2015), Sorola (2021, p. 10) discusses why a ready-made approach helps represent both the history and evolution of accountants' perspectives of social and environmental reporting. Seeing as a wide array of context-specific perspectives were already articulated across prior literature (Brown and Fraser, 2006), a concourse could be developed that addressed the aims of that Q study (Sorola, 2021).

As researchers look to represent different perspectives in their Q study, they will come to rely on some form of discursively oriented narrative analysis. Regardless of their approach (critical or interpretive), this has a direct impact on the ability of their Q study to represent the underlying complexity of perspectives on the topic being studied. In the critical approach to QM being advocated across this chapter, researchers are expected to engage in multiple, iterative, stages of critically reflexive consideration to identify what is, and is not, being represented in the concourse and Q set

(Steps 1 and 2). This reflection should examine issues like researcher bias, the power of hegemonic narratives, and taken for granted knowledge claims. Here, the concept of "discursive representation" from political science is a useful way for researchers to understand this objective. In looking to represent different perspectives, the objective should be that all "vantage points" are represented, not that perspectives are represented in proportion to the number of people who subscribe to them (Dryzek and Niemeyer, 2008, p. 482). As researchers consider the discursive representation of their concourse and Q set, they are called to reflect on the reasons why some perspectives are, or are not, being represented.

Tension #2—Multiple Layers of Meaning and Insight

The second productive tension comes from the multiple "generative insights" that are developed across a Q study. As one might expect from MMR, a wide variety of data is used to identify, articulate, and analyze participants' perspectives. As researchers revisit these data sources in their Q study, they will come to develop multiple compounding layers of meaning and understandings. Sometimes, this can even lead to changes in the design of the Q study itself. For example, Sorola (2021, p. 10) developed an additional category of statements ("There is no business case") after reflecting on the conceptual coverage of the concourse.

Although adjustments can be made in a Q study, this does not mean it is always possible to change the concourse and Q set. For example, if researchers want to update the Q set to represent a new perspective after participants have begun producing their Q sort, they will lose the ability to compare Q sorts from before and after the change.[8] This is one reason why so much effort and attention goes into the concourse and Q set. For example, Sorola (2021, p. 23) identified "conflicted," or "confounded," participants who struggled to rationalize their perspective. Participants were both conscious of a "pluralist ideal" and anchored to the "status quo." Although a perspective (stakeholder-accountability) was incorporated into the Q set to try and capture a "middle ground" approach, there were confounded participants who were not aligned with this perspective. Only after verifying initial understandings of participants' perspectives with them (Step 6), and reflecting on the settler-colonial historical context of Aotearoa New Zealand, were some of them understood as being unaware of limitations in their ability to imagine alternatives, operating within a "reflexivity trap" (Aleksandrov et al., 2018).

Tension #3—Triangulated Interpretation

To interpret each Factor, researchers must triangulate an analysis between the various sources of quantitative and qualitative data collected. While this is a particularly useful illustration of why QM is classified as MMR (Ramlo, 2016), as researchers engage with their data, they will encounter the context of "uneven social and power relations" through which the Factor is being produced (Sneegas, 2020, p. 83). This means individuals may be aligned with the same Factor, but for different reasons;

researchers must work to understand these different rationales as they develop their interpretations. For example, Sorola (2021, p. 20) identified divisions within perspectives identified, such as the practitioner (Emily) who identified with a critical approach but expressed a sense of dissatisfaction with her own perspective in challenging the hegemony of a "business case" approach.[9] This insight helped in understanding the political frontiers of the perspective identified, not by contrasting its differences with other perspectives, but by developing a deeper understanding of Emily's own internal conflicts.

Finally, researchers must also consider the impact(s) of their own biases across their Q study. There are a variety of ways researchers can reflect on their biases, but a Q study provides a rather unique way to judge their relationship with participants; researchers can perform their own Q sort to benchmark their own perspective more accurately in relation to participants. While Sorola (2021, p. 14) acknowledged the impact of researcher bias, steps were also taken to build critical reflexivity into the design and analysis of the Q study to embrace, rather than deny, this reality (Sorola, 2021, p. 14 fn48). A Q sort was performed to locate the author's perspective in relation to participants', which helped surface and engage biases and assumptions embedded within the researchers' own understandings in relation to those identified amongst participants.

Tension #4—Drawing Discursive Connections

The final productive tension(s) occur when researchers examine the Factor interpretations to draw insights into the broader discourse being engaged. Depending on how researchers construct their Q study, linking the insights they develop to the broader discourse can be a more or less straightforward task. For example, recall the ready-made approach in Sorola (2021) that was grounded in ongoing debates (Brown and Fraser, 2006). This meant connections to the broader discourse of approaches to social and environmental reporting were relatively straightforward, as they were embedded in the development of the Q set. The identification and analysis of key signifiers from participants' verification of the interpretations, and their own Q sorts (Step 6), also helped to understand individuals' identification with different perspectives. Ultimately, this helped articulate the political frontiers between competing discourses that had previously only been represented as ideologically divergent approaches, providing a deeper understanding of the complexity embedded in accountants' understandings of SER. However, this understanding is not without limitations.

Although QM facilitates the drawing of connections to a broader discourse, it is important to understand that it is not—yet another—exercise in statistical over-simplification to (re)produce generalizable insights. Approached in this way, QM can serve to further essentialize and exploit already marginalized perspectives (Sneegas, 2020, p. 84) by glossing over difference in favor of a "unitary and closed sense of the world" (Bebbington et al., 2007, p. 367), a concern that is *already* all too real in CG (Bebchuk and Tallarita, 2020; McDonnell et al., 2021). Instead, researchers must consider the contextual embeddedness of their Q study and develop insights that are anchored within it. Key to these efforts is a focus on micro-level understandings. For example, Sorola (2021) did not normatively define the boundaries of all accountants' understandings; rather, it articulated the potential for pluralist perspectives. While it would be impossible to say that all accountants hold pluralist perspectives, the insights developed could help recharacterize their potential for change (Bebbington et al., 1994; Granleese and Barrett, 1990; Schloemer and Schloemer, 1997).

APPLYING QM TO CORPORATE GOVERNANCE RESEARCH

There are a wide array of issues, individuals, and organizations in CG that would be good sites for QM research. Directors, top management teams, ancillary staff, regulators, unions, and audit committee members are just some of the "key actors" whose perspectives may be of interest to CG researchers. The central question to consider is what researchers want to understand and why. In addressing these questions, QM can be broadly applied in four interrelated ways: mapping, analyzing, designing, and evaluating.

Map and Analyze

The most common application of QM is to map and analyze different perspectives around wicked issues. In CG, QM could be applied to wicked issues like value (Hamidi, 2019), sustainability (Clarke, 2019; Hopwood et al., 2005; Sahar et al., 2019), decolonization (Yousfi, 2021), corporate social responsibility (Cespa and Cestone, 2007; Levy et al., 2010; Prior et al., 2008; Scherer and Palazzo, 2011; Whelan, 2012), or even the idea of corporate governance itself (Hamidi, 2019; Huse, 2005). Applied to key actors in CG, QM can help researchers develop more nuanced understanding of the way conceptual frameworks manifest within the subjective understandings of individuals and move beyond instrumental approaches to, and understandings of, CG. For example, the conceptual framework of Brown and Fraser (2006) can be seen as being mapped onto individuals' understandings in Sorola (2021), just as Hopwood et al. (2005) informs Byrch et al. (2015).

In looking to develop this type of Q study, researchers should look to take advantage of existing work in CG that can help build their Q study. For example, Hamidi (2019) presents six multifaceted conceptualizations of value that could be used to construct a "ready-made" Q set. Applied to groups of key actors in CG, such research could lend deeper insights to debates about "who counts" in CG and to develop a richer understand of the way(s) in which "multiple and/or shifting identities" manifest amongst key individuals (Hamidi and Machold, 2020, p. 956). This type of Q study might also be applied across a variety of contexts that are equally important in CG research, such as small and medium enterprises, family and high-tech firms, or different industries.

QM can also be used to complement existing work in CG, particularly that which is focused on culture, diversity, and inclusion. For example, the strategic importance of women in CG is very much an ongoing debate in literature (Terjesen et al., 2009). QM can help researchers surface and understand gender differences and the discursive representation of different perspectives on wicked issues like value or sustainable development. Although these insights are not generalizable, particularly across something as complex as gender (Hardies and Breesch, 2020; Hardies and Khalifa, 2018; Haynes, 2017), they can help develop a more nuanced characterization of the rationale underpinning individuals' perspectives (Huse, 2005). Furthermore, they could be contrasted with demographic representations of gender diversity to develop a more nuanced understanding of the knowledge, experience, and "voice" that women bring into the boardroom (Fondas and Sassalos, 2000; Torchia et al., 2011; Zelechowski and Bilimoria, 2004).

Finally, CG researchers can use QM to strengthen existing interdisciplinary connections and develop transdisciplinary streams of research. For example, research like Hopwood et al. (2005) on sustainable development could be paired with the sustainable transition in CG (Clarke, 2019; McDonnell et al., 2021) to inform a Q study focused on the recognition—or not—of different understandings and their discursive representation amongst bodies of individuals governing said transition. This type of mapping and analysis can also be used to develop reflexive workshops/seminars amongst key actors in CG to help them develop, or refine, their own understandings (Step 6). Practically speaking, this might also provide researchers with a pragmatic way to gain access to—notoriously difficult—governance networks (LeBlanc and Schwartz, 2007).

Design and Evaluate

Often viewed as the legitimacy "monster" of neoliberal capitalism, many scholars question the ability of CG to establish discipline and morality amongst organizations (Jackson and Carter, 1995; Letza et al. 2008). Framed from a neoliberal rationale, globalization has only exacerbated these concerns by diminishing the effectiveness of governance systems and structures to deal with complex realities (Khlif et al., 2019). In the wake of COVID-19 (Gelter and Puaschunder, 2021) and the "locked in" effects of climate change (IPCC, 2021), the reality within which CG operates is only becoming more complex. While it is impossible to know what this increased complexity will mean for CG, organizations (Bebchuck and Tallarita, 2020; McDonnell et al., 2021) and researchers (Jebran and Chen, 2021; Zattoni and Pugliese, 2021) are exploring more stakeholder-centric models of governance. For CG researchers who both question the interests being served in this push towards "stakeholderism" (Bebchuk and Tallarita, 2020) and seek the development of more pluralist forms of governance and accountability (Brown et al., 2015; Dillard and Vinnari, 2019; Gallhofer and Haslam, 2019), QM can play a supporting role in the design and evaluation of stakeholder engagements, particularly as they become an increasingly important part of CG (Fougère and Solitander, 2020; MSI Integrity, 2017).

Although not as ubiquitous as research that maps and analyses perspectives, QM has already been applied to participant selection (Cuppen, 2013; Dryzek and Niemeyer, 2008) and used to strategically design stakeholder dialogues around complex environmental issues (Cuppen et al., 2010; 2016). Using insights developed in the process of mapping and analyzing different perspectives surrounding wicked issues, researchers can inform the design and evaluation of stakeholder engagements to illuminate the discursive landscape surrounding an issue. In turn, this can help identify the content being engaged with, or select participants for, and evaluate learning within a multi-stage engagement process (MSI Integrity, 2017).

QM has also been used to assess learning within multi-stage engagements using what are known as repeated Q measures (Cuppen, 2012; see also: Niemeyer, 2004).[10] Effectively, multiple versions of the same Q study are performed to measure the impact of an experience, engagement, or participatory process. Although the logistics involved in a repeated Q study are demanding, researchers can develop rich insights, like the ability to discuss the endurance of learning impacts across time, which has been particularly useful in the field of policy development (Cuppen, 2012; Cuppen et al., 2010; 2021).

By recognizing discursive representation in the design of stakeholder engagements, researchers can begin to engage with, rather than avoid, conflict and dissensus between competing interests. This might interest researchers looking to explore either shareholder (Goranova and Ryan, 2014) and stakeholder (Carney et al., 2011) approaches to CG (Letza et al., 2004), or perhaps those looking to explore notions of pluralism and politics in their research (Scherer et al., 2013). Although QM can help study these interests from different perspectives (Newman and Ramlo, 2010, p 524), researchers must recognize the marginalization and obfuscation that can occur in the name of "strategic choices and compromises" (Levy et al., 2010, p. 91) that can ultimately ignore these conflicts.

Researchers in critical dialogic accounting and accountability (CDAA) (Brown, 2009; Brown and Dillard, 2015; Dillard and Vinnari, 2019; Manetti et al., 2021; Vinnari and Dillard, 2016) have already called for QM to help develop more pluralist forms of governance and accountability (Brown et al., 2015; Dillard and Vinnari, 2019; Gallhofer and Haslam, 2019; Sorola, 2021). In line with these efforts, and motivated by "for whom" and "for what" questions (Gendron, 2018), CG researchers should consider how QM can help explore the adversarial relationships within complex multi-stakeholder dialogues (Fougère and Solitander, 2020) and guide the "discursive accommodation" of conflicts in stakeholder value creation (Schormair and Gilbert, 2021).

CONCLUSION

QM is an MMR tool that can help researchers penetrate "black boxed" issues in CG research by helping to structure their engagement with individuals' perspectives and guiding them into moments of "productive tension" that can help them develop richer insights. Although a general introduction was provided, much of this chapter has focused on a critical approach to QM. Four areas of productive tension were also discussed to illustrate how they are encountered by researchers looking to conduct a Q study. Finally, a series of applications of QM in CG research were identified and discussed.

Researchers looking to use QM should carefully consider the implications of conducting MMR. Although it is not commonly used and requires a considerable level of reflection that may be unfamiliar to some researchers, QM can help generate insights into individuals' perspectives that are difficult to replicate with either qualitative or quantitative methods alone. Conducting this type of research can be difficult, but in so doing, researchers can potentially develop richer understandings of power, influence, behavior, and decision making to help them move beyond "black boxed" issues in CG.

NOTES

1. There now exist a wide variety of articles (Sneegas et al., 2021; Sorola, 2021; Watts and Stenner, 2012; Zabala et al., 2018), books (McKeown and Thomas, 2013; Watts and Stenner, 2012), and online resources (www.operantsubjectivity.org; https://qmethod.org; https://listserv.kent.edu/cgi-bin/wa.exe?A0=Q-METHOD) available for researchers looking to understand the "how to" of QM. In fact, because there are so many general descriptions of QM, some have begun to challenge the need for authors to replicate these explanations each time QM is used (Sneegas et al., 2021, p. 10), particularly given the widespread use of QM across social and behavioral sciences (Watts and Stenner, 2012).
2. Sahar et al. (2019) come close to connecting QM to corporate governance research, but it is never considered. Sahar et al. (2019) refer to Kampen and Tamás (2014) without any discussion, suggesting an agreement that QM was also deemed "overly ambitious" and rendered irrelevant to the discussion. Given the extensive use of QM to explore sustainability issues (Barry and Proops, 1999; Sneegas et al., 2021), this appears to be a major oversight in the comprehensiveness of their literature review. Researchers interested in QM, but concerned by its lack of representation in Sahar et al. (2019) or the arguments put forward in Kampen and Tamás (2014), should consult both Ramlo (2016) and Brown et al. (2015).
3. There is a long history of "method-methodology" debates in QM that inform its placement on the continuum of MMR (Tashakkori and Teddlie, 2009). CG researchers who want to familiarize themselves with these debates should explore the hybridity of "qualiquantology" (Stenner and Stainton-Rodgers, 2004) and the multidimensional differences between "factor analysis" and "Q methodology" (Ramlo and Newman, 2011).
4. While the concourse roots QM in a pluralist approach to studying human subjectivity, it is also the source of ample criticism for any Q study. Ramlo (2016) provides a good overview of this, and other, criticisms of QM, and researchers looking to use QM should familiarize themselves with these arguments; be it the "overly ambitious" caution of Kampen and Tamás (2014), or the "Medici effect" of Brown et al. (2015). In essence, it is impossible to capture the full range of subjective perspectives on any issue, let alone one that has already been identified as "wicked." Proponents of QM recognize this and aim to study how individuals interpret, understand, and rationalize their perspectives on an issue; they should not seek to normatively define all the perspectives that exist. This means researchers must recognize the potential for perspectives that are not being

represented and take steps to incorporate them into their Q study so as to enhance its discursive representativeness (Dryzek & Niemeyer, 2008).

5. So as to facilitate the sorting task for participants, they are also given instructions to conduct their Q sort. In Sorola (2021), the instructions were: "Based on your own personal knowledge, understandings, and experiences within the field of accounting, please sort these statements according to those that are MOST LIKE (+5), or MOST UNLIKE (–5), your view of SER."
6. Brown (1980, pp. 222–223) provides a detailed explanation of the formula and interpretation of significant loadings.
7. Within a Q study, it is possible that participants identify with multiple Factors identified. These participants have what are known as "confounded" loadings. Although they are not used to interpret each Factor, confounded loadings provide rich data for analysis, particularly for researchers looking to delineate the political frontiers between divergent Factors.
8. This is also a major concern in repeated Q studies, as discussed later in this chapter. See: Expositor (1992).
9. Although this framing of a "business case" comes from within accounting literature (Brown, 2009), similar conceptualizations can be found in CG around debates on inclusion and diversity (Ferreira, 2015; Seierstad, 2016).
10. Researchers should also consult the formulas discussed in Expositor (1992, pp. 58–59) to identify shifts in perspectives across Q studies.

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12. Innovative application of digital technologies in rapid change phenomena in boards

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INTRODUCTION

A qualitative research method refers to the analytical tools, techniques and practices engaged in operationalising analysis in research. Qualitative studies are contextual. Their validity and reliability criteria (e.g., other researchers following a bricolage analytical process) and emerging propositions are distinct from quantitative studies that have generalisation or testable hypotheses as an end goal. Enquirer attention is on understanding, giving meaning to and explaining socially constructed realities for learning, as nuanced experiences that may form constructed patterns or themes.

As an example, the personal interview method is a technique in which an expert interviewer may craft an initial brief outline of open or closed questions. The questions may be informed by the interviewee's background, previous literature or research or a problem statement. The question design is not set in stone and is more for guidance. During the interview, questions may vary, evolve, take a twist and lead to new questions through the natural development of conversation (Kothari, 2004).

A particular case is that of interviews with business elites where questions are more like themes to explore. Qualitative methods for such interviews presuppose enquirer expertise in elite engagement such as the use of diplomatic language, reading between the lines, asking a challenging question in the right way, interpreting subtle body language and having a suitable level of knowledge and know-how, preparation and pre-understanding at this level.

Regarding director and board-level inquiries, qualitative methods allow an expert enquirer to explore the fast-moving 'black box' of board dynamics and board members' personal experiences and form rich, meaningful and vivid explanations. The expert enquirer is able to capture motives, reasons, behaviours and feelings as intangible evidence and mechanisms that are often overlooked in quantitative datasets, thus offering broader and deeper exploratory explanations.

The philosophical position and methodology establish the systematic selection of practices and techniques employed in a study with the aim of achieving the study objective or seeking the solution to a problem. The methodological pathway sets the parameters for the various steps that can be adopted by the enquirer to examine the phenomenon, along with the logic behind those steps (Kothari, 2004). Thus, it is essential that the enquirer not only be familiar with the methods and techniques but also explain the methodological choice to be able to determine what is relevant and what is not, as well as why.

The chapter is divided into eight segments: (1) aims and objectives of the main study; (2) what we know; (3) addressing ambiguities in qualitative research methods and learning; (4) how we know (what we know); (5) capturing contributions – the adoption of Digital Technologies (DTs) in qualitative enquiries as innovative qualitative research methods; (6) the future contribution of qualitative interpretation and analysis: deep learning; (7) limitations and ethical implications; and (8) a novel conceptual framework and conclusion are presented to the reader.

AIMS AND OBJECTIVES

This study aims to understand how DTs impact the board of directors' work and their role in increasing digitalisation. The thematic analysis of directors' experiences allowed for the identification of changes in how directors are adopting the technologies and assessing the implications of strategising, stewarding, monitoring and leading in a progressing digital ecosystem.

The objectives of this study are two-fold and allowed for the exploration of contemporary topics in corporate governance and decision-making.

Study objective 1: To undertake an empirical investigation that explores how a board of directors executes its work in a scenario of increasing digitalisation. By applying a resource dependency framework lens, it was possible to identify that DTs enhance the dynamics of stewardship, monitoring, resource allocation/attraction and the board members' counselling role to the executive team (Oliveira et al., 2022).

Study objective 2: To explain how DTs impact the board of directors' working dynamics.

It is proposed that both the board member and the board of directors changed their behaviour, attitudes and actions to adapt to and exploit the benefits of DTs. The factors impacting board members' ways of working ripple through to directors who need to adapt, upskill and engage with DTs to improve their relevance to strategic decision-making and value creation for stakeholders and shareholders (Oliveira et al., 2022). From a collective perspective, the board of directors adapts and advances the board role, changing composition to improve strategic considerations and its relevance as a strategic instrument for resource attraction and allocation (Oliveira et al., 2022).

The relationships between DTs and board members' decision-making are a rich field for more qualitative studies that can review the motivations and impacts of DTs on the way boards work. More quantitative research can measure a firm's performance in terms of digitally savvy board members, while action research on boards' usage of DTs is an opportunity to clarify the effects of DTs in decision-making.

WHAT WE KNOW

Traditionally, qualitative research has emphasised the personal characteristics of the researcher and their interpretative skills and capabilities (Belotto, 2018; Boyce & Neale, 2006). The integration of digital techniques as methods employed for 'sample-connecting' introduces novel access and selection criteria into method design. For example, what is the digital platform choice and why (LinkedIn, Facebook, WhatsApp, Twitter, Instagram), compared to what is the social network selection and why (e.g., professional associations and their level of online engagement – Institute of Directors, Financial Times NED club, Chartered Accountancy, Chartered Governance Institute).

The implications for corporate governance research quality rely upon the full breadth of organisations investing and maintaining their presence and engagement within technological platforms and furthermore the available information being current and reliable (Oliveira et al., 2022). However, some organisations may be constrained by finance, expertise or confidentiality issues as to what they present in a public or social domain. For corporate governance research, the researcher needs to be familiar with a variety of platforms and align the research question with the sample profile that is appropriate for the timing and level of analysis, whilst having a deeper awareness and understanding of digitalisation implications for research methods (Dagez & Baba, 2008).

RESEARCH DESIGN STRATEGIES: AN INTERPRETIVE, QUALITATIVE APPROACH

There are different and contrasting philosophical positions in social scientific studies: positivism, critical realism and interpretivism (see Table 12.1).

Positivism leans on pure science know-how for creating or inventing theories to explain the world and then testing such theories through rigorous and replicable methods, such as experimentation (Grossoehme, 2014). Positivist perspectives consider reality to be only what can be empirically 'known' and measured as evidential.

Critical realism emerged in the 1970–80s through the work of Bhaskar and provides a scientific alternative to both positivism and constructivism (Denzin & Lincoln, 2011). It operates as a general methodological framework for research but is not associated with any particular set of methods. Instead, it uses predominately qualitative methods such as an interpretive form of investigation and abductive and retroductive (or judgmental) logics (Wikgren, 2005). The process of theory development is an interplay between conceptualisation and theory construction (Ekström, 1992). Critical realism needs a complementary process of testing postulated mechanisms directly instead of testing their observable implications (Sayer, 1992). However, identifying and testing causal mechanisms require designs and methods found elsewhere in the social sciences, such as laboratory experiments, quasi-experiments, behavioural simulations, case studies, ethnography or grounded theory building in field settings.

Table 12.1 Philosophical positions

Philosophical foundation	Positivism	Interpretivism	Critical realism
Ontology	Objectivist	Constructivist	Objectivist and stratified (three levels)
Epistemology	Positivist	Interpretative	Interpretative
Axiology	Value-free	Value-laden	Value-laden
Methodological commitment	Quantitative methods to enable *erklaren* (explanation)	Qualitative methods to enable *verstehen* (empathetic understanding)	Qualitative methods to enable *verstehen* and *erklaren* (understanding and explanation)
Theory	Generalisable	Particular	Particular
Key research question	What are the causes of variable X?	How do people subjectively experience the world?	How and why does a particular action occur?
Role of researcher	Distant from data	Close to data	Close to data

Source: Compiled by the authors

Table 12.2 Characteristics of critical realism, interpretivism and positivism

Characteristic	Critical realism domains			Interpretivism domain	Positivist domain
	Real (possible)	Actual	Empirical	Empirical (interpreted)	Empirical (observable)
Mechanisms	x			Entities and event	Explanations
Events	x	x		Attributes	Predictions
Experiences	x	x	x	Meaning-making	Interventions (manipulation)

Source: Based on Bhaskar et al. (1978: 13)

Critical realism (Table 12.2) focuses on causality and identifying causal mechanisms (Danermark, 2002). Bhaskar (1975) argues that reality exists in three overlapping domains: (1) the *empirical* – experiences or observed events and events are understood by human interpretation; (2) the *actual* – events that occur, whether observed or not; and (3) the *real* – the underlying tendencies or causal mechanisms within the objects or structures.

The interpretivist position asserts that meaning is hidden and must be brought to the surface through the deep reflection of each participant's experience. Ponterotto (2005) draws attention to how, from the interpretivist position, the interactive enquirer can stimulate "reflection" through interviewee dialogue. It is only through this interaction that the enquirer can uncover sources, at different levels or across participants, of the event/experience as a full picture, capturing meanings of trends or accounts. Thus, the enquirers and interviewees co-create findings from their interactive dialogue, through the various participants' interpretation of living through experiences and through the enquirers' interpretations of those experiences. Importantly, history can be reflected upon, events can be learned from, and future possibilities that may involve similar situations in new contexts can be anticipated.

In order to explore the board of directors' way of working, the interpretive approach is considered to be best suited for this study. The enquirer is immersed and involved, inclusive of biases and opinions, in the study with participants and is able to reflect on the phenomena at the time they occur through participant realities. The enquirer is an expert in extracting meanings and gains broader knowledge from interactions with different board members.

The enquirer needs to align the chosen methods and techniques (Kothari, 2004; Roberts et al., 2019) and the rationale behind these choices. In this case, the participants are board members. To study the phenomenon of DTs' impact on board members' way of working for this research, the board members' experiences in the context of their work are extracted through interactions between the enquirers and board members.

In this interpretive qualitative study, the enquirers consider that human activities are necessarily context-dependent, based on how stability and change, routine and novelty are interlaced (Crow et al., 2014). Furthermore, such a perspective brings out the complexity of the world and highlights the need for complicated types of understanding (Cunliffe, 2011).

These characteristics of a qualitative approach were essential for this study project, as a board member's work has diverse problems, configurations and manifested situations, involving particular agents (McNulty & Pettigrew, 1999). Furthermore, the enquirers faced two tasks. The first was to explore board members' experiences and opinions about the reported changes and impacts of DTs on their actions, rationale and dynamics while working and strategising. The other task was to explore the meanings of the statements board members provided during the interviews and how these findings may reflect real changes that link to possible contributions to existing theories and conceptualisations.

The interpretivist and qualitative approaches imply that the real world is the board members' interpretation of the elements involved in their realities, summed up in the enquirer's interpretation of statements provided by different board members and in the analysis of interview transcripts. These statements are the verbalisation of board members' reflections on their constructed, subjectivist perceptions and experiences. Therefore, in this study, qualitative methods were employed to explore the phenomenon, as it refers to an individual's experience, as the director perceives it (Owens, 2010).

Moreover, the knowledge the study seeks is contextual and tacit in board members' perceptions and interpretations of their subjective experience, feelings, personal views and private concepts (Owens, 2010). A significant number of empirical studies that investigate perceptions and experiences or opinions of board members about social problems have adopted a subjective approach to the study's design, approaching their realities and culture as a social construct (Merendino et al., 2018).

ADDRESSING AMBIGUITIES IN QUALITATIVE RESEARCH METHODS AND LEARNING

Empirical studies in the field of DTs supporting boards of directors' ways of working are predominantly qualitative studies using semi-structured interview methods that reflect an interpretive philosophy (Merendino et al., 2018; Manita et al., 2020). This is appropriate for a qualitative study (Kalekin-Fishman, 2001) in which the enquirers collect data by talking to interviewees about what they know, believe or feel (Noy, 2008).

A qualitative study of boards can encompass many different designs – such as conceptualisations (Turluev & Hadjieva, 2021), case studies (Bader & Kaiser, 2019) and interviews (Oliveira et al., 2022) – to extract details of people's experiences, perceptions, behaviour and processes and the meanings attached to them in their natural settings (Creswell & Creswell, 2017). Moreover, qualitative data are descriptive, unique to a particular context and, therefore, cannot be reproduced time and again to demonstrate 'reliability' (Morse et al., 2002).

Methods are systematic techniques, efficient, measurable and valid ways of gathering and analysing data (Cunliffe, 2011). The study design sets out the data collection methods and strategy that allow the enquirer to be flexible and sensitive to data that emerge around us, instead of being attached to methodological obligations that construct a study in order to fit the data to the methodology.

A qualitative study design benefits knowledge built by enquirers' constructions based on data gathered with specific characteristics. First, enquirers do not need to predetermine specific constructs and measures to collect qualitative data. Indeed, open-mindedness is an often-used descriptor of qualitative methodologies, with others including flexibility and exploration.

Second, qualitative data can be concrete and vivid. Concreteness and vividness activate cognitive processes that foster the development and communication of ideas (Louis & Sutton, 1991). Third, qualitative data are often nuanced and more expensive to gather (Weick et al., 2005). The enquirer can use these assumptions to capture details and mechanisms overlooked in quantitative data.

Table 12.3 depicts the differences between possible methods that can be applied to study boards of directors. Although ethnography, phenomenology and grounded theory are considered the most popular qualitative approaches, ethnography and grounded theory are rarely applied in studies exploring the experiences of boards of directors. The reason might be the difficulties enquirers experience in accessing corporate boardrooms or in video-recording meetings, for example, for ethnographic studies (the study of culture within a society) focusing on one or more groups. Data are collected mostly through observations, informal (ethnographic) conversations, interviews and artefacts (Cunliffe, 2011; Korstjens & Moser, 2018).

Future studies of boards and corporate governance may adopt mixed methods, for example, correlating or establishing relationships of different sample profiles in the same study which introduces the perspective of internal control, auditing and risk management into the context of corporate governance. Mixed methods

Table 12.3 *Qualitative data collection methods*

	Definition	Aim	Ethnography	Phenomenology	Grounded theory	Content analysis
Participants of observations	Participation in and observation of people or groups	To obtain a close and intimate familiarity with a given group of individuals and their practices through intensive involvement with people in their environment, usually over an extended period	Suitable		Very rare	Sometimes
Face-to-face in-depth interviews	A conversation in which the researcher poses questions, and the participants provide answers face-to-face, online, by telephone or via email	To elicit the participants' experiences, perceptions, thoughts and feelings	Suitable	Suitable	Suitable	Suitable
Focus group discussion	Interview with a group of participants to answer questions on a specific topic face-to-face or via email; people who participate/interact with each other	To examine different experiences, perceptions, thoughts and feelings among various participants or parties	Suitable		Sometimes	Suitable

Source: Adapted from Rapley (2014)

(questionnaires, interviews and case study) were employed by Mathew et al. (2020) to find that the presence of digital experts on boards is significantly and positively related to FTSE 350 firm performance in a longitudinal study.

The prevalent academic debate is on reoccurring board deficiencies, such as superficial understanding of strategy execution (Shepherd & Rudd, 2014) and value chain (Mathew et al., 2020) and the influence of politics, power and motivations in decision-making (Brammer et al., 2012; Clarke, 2004). These deficiencies result in biases (Acciarini et al., 2021), conflicts, inter-negotiations, political behaviour (Bailey, 2012) and pressure on both time and optimal outcomes (Gore et al., 2018).

Current knowledge suggests that the adoption of DTs needs to be aligned with business strategy mechanisms to ensure regulatory and legal compliance (Phillips-Wren et al., 2015). Emerging governance policies should more comprehensively cover data usage, access, sharing, privacy and stewardship to ensure the protection of data confidentiality (Basukie et al., 2020; Mikalef et al., 2020).

Phillips-Wren et al. (2015) suggest that sound data governance in an enterprise should include a governing body or council and a set of data governance procedures. However, Bankewitz et al. (2016) affirm board members cannot rely solely on committees or experts in digital transformation, and the board itself needs to invest more time in understanding and keeping abreast of such advancing technologies.

Board members' digital expertise seems to contribute to a firm's financial performance (Mathew et al., 2020) and is pivotal in assuring a brand's reputation and undertaking adequate risk assessments of the algorithmic direction (Kellogg et al., 2020) of the workforce, cloud computing migration (Bounagui et al., 2019) and big data governance (Abbady et al., 2019).

HOW WE KNOW WHAT WE KNOW: CODING IN THEMATIC ANALYSIS

Coding is a way of indexing or categorising the text to establish a framework of thematic ideas about it (Gibbs, 2007). At this stage of the study, it is essential to remain loyal to the data collected, meaning that the enquirer should avoid adding interpretation to the transcripts, but keep a record of the process and transcriptions to support reliability (Belotto, 2018).

The coding practice is the categorisation of collected data to support interpretation and reflexivity and brings to the surface 'how the process of inquiry is taking shape; and the emergent patterns, categories and subcategories, and concepts in the data, and it will possibly lead towards a theory' (Saldaña et al., 2011, p. 44).

This process supports the carrying out of data analysis and the search for ambiguity and contradiction in the data (Aberbach & Rockman, 2002). Thus, the enquirer's critical thinking challenges assumptions, and the reflective act of writing and reading improves the validity and credibility of the coding stage (Rogers, 2018). At this stage, the enquirers scrutinised their interview technique for biases and to check whether the line of questioning was asked neutrally, whether unexpected findings had emerged or if opportunities to probe more deeply into responses were missed (Belotto, 2018). This process also identified any need for follow-up calls with interviewees to make further enquiries (Roberts et al., 2019) or ask for clarifications and validate meanings.

The most widely used procedure when compiling data is to develop an inductive code scheme based on actual data (Rogers, 2018). In this process, the enquirer creates categories and abstractions (Roberts et al., 2019). An inductive content analysis involves breaking down the data into smaller units, organising and naming the units according to the content they present and grouping the theme material based on shared concepts (Saldaña et al., 2011).

The data were organised into categories using in vivo coding that uses verbatim words or phrases from the interviewees' narrative to describe a unit of data (Scott & Medaugh, 2017). NVivo12 software was used to support the identification of common themes by creating a word cloud, highlighting the most frequent words and phrases in transcripts.

In the inductive approach, enquirers often encounter the claim that theories emerge from data (Saldaña et al., 2011). This suggests that the data – not the enquirers – guide the reasoning towards the correct explanation. In other words, data offer the basis for the interpretation and links between themes that emerge from the interactions between the enquirer and interviewees. The lead enquirer used different NVivo12 visualisations to identify the relationship between common themes emerging from the transcripts uploaded into the software's centralised repository.

According to Ketokivi and Mantere (2010), there are two possible strategies by which to approach the inductive and abductive enquiries in a study: idealisation and contextualisation.

Idealisation using induction seems to be a less flexible approach and seeks to generalise results, while the contextual strategy incorporates unpredictability and subjectivism in the argumentation and defence of the findings. Therefore, the context and complexity of the digital ecosystem make the central premise of deductive reasoning inappropriate for this type of study project (McGahan, 2020). On the other hand, inductive reasoning within an idealisation strategy is a search for warranties or arguments, which complies with the methodological idealisations (Ketokivi & Mantere, 2010). Inference is treated separately from the explanation. The 'pure' inductive approach alone does not, therefore, seem to be a good match for the purpose of exploratory study projects, for which the enquirers seek to make inferences from the best explanations of the how and why from the interviewees' inputs.

Contrastingly, in the abduction approach, inference and explanations occur (Ketokivi & Mantere, 2010), in which empirical data are re-described using theoretical concepts. However, abduction enquirers acknowledge that the chosen theory is fallible (Fletcher, 2017). Furthermore, the enquirer interprets the meaning-making activities of individuals, sometimes using an abductive approach where they move between neutralising and reframing interviewees' practice (interviewee accounts), where each informs the other (Cunliffe, 2011).

The enquirer should consider that the enquiry argumentation must be transparent, authentic to the data collected and aligned with the data-gathering and interpretation process (McGahan, 2020). As such, the validation process must adopt a transparent and traceable process to mitigate the challenges of subjectivity (Ketokivi & Mantere, 2010).

CAPTURING CONTRIBUTIONS: ADOPTION OF DIGITAL TECHNOLOGIES (DTS) IN QUALITATIVE ENQUIRIES

Diverse technologies have been adopted by qualitative enquirers in recent decades (Moylan et al., 2015; Oliveira et al., 2022). For instance, most enquirers exploring the ways the high echelons work have used digital audio or video recorders to capture directors' dynamics at work (Merendino et al., 2018; Oliveira et al., 2022). Recently, amid COVID-19 lockdowns and social distancing restrictions, software as a service (SaaS) video conference applications have become the predominant data collection method. Moreover, real-time online transcription functions were embedded in popular software such as NVivo12 to support the tedious, manual work of transcribing interviews, a task which was often delegated to professional third parties.

Unlike previous software that allowed enquirers to slow down the audio, pause and rewind (Moylan et al., 2015), NVivo adopted voice recognition technology, which supports faster data analysis and interpretation. Alternatively, SaaS such as AWS Transcription can be embedded into Zoom by an application programming interface (API) for streaming transcription, which enhances the accuracy and increases the encryption of sensitive data, for which only the enquirer will have the decryption key. For simplicity, Zoom has native voice recognition and real-time voice-to-text conversion, which allow enquirers to download the audio file and the transcripts simultaneously.

Recently, enquirers carrying out literature reviews can use a new function introduced by Google Docs called Zotero, which scans a book's barcode and automatically converts the barcode to a reference list entry and cites as you write. Similar functionalities are offered by popular software EndNote and Mendeley too.

Although DTs are pervasive and part of our daily lives, many academics are still reluctant to adopt them to support qualitative study projects. The reasons for not adopting DTs are, for example, the assertion that enquirers must manually transcribe data to familiarise themselves with the details of the interviews; or, in using SaaS, there are ethical implications, as the data are transmitted on a public network and data stored on cloud services can become public.

Another argument against using technology in qualitative studies is that coding aided by NVivo can either increase or decrease the level of bias in an enquirer's data interpretation and analysis. These arguments are unsubstantiated in practice, as millions of private companies, public institutions and academic institutions are migrating to cloud-based services. The computer power, storage capacity and pool of cutting-edge information technology infrastructure and cyber-security mechanisms offered by cloud providers are the main motives for this phenomenon.

Furthermore, due to the ongoing social restriction imposed as a result of the COVID-19 pandemic, academic enquirers and PhD candidates have been left with one option, to a lesser or greater extent, of engaging with these aforementioned technologies to carry out their endeavours. At the time of writing, no academic discussion presenting evidence that supports such negative arguments against the adoption of DTs for academic qualitative enquiries has been published. On the contrary, published papers describing the introduction of YouTube for transcribing and Google Drive for improving collaboration in thematic analysis and coding have highlighted the benefits and neutral ethical implications of the combination of DTs and study methods.

In the following, the experience of adopting a variety of DTs in our latest study project exploring the experiences of directors is introduced and discussed. The following sections are categorised by task: (1) recruiting directors on LinkedIn, (2) gathering data with a digital communications tool, (3) transcribing interviews and then (4) finding patterns with NVivo12. Our key contribution (Table 12.4) to qualitative research methods exploring high echelon behaviours and attitudes is the adoption of the flexible and creative approach to traditional methods that DTs offer researchers. Such an innovative approach to qualitative methods (maintaining the rigour and ethics of academic scientific methods) is required to keep up with the fast pace of changes in elite contexts as a social phenomenon.

Recruiting Directors through LinkedIn

Data collection started and ended during the strict lockdowns of the COVID-19 pandemic – that is, May to December 2020. Recruiting board members, either non-executive or executive, through a social network was not a popular data collection method until the lockdowns. The enquirers adopted a systematic four-step approach to recruiting participants for the study to fit the purposive, non-probabilistic sampling method.

First, the 'personas' are defined – that is, characteristics of the prospective participants that should be represented by at least two different boards during their careers. These were (1) being a member of an active board of a UK-based company, regardless of the sector; and (2) being a board member of a non-listed medium-sized enterprise.

Second, the enquirer signed up to the LinkedIn Premium service, which allowed direct messages to be sent to the prospective participants, even if there was no established connection.

Third, participants were researched using the LinkedIn search engine, reading public profiles and including online personal links in a spreadsheet. This effort resulted in more than 300 possible participants. Concurrently, the lead enquirer attended dozens of webinars promoted by well-known institutions, such as the Institute of Directors, Diligent and Deloitte, and identified the participants and panellists on LinkedIn.

Table 12.4 Conceptual framework: application of DTs within traditional qualitative study methods

Director's tasks	Impacts of digital technologies on directors' ways of working (board dynamics)	
	From	To
Information gathering for decision-making	1. High reliance on TMT and board packs. 2. Assessment of static information (paper or email based). Past events. 3. High information asymmetry, executive information advantage. 4. Analysis and assessment of very lengthy reports in a short period of time. 5. Individual behaviour does not impact quality and quantity of information received.	1. Higher information autonomy. Digital technologies grant board members direct access to information that seems to empower board members to make better-informed decisions. 2. Real-time access to information as an enabler of faster decision-making. 3. All the board members have access to the same information. Access to real-time information is an individual choice. 4. Digital reports are shorter yet contain more reliable data and interpretation, allowing faster judgement and decision-making. Directors gain more time to digest data and exercise independent judgement. 5. Access to additional information is an active task that depends on individual attitude and behaviour.
Strategizing	1. High reliance on external experts on diverse topics. 2. Easier to make sense of the environment, less and more static data/information. 3. Strategising influenced by face-to-face formal and informal interactions between board members and executives. 4. Predictability and slower speed of changes in the external environment required less board involvement in strategy development. 5. Board discussions were predominantly about finance, risks and capital allocation.	1. Changes in the demographics of board members; the presence of a digital native in the boardroom and highly skilled directors can bring new perspectives to considerations that will design strategies. 2. Board members find it difficult to make sense of the big data in their analysis and focus. 3. Strategising influenced by several and shorter virtual interactions between board members, executives and stakeholders. 4. Board members invest more time upfront in defining and shaping current strategies in line with more significant uncertainty in the external environment due to fast changes. 5. Digital technology debates in the boardroom are mainly motivated by new competition driving changes in business models.

Stewardship	1. Fewer and formal face-to-face interactions between board members and TMT members. 2. Focus of data governance in the IT infrastructure (hardware). 3. Information dependency and fewer meetings per year constrained directors' understanding of the way the company creates value.	1. Digital technologies allow closer and more frequent contact between board members and TMT members. 2. New regulations about the usage of data and cybersecurity are the main drivers demanding new individual skills and governance mechanisms in the context of automation. 3. Digital technologies improve collaboration between directors and team members; therefore, the directors can make decisions based on a greater sense of reality than personal opinions or inferences.
Defining strategic priorities and value creation	1. A director with passive behaviour in learning about the company's operations and focused on financial aspects of the business. 2. More confident short-term approach to return on investment. 3. Decisions about technology were an operational task.	1. Open-minded active director gets closer to people within and outside the organization and has a holistic approach to all the aspects of the business. 2. Directors consider it difficult to measure the short- and long-term financial return on investments in digital technologies. 3. Directors consider it critical to understand how technologies impact contextual, political, economic, social and environmental factors. Investments and impacts of digital technologies are considered strategic by directors.

Source: Compiled by the authors

Fourth, the enquirer prepared tailored invitations (150–200 words) to be sent to each one of the prospective participants, for which there was a response rate of around 10 per cent, resulting in a sample of 32 participants.

All live, virtual interviews were agreed upon and undertaken via Zoom. Amid the restrictions imposed during the COVID-19 pandemic, online video conferencing tools have gained significant importance (Janghorban et al., 2014), merging physical and digital realities into daily board work routines.

Gathering Data with a Digital Communication Tool: Zoom

Face-to-face interviews carried out in physical spaces have the advantage of introducing additional elements for the enquirers, such as non-verbal cues about the power of the participant and facilitating a level of interaction and empathy between interviewer and interviewee. The disadvantages for the interviewee and participants are the need to travel to a specific location, make personal arrangements and change their routine.

Online interviews have the convenience of participants being in their own environment, which can create a more relaxed atmosphere, thus leading to friendly and open interactions (Janghorban et al., 2014). Board participants seemed more comfortable with online communication tools during the lockdowns. Regardless of which software is used (Zoom, MS Teams, Webex, Skype), the tool offers the distinct advantages of flexibility and convenience for virtual data collection. The method is simple, fast, reliable and low cost. The enquirer must adapt techniques to build rapport and read body language, in a more relaxed and informal style, but this worked very well in the pilot interviews.

Another critical aspect that seems to improve the quality of interviews with elite interviewees is the level of preparation on the part of the interviewer. For this study, the enquirer emailed the participants with a one-page summary introducing the topic and the ground rules of the interview and read about the interviewee's company ahead of the interview (Aberbach & Rockman, 2002), all of which can help to avoid possible stress points in exchanges.

The enquirer sent a reminder to the participant two days before the online interview, which seemed to help in building a rapport and increasing informality between the interviewer and interviewee, which is consistent with previous online studies (Tuttas, 2015). For example, before carrying out an online interview with the chair of a financial institution, the lead enquirer searched for news about the company and previous speeches given by the participant (available online). This preparation allows the enquirer to learn the 'jargon' of the organisation in which the chair works. As a result, the online interview benefited from a stronger rapport, and the enquirer was able to fully engage the participant in the themes explored in the study.

A possible disadvantage of online interviews is that the enquirer might need to reschedule if the internet connection is patchy or lost/dropped, which could result in a delayed or intermittent interview and might be disorienting to both the participant and researcher (Dammers, 2009). However, in the study, only one interview experienced this problem, and it was not so disadvantageous that the interview needed to be rescheduled.

The average length of the interviews was around 1 hour each, thus generating a total of more than 32 hours of audio-recorded material, which proved longer than previous data reels mentioned in the literature, in which interviews of elites members often lasted around 45 minutes (Aberbach & Rockman, 2002).

These primary data-gathering techniques empowered the enquirer to capture the relationships between board members and their surroundings, their reasoning embedded in their social world (Boyce & Neale, 2006) and the influences that the adoption of new technologies may have in their interpretation and sense-making of the environment.

Furthermore, there were follow-up queries to clarify the meaning of the relevant aspects of certain answers, if not understood by the enquirer at the time of interviewing, to further motivate an interviewee's narrative and improve information quality (Roulston, 2010).

The enquirers used the online real-time recording functionality available on Zoom to record all audio output from the interviews. The files were converted into MP4 format and stored in OneDrive with encryption key access, and backups were made to local drives. The files were edited to extract audio patches where names of companies and individuals were deleted prior to uploading to the AWS transcription service to ensure anonymisation. Camtasia 2020 was used to edit the files – video and sound editing software operated by the lead enquirer.

Transcribing Interviews on Amazon Transcribe

Amazon Transcribe is an automatic speech-to-text converter provided by Amazon AWS on the cloud. It is a machine learning, pre-trained model that can be 'hired' to transcribe video and audio files, generating text documents. The service has several advantages compared to a human professional transcription service. First, AWS charges around US$0.54 per hour of transcription, while a professional transcriber's rate is around US$100.00 per hour. Second, for each hour of audio file, the machine learning model transcribes the file in approximately ten minutes. Third, autonomy of the enquirer is assured: the enquirer will execute the tasks faster than any other method employed.

To use the services provided by AWS, enquirers must create an account on AWS Cloud Services and learn to operate the platform. It requires free online training to ensure the security of the data uploaded into the cloud storage service Amazon S3 and the correct usage of the transcriber service. It is estimated that enquirers will spend around two hours of engagement with training and reading the documentation that will allow the system to be correctly configured. A ten-minute tutorial is available on www.aws.amazon.com.

The process of using the transcription service is simple. Once an account is created on AWS Cloud Services, the enquirer must choose the storage service Amazon S3. Then a bucket needs to be created and configurations defined by the user. Buckets are like folders created to store and organise files in a computer/laptop's local drive. This service allows configuration for different levels of access. To ensure safety and data protection, the option 'ACLs disabled' was selected, meaning that all the MP4 files in the bucket are owned by the account holder, which means that no other AWS account holder can access the files. Additionally, the lead enquirer blocked public access to the bucket, and all the MP4 files uploaded to the S3 bucket were encrypted using server-side encryption with either Amazon S3-managed keys or AWS KMS keys.

Server-side encryption with Amazon S-3 SSE-S3 was used, meaning that each MP4 file uploaded to the server was encrypted with a unique key and it encrypts itself with a root key that is randomly rotated, using one of the strongest block ciphers available (256-bit Advanced Encryption Standard (AES-256)) to encrypt the files.

Once the configurations were completed, the lead enquirer created the bucket on the S3 service and uploaded each MP4 of the interviews. The lead enquirer then chose the service Machine Learning, Amazon Transcribe. Once in the service canvas page and once a new job has been created, the electronic address of the S3 bucket where the MP4 file is stored can be indicated by the system, and the language the original file contains needs to be chosen. Amazon Transcribe has several pre-trained machine learning models, trained with samples of different English accents, for example, English US, English UK, English IN and many other variations. Then the user must define the input file location on S3 and the output data location type, which has two options. The service-managed S3 bucket was chosen, which removes the files 90 days after the job expires. However, the lead enquirer opted to delete all the files from the bucket after the text file – outputted by the machine learning model – was downloaded.

The outputted files are text only and are provided in JSON format, which is an open standard file format derived from JavaScript object notation. The enquirer imported the file into the popular Microsoft Word text processor to edit. Quality wise, the machine learning model produces a reasonable output, with accuracy matching approximately 90 per cent of the audio provided in the MP4 files uploaded to the model. Therefore, the enquirer must review and deep dive into the texts while listening to the interviews again. This step is critical to ensure that the transcribed data will faithfully represent the statements provided by participants. The lead enquirer chose NVivo12 Pro for this task, importing all the MP4 files and respective transcript files into the software, and, while listening to the recording, inaccuracies were adjusted.

Finding Patterns with NVivo12 Pro

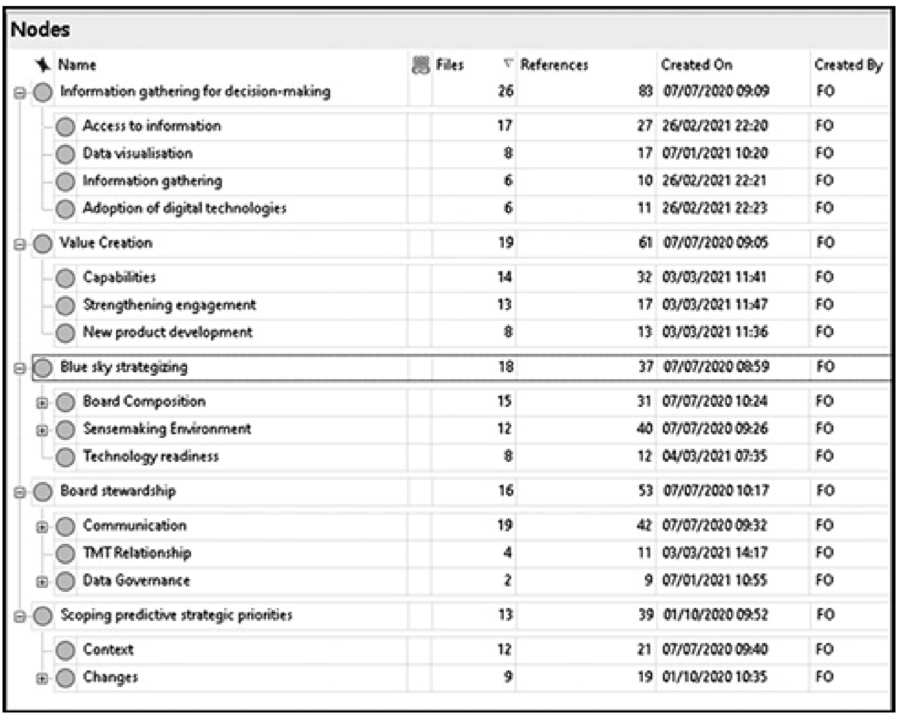
Qualitative data analysis software has been assisting enquirers for more than a decade. NVivo12 Pro is software one can use for organising, storing and analysing data. The enquirer used the software to organise and analyse the transcripts of the interviews.

All of the transcript files were imported into the software, totalling more than 300 pages of text. The first functionality used was the word clouds that show the most cited words in a text in a graphical representation. The bigger a word is displayed, the more frequently the word was mentioned during the interviews. This was extremely valuable as it supported the lead enquirer in the identification of 'clues' as to the most relevant and common themes in the interviewees' narratives.

After exploring the results of the word cloud, the lead enquirer started the coding process – an example of which is depicted in Figure 12.1.

The software allows the creation of nodes (themes) and sub-nodes (sub-themes). Patches of texts from each transcript file can be dragged and dropped into each node or sub-node. The enquirer can revisit the content of each node and reorganise it as many times as needed. After conclusion of the coding process, the enquirer can view diagrams that graphically present the links between each node, which has facilitated the identification of common themes and sub-themes.

Memos were created for each criterion the lead enquirer used to define the themes and sub-themes. The content is linked with each node and sub-node, which supports easy and fast interpretation and collaboration between the enquirers during data interpretation and writing up findings. It is important to mention that NVivo12



Nodes

Name	Files	References	Created On	Created By
Information gathering for decision-making	26	83	07/07/2020 09:09	FO
Access to information	17	27	26/02/2021 22:20	FO
Data visualisation	8	17	07/01/2021 10:20	FO
Information gathering	6	10	26/02/2021 22:21	FO
Adoption of digital technologies	6	11	26/02/2021 22:23	FO
Value Creation	19	61	07/07/2020 09:05	FO
Capabilities	14	32	03/03/2021 11:41	FO
Strengthening engagement	13	17	03/03/2021 11:47	FO
New product development	8	13	03/03/2021 11:36	FO
Blue sky strategizing	18	37	07/07/2020 08:59	FO
Board Composition	15	31	07/07/2020 10:24	FO
Sensemaking Environment	12	40	07/07/2020 09:26	FO
Technology readiness	8	12	04/03/2021 07:35	FO
Board stewardship	16	53	07/07/2020 10:17	FO
Communication	19	42	07/07/2020 09:32	FO
TMT Relationship	4	11	03/03/2021 14:17	FO
Data Governance	2	9	07/01/2021 10:55	FO
Scoping predictive strategic priorities	13	39	01/10/2020 09:52	FO
Context	12	21	07/07/2020 09:40	FO
Changes	9	19	01/10/2020 10:35	FO

Source: Compiled by the authors

Figure 12.1 *NVivo12 coding structure* supports interactive presentations of the data, which was very useful for presenting papers at conferences and discussing findings between enquirers.

THE FUTURE CONTRIBUTION OF QUALITATIVE INTERPRETATION AND ANALYSIS: DEEP LEARNING

Machine learning has improved over the years with the help of deep learning, which uses artificial neural networks (Kolbjørnsrud & Thomas, 2016) to emulate the thinking model of a human brain. Deep learning models are capable of processing, interpreting and computing huge amounts of data (Shrestha et al., 2021). Another emerging area is reinforcement learning for which the programmer specifies the current state of the system and the goal and lists allowable actions; then the system must find out how to achieve the goal or as near to it as possible (Agrawal et al., 2018).

Advancements in hardware, graphic computing units, tensor processing units and the expansion of big data storage capabilities have begun to support a variety of advanced algorithms (Shrestha et al., 2021). Machine learning algorithms can now interpret the flow and meaning of conversations, for example, detecting the dominant individuals controlling a dialogue (Yosinski et al., 2015).

Artificial neural networks can group customers, employees and even meetings in distinct categories to support the allocation of resources, governance (Nieto et al., 2019) and a variety of complex tasks in companies that once were possible only with human cognition (Yanqing et al., 2019). Deep learning algorithms promise benefits for enquirers, assisting them with information processing, augmenting enquirer analytical capabilities and improving human creativity (Shrestha et al., 2021).

NVivo12 introduced Automated Insights in 2018, which is a pre-trained neural network to categorise 'sentiment analysis' in a large number of texts into positive, negative and neutral 'sentiment'. The application is popular in the industry generally; for example, universities use this technology to identify how satisfied students are with a course or facilities, and eCommerce administrators can use it to identify the ratio of positive and negative comments left by customers on their websites or social media channels.

In qualitative enquiries deep learning neural networks can be applied to extract learning styles to improve the e-learning environment (Dagez & Baba, 2008), and the application of deep learning algorithms is common in the time-series classification analysis of literature in systematic reviews.

Sophisticated neural networks, such as the GPT series developed by OpenAI, can generate articles and news about a diverse range of topics or answer questions in natural language processing, which can have a significant impact in academia (Chokkareddy, 2021).

In academic publishing, for example, Elsevier has automated several processes with artificial intelligence to minimise human intervention in tasks such as text analysis, detecting plagiarism on papers submitted to top ranked journals, detecting false statistical results, finding new peer reviewers and semantic searches, amongst other tasks once performed by humans. Thus, artificial intelligence through deep learning is not only becoming important for carrying out research, but also for increasing the likelihood of a higher output.

Therefore, enquirers exploring boards of directors' ways of working in the future can adopt deep learning, for example, to analyse dominance in board discussions or carry out automated semantic/sentiment analysis of transcripts (i.e., positive, negative or neutral) or the classification of topics and themes in thematic analysis. In other words, DTs will be embedded in the research process, in the same way that they have already been employed in the bibliometric analysis of systematic reviews.

LIMITATIONS AND ETHICAL IMPLICATIONS

Although cloud-based software can be of great support for qualitative enquirers, it is acknowledged that the learning process regarding the set-up and operation of these systems can be overwhelming and challenging for many. Additionally, enquirers must be mindful of privacy settings for storing, sharing and collaborating online. It is noted that most of the service providers apply high level and secure cryptographing technology; however, enquirers are liable for the anonymisation and protection of data gathered.

One could suggest that using technology to transcribe and code limits an enquirer's ability to become deeply familiarised with their data. However, as discussed in previous sections, the technology only complements an enquirer's way of carrying out the study, and technology does not execute the work by itself or even make it easier in some cases.

CONCEPTUAL FRAMEWORK AND CONCLUSION

The adoption of DTs to support the traditional qualitative methods of exploring board members' experiences in this study has presented several benefits and a transition between the past and the future of qualitative enquiry practice. Therefore, the unique contributions of this chapter are depicted in Table 12.4, which summarises the key points of this study's transitional experience in a conceptual framework that can guide enquirers when considering the adoption of similar methods.

First, in the recruiting phase of a study, the adoption of digital tools proves to be an effective, more convenient and faster method to access directors. A fundamental shift is in the role of the 'gate keeper', typically the secretary. Enquirers using the traditional method must contact gate keepers, explain and introduce the project and rely on that message reaching the potential participant.

The wider adoption of professional social media networks by board members, directors and many other professionals during the pandemic facilitated direct access to these participants. The wider reaches that professional social media networks promote is another fundamental change in the process. If, in the past, enquirers relied on their personal and limited network of contacts, and on snowballing techniques, with digital tools enquirers can reach in real-time any participant with a public profile on platforms such as LinkedIn.

Second, in the data-gathering phase, digital tools offer a fast and efficient data collection method, which is often more convenient and flexible for participants and the enquirers. Avoiding commuting between locations, sometimes for long distances, proved to be a time-saving and cost-effective method, and it frees up enquirers to carry out more analytical tasks during the study. The fact that participants feel the encounters are convenient and easy to arrange seems to make interactions more informal, relaxed and friendly. Moreover, in the enquirer's experience, interviews were faster to book and, once started, the conversations were more focused, uninterrupted and faster. Moreover, using an online transcription service allowed the enquirers to start reviewing the interviews by reading the transcripts, and coding in thematic analysis straight away, which, in the view of the enquirer, increases familiarity with the data.

Lastly, in the data analysis and interpretation phase, the enquirer finds digital tools facilitate and speed up the identification of patterns in the data and allow for better organisation and collaboration between authors. Embedded machine learning models in NVivo12 and other digital tools, such as PowerBI, make pattern identification look like magic. Sharing memos and coding criteria and tables between enquirers is an easy process and increases collaboration.

DTs are not magical tools, however; instead, human–machine interactions are very important, and the analysis, interpretation and findings write-up are tasks for which human judgement is crucial.

However, it is important to be familiar with digital tools before starting a project, as it can be daunting managing data collection, organisation, analysis and interpretation as well as learning how to use and set up new technologies.

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13. The methodological challenges to opening up the black box of boardroom dynamics

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INTRODUCTION

The early works on the topic of boards of directors were mainly descriptive and relied on interviews and surveys to gain a fuller understanding of the directors' profile and boards' roles (e.g., Lorsch & Maclver, 1989; Mace, 1971). These studies highlighted discomforting evidence about boards' ability to perform their key roles. Notwithstanding their fiduciary duties and the exposure to legal risks, directors appeared to be quite lax in fulfilling their legal obligations, in particular because boards operated under the dominant influence of powerful insiders.

In the following decades, governance scholars devoted increasing attention to tackling the principal-agent problems affecting mainly listed US-based companies (Lorsch, 2017). Boards of directors were considered a key governance mechanism at the apex of corporate controls (Fama & Jansen, 1983), and this idea spurred several studies investigating the effects of various board attributes on firm financial performance. Building on agency theory, these studies bring to the fore some attributes of boards to counter-balance the negative influence of powerful CEOs. More effective boards have a limited number of engaged directors, include a higher percentage of non-executive and independent directors, separate CEO and chairperson roles, and properly incentivize directors (Finkelstein & Mooney, 2003).

Building on the availability of large archival datasets with detailed information on both board composition and structure (e.g., board size, independence, ownership, CEO duality) and various accounting and financial measures of firm performance, governance scholars explored empirically the association between boards' attributes and firm results (e.g., Johnson, Daily & Ellstrand, 1996; Zahra & Pearce, 1989). These studies are also called "input-output studies" as they search for a link between board-level attributes (input variables) and firm-level results (output variables). They view the board of directors as a "black box," that is, assume that the input variables have a direct impact on the output variables, and so avoid exploring the role of intervening processes between input and output variables.

However, while this stream of research contributed to enhancing our understanding of board functioning, it provided mixed and contradictory results in terms of how board composition and structure affect firm performance (e.g., Dalton et al., 1998, 1999). This is why governance scholars repeatedly called for new theories and methods to develop new avenues of research (e.g., Daily et al., 2003; Hambrick et al., 2008).

The seminal work of Pettigrew (1992) gave impulse to a major shift in board scholarship. By claiming that "input-output studies make great inferential leaps from board composition and structure to firm performance" (Pettigrew, 1992: 171), Pettigrew underlined that overlooking the role of board internal processes and dynamics may limit our understanding of actual board behavior. The analysis of internal processes is essential to deepen our knowledge about the behavior and the effectiveness of any type of groups or teams, and this is particularly true for boards of directors. They are, in fact, a special type of group or team actively involved both in monitoring top managers and taking strategic decisions (Hillman & Dalziel, 2003).

Boards are an elite decision-making group with specific characteristics. First, they have a relatively large size with respect to other teams, as the average number of directors is about 11. In addition, several members (i.e., the non-executive or independent directors) have a primary affiliation with another organization and so have a limited knowledge on the corporation. Finally, boards organize few plenary meetings, around 11 times in a year, that are complemented by additional meetings of special committees on nomination, remuneration, or control and risks (Zattoni, 2020). As summarized by Forbes and Milliken (1999: 492), boards are "large, elite, and episodic decision-making groups that face complex tasks pertaining to strategic-issue processing . . . and are particularly vulnerable to 'process losses.'"

The mixed findings of input-output studies, alongside the specific characteristics of boards of directors, opened up new avenues of research seeking to addressing research questions related to the role of boards, sub-committees and individual directors; how boards actually operate and function; and how inner dynamics shape board behavior and corporate level decisions. A new stream of studies emerged, which directly investigate board internal processes in order to open the "black box of boards of directors" (e.g., Daily et al., 2003; Huse et al., 2011). Beyond broadening the research questions and the theoretical lenses, the new stream of research implies also a major shift from the methodological approaches, data analysis, and presentation of results characterizing the input-output studies.

This chapter overviews the stream of research on boardroom dynamics and discusses how scholars managed the different options to ensure a theory-method fit (Aguinis, Ramani & Alabduljader, 2018; Currall, Hammer, Baggett & Doniger, 1999). In particular, we focus our attention on four main features that characterized this stream of research. *First*, despite its intrinsic challenges, these studies sought to get closer to the empirical phenomena by gaining access to primary, unstructured data (Leblanc & Schwartz, 2007). *Second*, most studies sought to open the black box of boards of directors by leveraging rich qualitative and mixed methods with the purpose of uncovering directors' interaction inside and outside the boardroom (McNulty, Zattoni & Douglas, 2013). *Third*, the unit of analysis—that previously was group-level and based on average measures of director attributes (e.g., independence, background, skills)—became either individual-level (i.e., director-level) or multi-level (i.e., both director- and group-level) (Dalton & Dalton, 2011). *Fourth*, these studies broadened both the types of instruments used to collect data (i.e., video and audio records of meetings, board minutes) and the ways to analyze data (i.e., analysis of directors' language or interactions) and sometimes also led to multi-method studies in which the local effects stemming from limited and in-depth observations are then tested on larger scale samples (Veltrop et al., 2021).

The chapter is divided into three sections. The first section lays the groundwork for our empirical analysis of previous studies aimed at opening the black box of boards and studying boardroom dynamics and behaviors. The second section offers an in-depth analysis of the main sub-areas emerging in the literature and, for each of them, overviews the most widely adopted methods to carry out research. Finally, the third section summarizes the key lessons in terms of both theory and method applied to board processes.

FROM INPUT-OUTPUT TO PROCESS STUDIES

The Most Widely Adopted Methods to Open the Black Box of Boards of Directors

A wealth of studies on boards of directors developed in the 1990s and offered a significant contribution to research by showing that board composition and structure (e.g., independence, size, ownership, and the separation of CEO and chairman roles) increase the boards' ability to influence some key decisions, such as CEO substitution in case of poor performance, the reaction to hostile takeovers, or the link between CEO compensation and firm performance (e.g., Hermalin & Weisbach, 2003). However, despite the intense empirical investigation, these studies offer little consensus on the board's impact on firm performance (e.g., Dalton et al., 1998, 1999).

One of the reasons for the lack of consensus is that these approaches overlook inner board dynamics and rely on an out-of-boardroom conceptualization of the various issues at stakes. Such a parsimonious "reduced-form" methodological approach is founded on the assumption that board processes and behaviors can be inferred from their composition and structure (Zattoni, Douglas & Judge, 2013). Input-output studies on boards of directors assume, in fact, that a given board composition or structure generates similar behaviors, thus viewing inner board dynamics as "constant" given certain attributes of the board. While this view allowed scholars to investigate the effects of objective board demographic characteristics on board decisions or firm performance in large samples of listed companies, it had also its drawbacks. Governance scholars realized, in fact, that they could not get a full picture of what makes boards effective without developing a full appreciation of the internal board processes (Bansal, 2012). Recent works based on direct board observations offer initial evidence that such assumptions could be quite stringent and—even within a stable board composition and structure—there is a certain degree of variability in board behaviors and effectiveness (e.g., Pugliese, Nicholson & Bezemer, 2015).

Several editorials of special issues on corporate governance and boards (e.g., Daily et al., 2003; Gabrielsson & Huse, 2004; Hambrick et al., 2008, Huse et al., 2011) urged governance scholars to dismantle fortresses of board research. Collectively, these editorials invited governance scholars to complement the traditional agency theory with socio-psychological or group theories (e.g., identity and social identity theory, behavioral theory, team production theory) and to use board demographic data together with rich process data (collected through interviews, direct observation, and survey methods). In sum, several years after Pettigrew (1992), governance scholars launched a new call to "explore context, behavior and evolution" and to adopt a "behavioral perspective" on boards of directors.

This emerging stream of research differs markedly from the input-output studies. First, these studies are very eclectic in term of both theories and methods, and so it is not easy to classify them along a few dimensions (Kumar & Zattoni, 2015). From the theoretical standpoint, research on board behavior combines or compares more than one theory (eventually including agency) or builds the theoretical framework on theories—like socio-cognitive theoretical approaches (Forbes & Milliken, 1999), power theories (Hambrick, Mysangi & Park, 2015), social-identity theory (Hillman, Nicholson & Shropshire, 2008)—that have not been used before to investigate boards and governance. Second, these studies radically modify the empirical approach and leverage qualitative methods, often using mixed-methods combining several sources of—primary and hand-collected—qualitative and/or quantitative data (e.g., interviews, archival, direct, or participant observation) so as to nurture a rich data analysis process. Thanks to this enriched empirical approach, governance scholars may reach a deeper and more objective understanding of board processes and effectiveness (Bansal, 2012).

The Methodological Barriers to Closer Explorations of Boards of Directors

Academic research on corporate elites was initially focused on top management teams. As a result, at the beginning of the 1990s, boards of directors were still one of the most under-researched areas by management scholars (Pettigrew, 1992). Research on boards was not only episodic, but also anecdotal and mostly descriptive. Only during the 1990s, due to the emergence of corporate scandals involving several large companies, did scholarly attention on boards become systematic and rigorous.

However, exploring corporate elites implies overcoming some obstacles related to the difficulties in gaining access to top managers and directors (Leblanc & Schwartz, 2007). Those methodological difficulties may be explained considering that corporate elites have a busy professional agenda and are unwilling to invite outsiders to participate and scrutinize how they interact and take decisions. The attention to privacy is even more important for boards of directors due to their fiduciary duties (of loyalty and care) and the corresponding legal risks of class actions.

These reasons make it difficult for scholars not only to attend boardroom meetings, but also to interview directors or receive a high response rate from questionnaire surveys. These hurdles encouraged several scholars to use readily available archival data on boards' composition and structure to make theoretical inferences on their effectiveness. While this approach has allowed scholars to produce some interesting results, it has also inhibited their ability to directly investigate board dynamics and internal processes. As highlighted by Pettigrew (1992: 171), the use of board composition and structure to predict board decisions or firm financial performance ignores the internal processes and dynamics which connect the inputs to the outputs.

Following on Pettigrew's call (1992), Daily et al. (2003) invited governance scholars to dismantle established fortresses of research. In their call for action, they underlined three main obstacles: that is, the almost exclusive use of agency theory, the empirical dogmatism, and the lack of process-oriented data. Daily et al. (2003) underline that the last barrier is not easy to overcome as board members are unwilling to cooperate with scholars, especially if the company performance is poor or there is a potential risk of a class action. Beyond acknowledging the difficulties involved in gaining access to process-oriented data, Daily et al. (2003) emphasized that overcoming this barrier is critical if scholars want to disentangle the mixed findings of previous studies and to improve our understanding of board effectiveness.

A more recent review on qualitative studies by McNulty et al. (2013) highlighted that an increasing number of (mostly UK and European) scholars adopt qualitative methods to investigate boards of directors and, to a lesser extent, other governance mechanisms. The review also underlined that these studies use a wide range of qualitative methods to collect data (e.g., interviews, archival, observation, participant observation, survey), sometimes also in combination, to get a deeper understanding of the empirical phenomena.

Interviews are the most common instrument for gaining access to board process data (McNulty et al., 2013). Interviews help in collecting valuable and insightful information from board members, and so allow scholars to develop a more thorough comprehension of board behavior. At the same time, interviewing directors is a challenging experience as corporate elites are very busy, tend to dominate the interaction, or want to positively impress the interviewer (e.g., Ma, Seidl & McNulty, 2021). Exemplar studies based on interviews are Pettigrew and McNulty's (1995) analysis of part-time board members' power and influence in and around the boardroom; Pye's (2001) longitudinal work on the evolution of board members' interpretative perspective over time; and Boivie et al.'s (2021) study on board members' implicit view of their roles and duties.

Direct observation features as an alternative approach that may be used to develop a deep understanding of the context in which people interact. It consists in directly observing and recording people's behaviors in a non-experimental setting, for example, scholars may directly attend board meetings to observe how directors interact or reach a consensus. This method is called participant observation when the observer is an active member of the context that is analyzed, for example, when scholars are active board members who observe and reflect on board processes and interactions. Through observation it is possible to have a better understanding of the actual interactions inside the boardroom, by observing for instance the emotional reactions, the physical posture, and the attitudes of directors. Some exemplar studies using the participant observation method are Samra-Fredericks's (2000a) use of audio and video tapes to capture interactions among board members; Huse and Zattoni's (2008) study aimed at investigating actual processes inside and outside the boardroom; and

Parker's (2007b) study on strategic decision-making in two non-profit professional associations.

A third widely used research design relying on data on board internal processes is a survey directed to one or more board members. Surveys enable the inquirer to receive information directly from the directors that are involved in the board processes (Bednar & Westphal, 2006) and may allow scholars to gain access to qualitative information not obtainable through archival data (Filatotchev & Wright, 2017). As questionnaire surveys sent to board members suffer from a low response rate, which can lead to a sample selection bias, scholars pursuing this method devote attention to minimizing this risk by shortening the survey or identifying a single respondent (usually the CEO). The "value creating board" is an exemplar research project that first developed a questionnaire survey on board processes and performance and then collected empirical data related to firms located in some European countries. Taken together, the studies belonging to this project investigated the link between board processes and task performance in large listed companies (e.g., Minichilli et al., 2009; van Ees et al., 2008; Zona & Zattoni, 2007), in small and medium enterprises (e.g., Pugliese & Zhang, 2007; Zattoni, Gnan & Huse, 2015), and in different country settings (e.g., Minichilli et al., 2012).

A fourth approach used to explore board-level phenomena relies on archival data. In this case, the study's main source of information is represented by the firm's governance documents, such as board plenary and committee's minutes. As the minutes are private information, scholars should identify a way to access them while preserving the confidentiality of the information. Even if minutes do not cover directors' interactions outside the boardroom, they represent an interesting source of information that allows scholars to map board dynamics and decision-making processes. However, scholars should carefully treat board minutes as "hard" objective documents, as the selection of what it is effectively recorded—and how it is recorded—may be filtered by what the secretary of the board wants to convey (Filatotchev & Wright, 2017). Exemplar studies based on rich board archival data on processes are Schwartz-Ziv and Weisbach's (2013) study on 11 companies controlled by the Israeli government, Tuggle et al.'s (2010a) study on the influence of board heterogeneity on entrepreneurial topics covered in the boardroom, and Tuggle et al.'s (2010b) study on the antecedents of boards of directors' attention to monitoring.

A fifth approach that is gaining momentum in board literature is represented by the so-called mixed-methods approach (Pugliese et al., 2015). Mixed-methods studies leverage a mix of qualitative (e.g., video records of board meetings, interviews, observations) and/or quantitative data (e.g., survey or archival data) that constitute part of the evidence provided in a single stand-alone study. Combining multiple instruments and approaches offers a broader comprehension of the phenomena under investigation (McNulty et al., 2013), for example by adding a process-based analysis to output or outcome-based data. Mixed methods generally take the form of studies exploiting in-depth (either processual or longitudinal) knowledge and proximity with key phenomena to uncover mechanisms otherwise difficult to access from the outset (Curral et al., 1999).

A sixth approach is the multi-method approach (Morse, 2003). This approach is based on the examination of board structure and processes through triangulated evidence from multiple (stand-alone) studies to substantiate the provided evidence. The main strength of this approach lies in its suitability in overcoming one of the key limitations in the literature on boards stemming from the potential tension between exploring local effects (e.g., in-depth observations on a few organizations or boards) and making general inferences beyond the observed cases. Integrating several studies in one article can help scholars to further probe the empirical findings they gathered, for example by exploring one phenomenon in depth with triangulated evidence and then testing the relationships in a reduced form on a large scale or different setting (Veltrop et al., 2021).

Finally, some studies combine different sources of data to develop either a case study or a comparative case study. Case studies are rich and detailed empirical descriptions of a phenomenon built on several sources. They represent a set of methods to collect data on a subject, so as to triangulate the information, verify its reliability, and develop a better understanding of the issue under examination (McNulty et al., 2013). The comparative case method is, instead, a complex approach including several steps like selecting the cases, developing instruments and protocols for data collection, analyzing within-case data and across-case patterns, and shaping theory-based propositions (Eisenhardt, 1989). Exemplar works include Nicholson and Kiel's (2007) study aimed at testing the ability of competing theories to predict the relationship between board demographics and firm performance and Ravasi and Zattoni's (2006) study on how social and political dynamics in and around the boardroom may affect board involvement in strategic decision-making.

RESEARCH METHODS AND RESULTS

Article Selection Process

First, we sought to identify studies on board dynamics and processes. We searched in the Elsevier-Scopus database for articles published over the period 1992–2020 using some research queries (i.e., "Board AND Dynamics," "Boardroom AND Dynamics," "Inside AND Board," and "Boardroom AND Behavior") in the abstract and/or key words and/or title. We limited the search by considering the scientific journals included in the list of the *Financial Times*' top 50 journals and complemented by additional journals not included in the FT list but relevant for corporate governance research (i.e., *Corporate Governance: An International Review*, *Journal of Business Research*, *Journal of Human Resources*, *Management Decisions*, *Corporate Governance*). This procedure resulted in 220 outputs being available after excluding duplicates.

The next step entailed assessing articles' inclusion in the final sample. To this purpose, two randomly assigned co-authors assessed their suitability for inclusion, based on the following protocol: (1) articles should clearly examine topics related to boardroom dynamics and behaviors; (2) articles should be original empirical studies, so removing literature reviews, meta-analysis, and conceptual articles.

This process reduced our sample to 38 articles. The three journals with the highest number of articles on board dynamics and processes turned out to be *Corporate Governance: An International Review* (12), *Journal of Management Studies* (4), and *Academy of Management Journal* (4).

Coding Process

As reported in Table 13.1, the 38 articles were classified into 6 main categories and related sub-categories (Makadok et al., 2018). To ensure consistency, two randomly assigned co-authors coded separately each article against the six main categories and sub-categories.

First, following established literature reviews on boardroom dynamics, behaviors, and strategic decision-making (e.g., Lorsch, 2017; Pugliese et al., 2009), the two coders assessed whether each article referred to any of the following major research areas (see also Table 13.1):

Table 13.1 Description of the six main research areas

Main research area	Description	Articles
Individual Level Contribution to Dynamics/ Performance	Studies showing a close relationship between how individual directors (e.g., outsiders, chairperson, secretary) contribute to and affect boardroom dynamics, role execution, or performance.	McNulty & Pettigrew (1999)
Unpacking Inner Processes	Generally qualitative studies trying to tap into how inner board processes unfold.	Forbes & Milliken (1999) Minichilli, Zattoni & Zona (2009)
Socio-Psychological Dynamics at Play	Studies referring to individual-level or group-level psychological factors driving or affecting boardroom dynamics, relationships.	Westphal (1999) Westphal et al. (2007) Zhu (2013)
Studying Interactions in the Boardroom	Studies that investigate how individual board members actually act and interact during board meetings. These studies may, for instance, refer to language interaction.	Piekkari et al. (2015) Pugliese et al. (2015)
Boardroom Dynamics	Studies having as a clear unit of analysis the group. They focus on how boards exchange information, set the agenda, make decisions, and delegate work to committees.	Tuggle et al. (2010)
Other	This area contains studies not included in the previous areas.	Ding, Jia, Li, & Wu (2010)

1) *Individual Level Contribution to Dynamics/Performance*. These studies focus on how individual directors (e.g., outside directors, chairperson, board secretary) contribute to board dynamics or board role execution and performance (e.g., McNulty & Pettigrew, 1999).

2) *Unpacking Inner Processes.* These studies use qualitative or survey data to explore how inner board processes unfold and affect board task or firm financial performance (e.g., Forbes & Milliken, 1999; Minichilli, Zattoni & Zona, 2009).
3) *Socio-Psychological Dynamics at Play.* These studies explore how individual-level or group-level psychological factors drive or affect boardroom dynamics or relationships (e.g., Westphal, 1999; Westphal & Stern, 2007; Zhu, 2013).
4) *Studying Interactions in the Boardroom.* These studies investigate how individuals board members actually act and interact during board meetings (e.g., Piekkari et al., 2015; Pugliese et al., 2015).
5) *Boardroom Dynamics.* Adopting the board of directors as the unit of analysis, these studies typically analyze how boards set up the agenda, exchange information, make decisions, or delegate work to the committees (e.g., Tuggle et al., 2010a).
6) *Other.* This group includes all papers that have not been included in any of the previous research areas (like Ding, Jia, Li & Wu, 2010).

Second, the coders classified each article in relation to the following four main categories: (1) research method, (2) empirical setting, (3) sources of data, and (4) time-frame. In order to analyze the research method, the coders used the following categorizations based on methods adopted by scholars to collect and analyze the data: (1) empirical quantitative, (2) empirical qualitative, and (3) empirical mixed methods. To examine the empirical setting, the coders used the following categorizations based on the continents where the relevant data came from: (1) articles using data from European countries, (2) articles using data from North America, (3) articles using data from Asia and Oceania, (4) articles using data from other continents, and (5) articles using data from multiple continents.

Then, in order to provide insights on data sources, the empirical articles were classified according to the following six categories: (1) interviews, (2) survey data, (3) archival data, (4) direct observations, (5) case study, and (6) multiple sources (e.g., interviews, survey, archival data, direct observations, and other). Finally, to examine the time-frame of the research, we distinguished between (1) cross-sectional and (2) longitudinal studies.

We only considered consensus to be achieved if the two coders agreed on the coding of each sub-category. At the end, all coders reviewed the entire classification, instances of disagreements were discussed on an item-by-item basis, and differences across coders were solved with a unanimous consensus (Table 13.2).

An Overview of the Studies Included in the Sample

Our analysis shows that the most investigated research area is constituted by “Individual Level Contribution to Dynamics/Performance” with 14 studies (37 percent of the total), followed by “Unpacking Inner Processes” with 8 studies (21 percent), and “Socio-Psychological Dynamics at Play” with 6 studies (16 percent). “Boardroom Dynamics” and “Studying Interactions in the Boardroom” follow with 4 studies (11 percent).

Table 13.2 Coding process

Main category	Sub-category
1. Main research area	• Individual level contribution to dynamics/performance • Unpacking inner processes • Socio-psychological dynamics at play • Studying interactions in the boardroom • Boardroom dynamics • Other
2. Research method	• Empirical quantitative • Empirical qualitative • Empirical mixed method
3. Empirical setting	• European data • North American data • Asian and Oceanian data • Data from other continents (i.e., Africa, Middle East, South America) • Data from multiple continents
4. Source of data	• Interviews • Survey • Archival • Direct observations • Case study • Multiple sources (e.g., interviews, survey, archival, direct observation, case study)
5. Time-frame	• Cross-sectional • Longitudinal

In relation to the research method, there is an even distribution of both empirical quantitative (19 studies) and qualitative methods (18), while only one study adopts the mixed method. This indicates a striking deviance from the research methods used by previous studies on corporate governance as the review by McNulty et al. (2013) highlighted that only a very small proportion of the total empirical studies published adopted a qualitative or a mixed method. However, this is not surprising in this context as qualitative methods may allow scholars to develop a deeper understanding of how board internal dynamics and processes unfold over time and affect board strategic decisions (e.g., Maitlis, 2004; Pettigrew & McNulty, 1995; Ravasi & Zattoni, 2006). Consistently with this view, qualitative methods are the most used by studies on "Unpacking Inner Processes" and "Studying Intersections in the Boardroom."

About the empirical settings, most studies (16) have a focus on one European country and are mainly developed by European or European-based governance scholars. The second most common empirical setting is North America (12) followed by Asia and Oceania (7). Studies on other continents (e.g., Middle East, Africa, and South America) (1) or on multiple continents (2) received very limited attention. This distribution tends to underrepresent the European (mostly UK) dominance of qualitative and mixed methods studies in corporate governance (McNulty et al., 2013). The main reason seems to be the presence of some US and, to a lesser extent, Asian and Oceanian scholars with research interests centered on board dynamics and internal processes. The European research setting is the most common in all main areas of research except “Unpacking Inner Processes” and “Socio-Psychological Dynamics at Play” where the American setting is the dominant one.

In relation to the source of data, most studies (11) leverage multiple data sources that usually include interviews, archival data, and survey data. Studies that use only one source of data rely on interviews (8), archival data (7), and surveys (6). As a result, these three methods are the most common approaches for investigating board dynamics and processes. Empirical works using direct observations (4) and case studies (2) are less common, probably because of the difficulties involved in directly attending board meetings or in developing a deep understanding of the board dynamics in one or several companies. These results underline also that board dynamics and processes may be captured through different sources, for example, by interviewing directors, by sending questionnaire surveys to board members, or by analyzing governance archival data (like board minutes or annual reports). The main areas of research differ also regarding the source of data: if interviews are the most common way to learn about “Individual Level Contribution to Dynamics/Performance” and archival data are the dominant source for studies on “Boardroom Dynamics,” multiple sources seem to be necessary to capture “Socio-Psychological Dynamics at Play” or “Studying Interactions the Boardroom.”

Finally, on the time-frame, previous studies have a balanced distribution between cross-sectional (18) and longitudinal (20) ones. However, if we look at differences among main areas of research, we notice that cross-sectional studies are more common when scholars want to analyze “Socio-Psychological Dynamics at Play” while longitudinal studies are dominant when the main research goal is to explore “Studying Interactions in the Boardroom” or “Boardroom Dynamics” (Table 13.3).

THE CHARACTERISTICS OF THE MAIN RESEARCH AREAS

The Main Research Areas

In this section we present the six main research areas identified during the coding process by outlining the research questions and the most widely adopted methods to address them.

Individual level contribution to dynamics/performance

This area refers to the stream of research initiated by the work of McNulty and Pettigrew (1999) and focuses on how individual directors contribute to and affect boardroom dynamics, role execution, or performance. These articles examine the contribution, characteristics, and power of three types of board members: non-executive directors, CEOs, and women directors. Two research questions are usually addressed in these studies. The first concerns how directors contribute to

Table 13.3 Overview of the studies included in the sample

Main research areas	n.	%
Individual level contribution to dynamics/performance	**14**	37
Unpacking inner processes	**8**	21
Socio-psychological dynamics at play	**6**	16
Studying interactions in the boardroom	**4**	11
Boardroom dynamics	**4**	11
Other	**2**	5
Total	***38***	*100*
Research methods	n.	%
Empirical quantitative	**19**	50
Empirical qualitative	**18**	47
Empirical mixed method	**1**	3
Total	***38***	*100*
Settings	n.	%
Europe	**16**	42
North America	**12**	32
Asia and Oceania	**7**	18
Multiple continents	**2**	5
Other continents	**1**	3
Total	***38***	*100*
Sources of data	n.	%
Interviews	**8**	21
Survey	**6**	16
Archival	**7**	18
Direct observations	**4**	11
Case study	**2**	5
Multiple sources	**11**	29
Total	***38***	*100*
Time-frame	n.	%
Cross-sectional	**18**	47
Longitudinal	**20**	53
Total	***38***	*100*

board effectiveness and/or firms' outcomes—for example, performance (Perkins & Hendry, 2005; Uhlaner et al., 2020), strategy (McNulty & Pettigrew, 1996; Kemp, 2006; Garg & Eisenhardt, 2017), corporate social responsibility (CSR) involvement (Huse et al., 2009), and so on. The second one regards how directors exercise their influence and power.

These studies rely on both quantitative and qualitative methods. They mostly use data collected in Europe and in North America, followed by data from Asia and Oceania or from multiple continents. Inspired by McNulty and Pettigrew's study (1999), most of the articles investigate the directors' behavior and contribution through in-depth interviews. Articles that leverage multiple data sources, archival data, or surveys are less common. Finally, the articles included in this area of research equally include longitudinal and cross-sectional studies.

Unpacking inner processes

The second area is populated by studies trying to tap into how inner board processes unfold and affect board task or firm performance. The lead examples are represented by Forbes and Milliken (1999) and Minichilli, Zattoni and Zona (2009). These studies usually develop specific conceptual models to address the following research question: how do directors' characteristics (e.g., skills, diversity, knowledge) affect board processes (e.g., effort norms, cognitive conflicts, use of knowledge and skills) and board task performance (e.g., strategy and control)?

These articles investigate multiple different internal governance processes. For example, Forbes and Milliken (1999) investigate the processes that link board demography with firm performance; Parker (2007a) examines the strategic orientations, discourse, and decisions of board members. For the research method, we notice that scholars more often leverage empirical qualitative methods than quantitative ones. On the empirical setting, the articles included in this area use data from North America, Asia and Oceania, Europe, and other continents. Regarding the sources of data, these studies rely on different types of data: multiple sources, surveys, direct observations, interviews, and case studies. Finally, regarding the time-frame, these studies are equally represented by longitudinal and cross-sectional studies.

Socio-psychological dynamics at play

Studies in this group focus on how individual-level or group-level psychological factors can drive or affect boardroom dynamics and the relationships between board members. This stream of research aims at disentangling the psychological factors that influence board decision-making and behavior and so also its ability to perform its tasks. They build on social psychological theories to analyze how personal relationships, social ties, friendships, or ingratiatory behaviors may affect boardroom dynamics and decisions. These studies—for example, Westphal (1999), Westphal and Stern (2007), and Zhu (2013)—examine the CEO-board social ties, specifically focusing on outside directors (Westphal, 1999; Westphal & Stern, 2007) and group polarization (Zhu, 2013). Studies clustered in this area rely exclusively on empirical (archival or survey) quantitative methods. The most common setting for this area is North America, followed by Europe and Asia and Oceania. Multiple sources are often adopted to capture "Socio-Psychological Dynamics at Play," followed by archival data and surveys. Scholars often combine interviews and archival data (e.g., Zhu, 2014), or surveys and archival data (e.g., Veltrop, Molleman, Hooghiemstra & van

Ees, 2017; Westphal, 1999). Finally, the articles included in this research area adopt mostly cross-sectional studies rather than longitudinal ones.

Studying interactions in the boardroom

The fourth area includes studies investigating how individual board members actually act and interact during board meetings and how these interactions may feed or not into board task performance (e.g., Pugliese et al., 2015). These studies usually explore (or reproduce) typical interactive routines—for example, language interactions (Piekkari et al., 2015)—between directors or groups of directors to address two main research questions: (1) how directors (or groups of directors) interact to perform the board's duties; (2) how directors (or groups of directors) perceive board dynamics.

The articles in our sample investigate different types of interactions: Samra-Fredericks (2000b) studies how different directors' linguistic skills influence boardroom process, Brundin and Nordqvist (2008) investigate how directors' emotions affect board works, Mathisen et al. (2013) look at how female directors interact and perceive board dynamics, and Bezemer et al. (2014) analyze how non-executive directors interact in the boardroom. For the research methods, qualitative studies are more common. Regarding the empirical setting, studies are based on European data. This stream of research relies on multiple data sources, surveys, and direct observations. These articles are in most cases longitudinal rather than cross-sectional ones.

Boardroom dynamics

The fifth area leverages the group as the unit of analysis. These studies focus on how boards exchange information, set the agenda, make decisions, and delegate work to committees. They generally explore the effects of boardroom dynamics on both decision-making, usually examining what happens during board meetings, and its outcomes, in terms of board effectiveness in performing its tasks. The lead examples are two studies by Tuggle et al., that analyze how board heterogeneity influences the discussion of entrepreneurial topics covered in the boardroom (Tuggle et al., 2010a) or the antecedents of boards of directors' attention to monitoring (Tuggle et al., 2010b). Two equally represented research methods are employed to study boardroom dynamics, that is, empirical quantitative and empirical qualitative methods. The empirical settings of these studies are very heterogeneous, as they rely on data deriving from Europe, North America, Asia and Oceania, and multiple continents. For the data sources, archival data represent the dominant source, followed by direct observations and interviews. We observe that empirical quantitative methods are adopted by articles relying on archival data (e.g., Choi, Rhee & Kim, 2019; Federo & Saz-Carranza, 2018), while empirical qualitative methods are preferred by studies based on direct observations and interviews (e.g., Michaud, 2014; Pye, 2000). Finally, longitudinal studies seem to be more common than cross-sectional ones.

Other

This area contains two studies not included in the previous research areas, as they focus on topics that do not fall perfectly into the previously identified categories.

These studies—that is, Ding, Jia, Li, and Wu (2010) and Oba, Ozsoy, and Atakan (2010)—use different research methods, as they employ respectively empirical quantitative and empirical mixed methods studies. Their settings are emerging economies characterized by differences among corporate governance systems due to peculiar institutional, legal, and cultural factors. In particular, Ding et al. (2010) examine the dynamics of Chinese firms' boards of directors, while Oba et al. (2010) focus on Turkish boardroom dynamics. For data sources, these studies rely on archival data deriving from financial statements (e.g., Ding et al., 2010) and on multiple sources like surveys, in-depth interviews, and discourse analysis (Oba et al., 2010). Finally, these articles consist of a longitudinal empirical quantitative method study and a cross-sectional empirical mixed methods study (Table 13.4).

Key Findings of Research on Boardroom Dynamics and Behavior

Our systematic analysis of the recent studies on boardroom dynamics reveals several common features of this burgeoning area as well as potential gaps that researchers may want to fill. A *first*—overarching—takeaway concerns the heterogeneity in terms of research questions, theoretical frameworks, and methodological choices pursued by these studies. While dominant fortresses of corporate governance and board research rely on relationships between board demography and firm-level performance built on agency theory, and tested through large samples of companies, process studies are more eclectic in terms of both theory and methods. From a theoretical perspective, they analyze various research questions building on different theories applied at the individual or group level. Regarding the method, whilst qualitative approaches are *unsurprisingly* paramount, several studies exploring the socio-psychological dynamics in the boardroom employ quantitative approaches.

Second, our results show that studies on boardroom interactions and dynamics are helpful in uncovering boundaries of validity and the mechanisms underlying some of the well-established relationships in the governance literature. For instance, board-level climate and interactions may hamper or enhance the relationship between non-executive directors and the CEO or other top managers. Similarly, the role of the chairperson, the secretary, or the lead-independent director is effective insofar as s/he is able to minimize personal conflicts within the boardroom while preserving cognitive conflicts (open debate).

Third, in relation to the evolution of methods, approaches, and instruments employed to address novel research questions, we noticed a marked preference for in-depth analysis (e.g., through the reliance on one or a few case studies) that allows higher confidence and trust in the observed phenomena, yet faces the risk of a limited external validity. Comparative case studies or mixed-method approaches appear to be promising (Curral et al., 1999; Solarino & Aguinis, 2021) for uncovering some mechanisms locally and then testing them in other contexts or on a larger scale.

Table 13.4 Descriptives for main research areas

	Individual level contribution to dynamics/ performance		Unpacking inner processes		Socio-psychological dynamics at play		Studying interactions in the boardroom		Boardroom dynamics		Other		Total	
Research methods	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%
Empirical quantitative	**7**	50	**2**	25	**6**	100	**1**	25	**2**	50	**1**	50	**19**	50
Empirical qualitative	**7**	50	**6**	75	**0**	0	**3**	75	**2**	50	**0**	0	**18**	47
Empirical mixed method	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**1**	50	**1**	3
Total	**14**	**100**	**8**	**100**	**6**	**100**	**4**	**100**	**4**	**100**	**2**	**100**	**38**	100
Empirical settings	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%
Europe	**7**	50	**2**	25	**1**	17	**4**	100	**1**	25	**1**	50	**16**	42
North America	**4**	29	**3**	38	**4**	67	**0**	0	**1**	25	**0**	0	**12**	32
Asia and Oceania	**2**	14	**2**	25	**1**	17	**0**	0	**1**	25	**1**	50	**7**	18
Other continents	**0**	0	**1**	13	**0**	0	**0**	0	**0**	0	**0**	0	**1**	3
Multiple continents	**1**	7	**0**	0	**0**	0	**0**	0	**1**	25	**0**	0	**2**	5
Total	**14**	**100**	**8**	**100**	**6**	**100**	**4**	**100**	**4**	**100**	**2**	**100**	**38**	100
Sources of data	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%
Interviews	**6**	43	**1**	13	**0**	0	**0**	0	**1**	25	**0**	0	**8**	21
Survey	**2**	14	**2**	25	**1**	17	**1**	25	**0**	0	**0**	0	**6**	16
Archival	**2**	14	**0**	0	**2**	33	**0**	0	**2**	50	**1**	50	**7**	18
Direct observations	**0**	0	**2**	25	**0**	0	**1**	25	**1**	25	**0**	0	**4**	11
Case study	**1**	7	**1**	13	**0**	0	**0**	0	**0**	0	**0**	0	**2**	5

(*Continued*)

Table 13.4 *(Continued)*

	Individual level contribution to dynamics/ performance		Unpacking inner processes		Socio-psychological dynamics at play		Studying interactions in the boardroom		Boardroom dynamics		Other		Total	
Sources of data	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%
Multiple sources	**3**	21	**2**	25	**3**	50	**2**	50	**0**	0	**1**	50	**11**	29
– *Interviews*	*2*	—	*2*	—	*1*	—	*2*	—	*0*	—	*1*	—	*8*	—
– *Survey*	*2*	—	*0*	—	*2*	—	*1*	—	*0*	—	*1*	—	*6*	—
– *Archival*	*2*	—	*1*	—	*3*	—	*0*	—	*0*	—	*1*	—	*7*	—
– *Direct observations*	*0*	—	*0*	—	*0*	—	*1*	—	*0*	—	*0*	—	*1*	—
– *Other*	*0*	—	*1*	—	*0*	—	*0*	—	*0*	—	*0*	—	*1*	—
Total	**14**	**100**	**8**	**100**	**6**	**100**	**4**	**100**	**4**	**100**	**2**	**100**	**38**	100
Time-frame	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%	**n.**	%
Cross-sectional	**7**	50	**4**	50	**4**	67	**1**	25	**1**	25	**1**	50	**18**	47
Longitudinal	**7**	50	**4**	50	**2**	33	**3**	75	**3**	75	**1**	50	**20**	53
Total	**14**	**100**	**8**	**100**	**6**	**100**	***4***	**100**	**4**	**100**	***2***	**100**	**38**	100

CONCLUSIONS AND FUTURE RESEARCH AVENUES

In spite of the surge witnessed in the last two decades, investigating board processes and dynamics remains quite a difficult task, especially because of the limitations in gathering primary data from executive and non-executive directors (Solarino & Aguinis, 2021). These hurdles explain why most board studies have adopted an input-output approach and avoided theorizing and exploring board interactions.

However, in recent decades, a few scholars have taken on the challenge of opening the black box. These process studies explore board internal processes and dynamics building on qualitative, quantitative, or mixed methods, each of which has its own benefits and limitations. Collectively, these studies have allowed governance scholars to develop and test new theoretical frameworks (e.g., social identity, group socio-cognitive process, behavioral approaches) so as to get a deeper understanding of board processes and effectiveness (e.g., Forbes and Milliken, 1999). Thanks to these new approaches, board scholarship has advanced our knowledge on how individual directors contribute to board interactions and effectiveness, which internal processes explain board task performance and firm financial results, and which psychological factors affect individual behaviors and collective board decision-making.

Although these process studies allowed scholars to investigate board internal dynamics and their impact on both board and firm performance, there are still gaps and open issues that deserve scholarly attention. As governance scholars have only marginally explored process issues concerning boards of directors, there are still several possibilities to expand this area of research. For example, future works may explore how directors' personal characteristics (e.g., demographic, human, and social capital) affect board processes and effectiveness. This type of research, which falls into the category of "Unpacking Inner Processes," seems timely due to the expected increase in laws that will require the appointment of directors with specific demographic and social characteristics. For example, the European Commission with the so-called "Women on Board Directive" initiative aims to increase the number of women directors to at least 40 percent of the total board members for all EU listed companies. Building on socio-psychological theories and using mixed-method studies, scholars may explore if and how an increase in women directors will affect board processes and effectiveness (Zattoni, 2020).

Second, governance scholars may study how the interaction between director-level and board-level variables impacts board effectiveness and firm outcomes (Zattoni & Pugliese, 2019), by leveraging qualitative and mixed-methods, for example, making greater use of interviews and direct observations. For example, future studies may extend the analysis of boardroom dynamics by including underexplored settings, such as emerging economies. Combining institutional theory with socio-psychosociological theories, it may be interesting to explore how board processes and interactions unfold in new empirical settings or in cross-country samples, that is, how culture and other national institutions may modify internal processes and board task performance (Zattoni et al., 2020). Alternatively, it may be worthwhile to explore if and how the shift to virtual meetings—favored by the recent COVID-19 pandemic crisis—may modify board interactions and the board's effectiveness in performing its tasks (Zattoni & Pugliese, 2021).

Finally, the recent evolution of the debate on the company purpose together with the increasing activism of institutional investors may modify boards' roles and dynamics. In this new governance setting, building on identity and social identity theories in combination with other socio-psychological theories, scholars may investigate how the directors' identification with a specific stakeholder or with multiple stakeholders may affect board internal processes and board task performance (Hillman, Nicholson & Shropshire, 2008). To fulfill this purpose, they may use several qualitative research methods aimed at collecting the first-hand experience of both the directors and the stakeholders (including investors).

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14. Qualitative insights into corporate governance reform, management decision-making, and accounting performance: semi-structured interview evidence from Kuwait

Abdullah Alajmi and Andrew C. Worthington

INTRODUCTION

Corporate governance – the framework that defines the relationships between shareholders, management, the board of directors and other stakeholders – lies at the heart of how firms operate and perform. Good corporate governance protects shareholder rights, enhances disclosure, openness and transparency, facilitates the effective functioning of boards and provides an efficient legal and regulatory enforcement framework. Good corporate governance also encourages shareholder participation, provides incentives for the board and management to work in the interests of the company and its shareholders and makes them accountable for their actions. Finally, good corporate governance ensures that firms make decisions on an ethical and responsible basis and that they appropriately recognise and manage all risks (Azim, 2012). By better managing the fundamental agency and stakeholder relationships in the firm, these come together to enhance corporate performance.

Nonetheless, there is considerable uncertainty regarding the corporate governance–firm performance relationship as to which aspects are most beneficial. Some studies address the impact of different shareholder groups (including family, institutional and government ownership) on the quality of corporate governance and hence performance (Sakawa and Watanabel, 2020). Others consider the impact of important corporate governance mechanisms, including the composition of the board of directors and audit committees. Regardless, nearly all employ quantitative methods, especially regression analysis, to measure the association between corporate governance variables and firm performance as variously defined, including market measures such as stock returns, accounting measures like the returns on assets and equity and hybrid measures combining both like Tobin's Q (Cao et al., 2020).

Unfortunately, quantitative methods suffer some limitations when exploring the relationship between corporate governance and firm performance. First, corporate governance is foremost a legal framework, and it is often difficult to quantitatively proxy the nuances found in complex legislation. This explains the readiness of many capital markets, accounting and finance studies to consider only the most easily identified aspects of corporate governance, like the size of boards, the number of board meetings and the percentage holdings of certain shareholder groups. For the same reason, they tend to ignore aspects of corporate governance that defy parametrisation, including immeasurable contextual features like culture, religion and politics.

Second, the specification and modelling of the corporate governance–firm performance relationship may be difficult. For example, it may take time for common firm performance measures to reflect the benefits of openness, transparency and ethics, if at all. This is not to say they are unimportant. Finally, the focus on good corporate governance has developed unevenly throughout the world, and in many places where now implemented the financial statement and other information necessary for quantitative analysis may be incomplete and of short duration (Cao et al., 2020). This is a problem in that we are often especially interested in developing market contexts where corporate governance frameworks, principles and practices are changing rapidly.

All of these are applicable to our chosen context of Kuwait, a small but influential economy in the Arabian Gulf. For much of its recent business history, corporate governance practices in Kuwait have not kept pace with the growth of its companies and equity market. In fact, it was not until 2013 that Kuwait implemented its first corporate governance code and guidelines to address some of its longstanding corporate governance failings. These included excessively large block and pyramid shareholdings, unusually complex corporate structures, poor disclosure and transparency practices and the concentration and interlocking of directorships (Pillai and Al-Malkawi, 2018).

Firms listed on the Kuwait Stock Exchange (KSE) are now subject to two sets of regulations: capital markets authority laws used to regulate the behaviour of market participants and company (so-called ministry) laws. Together, these impose many corporate governance articles and provisions newly obliging all listed companies to make necessary changes to their bylaws and internal policies. For boards, they include board sizes and composition, the required separation of the board chair and chief executive officer, regulations governing executive and non-executive members and a requirement for independent directors. For audit committees, they include committee sizes and meetings, the requirement for members to hold professional certification, the designation of roles not permitted to meet with internal and external auditors and a requirement for independent members.

Lastly, for shareholders they included basic shareholder rights, including to meetings, voting and dividends, disclosures of ownership and declaration of direct and indirect relations between the company and major shareholders, and compliance, disclosure and transparency requirements for other stakeholders. Just as interesting, the Kuwaiti government staggered the implementation of these requirements. Prior to 2013, there was no corporate governance code and guidelines in Kuwait; from then until 2015 there was only voluntary compliance; and from 2016 onwards, there was compulsory compliance.

Qualitative analysis well suits this situation (Sandelowski, 1995; Charmaz, 2006; Cucari, 2019). Our chosen approach consists of semi-structured interviews with general and financial managers and board members and chairpersons in a sample of Kuwaiti listed firms. We particularly focus on immeasurable or difficult to measure variables that affect the nature of the relationship between corporate governance and firm performance in Kuwait, such as politics, culture (especially Kuwait's strong tribal system) and religion. We also consider the effects of different approaches to the use of information technology within company accounting systems and the effects of politically sensitive matters like foreign, local institutional and family ownership.

In addition, we cover several areas of relevance to the corporate governance–firm performance relationship during our interviews. These include the role of Kuwait's capital market authority and corporate governance reform, the restive factors affecting corporate governance and firm performance (e.g., culture, politics, religion and the tribal system) and the incentives of shareholders and managers to increase firm profits. Likewise, we consider the country's adoption of international financial reporting standards (IFRS) and its relationship with corporate governance in Kuwait, financial crises and firm performance, accounting systems in Kuwaiti firms, boards of directors, audit committee roles and firm performance, and ownership structure and firm performance. This is a wide-ranging inquiry into extensive corporate governance reform by any measure.

We believe our findings are potentially useful to investors, such that they can use them to manage the potential risks that face Kuwaiti firms, now and in the future, including not just economic, financial, operational and competition risk, but also compliance, security and fraud and reputational risk. Similarly, the results may provide some comfort to senior managers struggling to deal with cultural factors and the tribal system in Kuwait and its impact on corporate governance and firm performance, matters unexplained by existing quantitative analysis. Lastly, the results can help inform ongoing efforts by legislators and regulators in continuously improving corporate governance in Kuwait, elsewhere in the Middle East and in developing economies more generally.

The primary motivation for the analysis is that it provides useful insights into factors recognised as influencing the link between corporate governance and firm performance, particularly each country's own legal and cultural practices and social environment. This assists investors, both local and foreign, investing much-needed capital in the country, as well as government officials, market regulators and accounting professionals, in devising future investment, industry and regulatory policies. This is particularly the case in Kuwait, with the country very much focused on improving the attractiveness of its investment environment and thereby the flow of capital by enhancing the quality of governance in its listed firms.

The remainder of the chapter is structured as follows. The second section discusses the sampling of interviewees, the interview questions and the analytical technique applied to the interviewees' responses. The third, fourth, fifth and sixth sections analyse the institutional and regulatory, sociological, external accounting and financial, and internal managerial and accounting factors arising from the interviews, respectively. The seventh and final section concludes.

CORPORATE GOVERNANCE REFORM IN KUWAIT

While only one of several emerging markets in the Gulf, Kuwait offers a unique case to investigate the relationship between corporate governance and firm performance. First, Kuwait is a natural setting for the testing of corporate finance theory because of the straightforwardness of its tax system, having neither personal nor corporate taxes. This is very different to most other developed and developing countries. Kuwait is also unique in that there are substantial levels of royal and other family ownership, which is again very different to that of other Arab countries in the Middle East.

Second, the continuing improvements underpinning its financial markets have become important in terms of accelerating Kuwait's economic growth, particularly in the recovery stage of the Middle East revolutions of the early twenty-first century and after its occupation by Iraq during the First Gulf War in 1990/91. Even more recently, Kuwaiti firms have been subject to an extensive programme of privatisation and market deregulation, helping to stimulate stock market activity, mend corporate governance, assist economic development and recovery and facilitate international financial and economic integration.

Nevertheless, despite spectacular market developments and as discussed earlier, Kuwait is a relative latecomer to a general corporate governance code and guidelines. While these are now broadly in place throughout the Gulf, and date from as early as 2002 in Oman, it was only in 2013 that Kuwait adopted its own. This closely followed the establishment of its capital market authority (its first) in 2010 and revisions in 2016 to its company law to overcome weakness and gaps in existing capital market law and conduct. Nonetheless, even as it stood, Kuwait lagged many other Gulf countries in the administration of its corporate governance guidelines. For example, unlike Bahrain, the United Arab Emirates, Oman, Saudi Arabia and Qatar, Kuwait lacked comply-or-explain provisions in its guidelines. Further, unlike Bahrain and the United Arab Emirates with separate codes and guidelines for all banks and insurance companies, state-owned enterprises, real estate companies and small and medium-sized enterprises, Kuwait's early efforts concerned only banks.

As it stands, firms listed on the Kuwait Stock Exchange are subject to two newly introduced and major sets of regulations: the capital markets authority laws introduced in 2010 to regulate the behaviour of market participants (and which are not the subject of this analysis) and the company (or ministry) law implemented in 2016. These laws newly imposed many corporate governance articles and provisions obliging all listed companies to make necessary changes in their bylaws and internal policies. They include, among others, a minimum number of board members, the required separation of the role of chair of the board and chief executive officer, the required presence of independent directors and limits on the membership of other boards, especially those of competing companies. The articles also include restrictions on the disclosure of confidential information and the banning of business and financing deals by board members, executive management and their families with the company without approval of the general assembly of shareholders.

We can of course logically hypothesise these have all had a positive effect on the quality of corporate governance and thus listed firm performance in Kuwait. And as discussed, the Kuwait capital market authority imposed the staggered introduction of these provisions. Prior to 2013, there was no corporate governance code and guidelines; from 2013, there was voluntary compliance with the code and guidelines up until 2015, while from 2016 onwards compliance was compulsory. Consequently, we are interested in not only whether firm performance has improved, but also whether the foreshadowed shift to a formal corporate governance code and guidelines and within that from a voluntary to a compulsory regime entailed differing impacts on firm performance.

METHODOLOGY

Interviewee Sample

We conducted interviews with 14 managers, comprising 6 general managers (GM), 5 financial managers (FM) and 3 board chairpersons (C) from 9 companies. We randomly selected the firms from all 62 Kuwaiti industrial and services firms listed on the KSE, but with 3 each purposively chosen across 3 performance categories: high, moderate and low firm accounting performance. We define performance according to an equal weighting of four common measures of firm performance, namely, the return on assets, the return on equity, debt to equity and Tobin's Q.

Table 14.1 summarises the characteristics of the interviewees, including education, qualifications and experience in the firm. As shown, most of our interviews were with general managers (43 per cent), followed by financial managers (36 per cent) and board chairpersons (21 per cent). Of these, 57 per cent held bachelors, masters or doctoral degrees in accounting, 22 per cent in business, 14 per cent in finance and 7 per cent in economics. Only a single interviewee held a CPA qualification. In terms of experience, 50 per cent of interviewees had lengthy periods of work experience in their current firm (>ten years), 36 per cent had medium experience (five to nine years) and 24 per cent had experience of less than five years. Together, these statistics suggest that our interviewees are sufficiently well qualified and experienced to provide in-depth insights about the corporate governance–firm performance relationship in contemporary Kuwaiti firms.

Interview Questions

Semi-structured interviews are a data-gathering method consisting of oral communication between the researcher and the interviewees, normally used in investigation strategies, exploratory methods and in social studies, including accounting.

Table 14.1 *Interviewees*

Firm performance	Firm no.	Interviewee no.	Position	Highest academic qualification	Professional qualification	Years of firm experience
High	1	1	FM	BA Accounting	–	5
		2	GM	BA Business	–	10
	2	3	GM	MA Accounting	–	20
	3	4	D	BA Business	–	17
		5	C/FM	BA Finance	–	4
Moderate	7	11	FM	BA Accounting	–	12
	8	12	FM	MSc Accounting	–	5
		13	GM	BA Finance	–	10
	9	14	D/C	BA Economics	CPA	9
Low	4	6	D	PhD Accounting	–	13
		7	C/GM	BA Accounting	–	10
	5	8	FM	MSc Accounting	–	5
		9	GM	MSc Business	–	7
	6	10	GM	BA Accounting	–	5

Notes: FM – financial manager, GM – general manager, D – director, C – chairperson

A variety of interviewing methods are available, ranging from fully unstructured (no questions and open responses) to fully structured (set questions and closed responses). The semi-structured approach we employ involves the participant responding to guiding questions in an open fashion, which typically yields more accurate and in-depth information related directly to the phenomena under investigation (Opdenakker, 2006). Here the interviewer poses questions in the form of an interview schedule, standardised to ensure the differences between interviews are minimised. However, the sequence of the questions can change at the interviewer's discretion, with follow-up questions available for some significant responses (Bryman and Bell, 2015).

Table 14.2 lists the guiding questions and the interview schedule. Each interview consists of two parts, as is usual (Mojtahed et al., 2014). The first part consists of basic interviewee information, including the interviewee's position and role in the firm, experience, education and gender. The second part comprises how/what/why

Table 14.2 Guiding questions

About You

- What is your position and role in this firm?
- What is your previous work experience?
- What are your academic qualifications?
- Do you have any professional qualifications?

About Your Firm

- How would you describe the development of the corporate governance code in Kuwait?
- How would you describe the governance structure in your firm?
- Do you believe the Capital Market Authority (CMA) affects the development of corporate governance in Kuwait? Give an example and how you believe this role has changed over time.
- What factors do you consider could potentially affect the relation between the following and firm performance:
  - The board of directors?
  - The audit committee?
  - The makeup of shareholders?
  - The conduct of internal audits?
- What cultural factors do you consider might affect your firm (including tribal system, education, experience, religion)?
- Do you believe politics and economics affect the performance of your firm? How?
- Do you believe shareholders and manager incentives affect the performance of your firm? How?
- Do you believe that the adoption of International Financial Reporting Standards (IFRS) has affected corporate governance and firm performance in Kuwait? How?
- Do you believe that financial crises affect the performance of your firm? How?
- Which type of accounting system does your firm use? Give an example.
- Do you believe that the type of ownership affects your performance of your firm? How?
- Can you identify the board of directors and audit committee members for your firm?
- What do you know about the roles of the board of directors and the audit committee?
- Is the CEO and chair of the board of directors of your firm the same person?
- What do you see as the main obstacles your firm faces in achieving high performance?

questions concerning perceptions of internal and external factors affecting corporate governance and its outcomes. The interviews conducted ranged in length from 35 to 75 minutes.

Measuring the Variables

This study addresses questions connected with developing an understanding of the meaning and experience dimensions of religion, political and economic circumstances and the tribal system (Humphries and Whelan, 2017). We employ theoretical techniques to measure these variables through semi-structured interviews, with several questions constructed either directly or indirectly to explore the relationship between our study variables. In Kuwait, there are sometimes sensitive issues relating to these variables, so we sometimes used indirect questions.

Analytical Approach

We use two methods to analyse the recorded, translated (from Arabic to English) and transcribed interviews. These are the coding approach and the quoting approach (Sams, 2010; Engkizar et al., 2018). In support, Brown and Brignall (2007) argue that the use of more than one method in analysing the same dataset leads to complementary results, which, in turn improve the validity and reliability of any results. We use the coding approach to thematically categorise and organise the interview information and the quoting approach to provide depth and perspective to this coding.

The first stage of code creation is the transcribing of all the responses provided during the interviews. This permits complete familiarisation with the data, an essential step. We then outline all the collected information in terms of its relevance to the study and categorise it according to whether it falls under the key 'themes' or 'sub-themes'. We do this manually rather than using qualitative data analysis software such as NVivo.

Tables 14.3–14.6 list the ten sub-themes identified for each performance category (high, moderate and low firm performance), all of which revolve around the central theme of corporate governance and firm performance, including the corporate governance code, the Kuwait Capital Market Authority Law (CMAL) and Kuwait Companies' Law (KCL), restive factors, other modifiers, manager incentives and remuneration and accounting systems. Table 14.3 sums the number of references made to each sub-theme for each performance category, ranking them in descending order of the number of references. The final column in Table 14.3 identifies that performance category (high, moderate, low) that ranks each sub-theme highest. We then use the quoting approach for the initial code in each sub-theme to reveal positive and negative interviewee opinions concerning the nature of the relationship between corporate governance and firm performance – something that enables these decision-makers to enhance their decisions in their firms.

Table 14.3 Sub-theme reference summary

Sub-theme	High		Moderate		Low		Relatively highly ranked
	No.	Rank	No.	Rank	No.	Rank	
Corporate Governance Code	33	1	4	7	15	4	High
Capital Market Authority	18	5	4	7	7	9	High
The restive factors (cultural factors)	26	3	13	1	27	1	Moderate/low
The restive factors (religion)	14	8	6	6	13	6	Moderate/low
The restive factors (political issues)	18	5	13	1	12	7	Moderate
The restive factors (tribal system)	10	9	2	10	10	8	Low
Other modifiers (IFRS adoption)	30	2	3	9	19	2	High/low
Other modifiers (financial crisis)	22	4	9	5	14	5	High
Manager incentives and remuneration	17	7	13	1	19	2	Moderate
Accounting systems	8	10	11	4	6	10	Moderate
Total references	196		78		142		

ANALYSIS OF INSTITUTIONAL AND REGULATORY FACTORS

Corporate Governance Reform

As shown in the first row in Table 14.3, high-performing firms reference corporate governance reform 73 per cent more than moderate- and low-performing firms. Corporate governance reform also ranks first for high-performing firms, but only fourth for moderate-performing firms and seventh for low-performing firms. Historically, Kuwait is a rapidly growing and developing country, particularly following the oil revolution of the 1950s, and an attractive destination for investors. After the 2008 global financial crisis (GFC), Kuwait increasingly turned to international markets such as the UK, the US and Japan, to offset its effects, one consequence being a significant improvement in market quality. In this regard, two managers commented:

> Kuwait is considered one of the most important countries that has a great economic growth since its independence in 1961 . . . Where the main objective of it was achieving more economic growth to make Kuwait to be amongst the best countries around the world . . . I mean from the leading countries around the world like the UK and USA. (FM, Moderate)

> Yes, our country received important consideration with our Emir [the current Emir of Kuwait, Sabah Al-Ahmad Al-Jaber Al-Sabah, sworn in on 29 January 2006] . . . and since our independence; Kuwait was achieving economic growth . . . But there were several financial crises and political issues that affect our economic growth, such as the financial crisis in 2008, the financial crisis 1997, the political issues in 1991, and the political issues from 2010 until this moment. (C, Low)

Table 14.4 Final list of codes, references and sub-themes: high-performance firms

Initial codes	References	Sub-theme
Economic growth	11	Corporate governance code
Developing corporate governance code	9	
Corporate governance code compulsory	5	
Corporate governance code voluntary	8	
Developing IFRS rules	9	Capital Market Authority
Developing CMA rules	2	
Issuing new laws	4	
Top market	3	
Cultural factors	7	The restive factors (cultural factors)
Understanding international culture	3	
Language	10	
Mentalities	1	
Education	5	
Religion impact	6	The restive factors (religion)
Straightforward person	6	
Religion and lifestyle	2	
Unintentional financial corruption	1	The restive factors (political issues)
Weakness political	1	
Political dilemma	2	
Political connections	5	
Revolutions	5	
Political corruption	4	
Tribal power to hire employees	7	The restive factors (tribal system)
Favouritism	3	
Starting IFRS adoption in 2016	5	Other modifiers (IFRS adoption)
Before IFRS adoption	2	
After IFRS adoption	10	
Audit committee and IFRS adoption	2	
Firms’ improvements after IFRS adoption	5	
IFRS adoption in developing countries	2	
IFRS adoption advantages	4	

(*Continued*)

Table 14.4 (Continued)

Initial codes	References	Sub-theme
Financial crisis 2008	7	Other modifiers (financial crisis)
Fake firms	1	
Signing new agreements	2	
Restricting loan processes	3	
Growing firms	2	
Customers decreasing	2	
Shortage in income	3	
Board of directors rules	3	
Personal motivations	5	Manager incentives and remuneration
Shareholders' motivations and targets	2	
Bonuses and compensations	4	
Negative incentives impact	2	
Positive incentives impact	4	
Accounting software system	5	Accounting systems
Advanced accounting system	3	

Accordingly, Kuwait employed two new laws to achieve its objectives by developing its markets and avoiding risk that arose from the GFC, these being the CMAL and the KCL. One interviewee stated that issuing both sets of laws supported the Kuwaiti market as follows:

> I believe that issuing the CMAL and the KCL is very supportive of our country to achieve more development in all our industrial, financial, and services sectors . . . for example, by applying these two laws, a lot of development has arisen in our business life . . . Another example: applying the new corporate governance code increases the transparency in our firms and organises all the relationships between firms' structures. (GM, Firm 2, High)

In 2010, Kuwait established the Capital Markets Authority (CMA) and the regulation of securities activities to promote the ongoing development of the Kuwaiti market. However, there were several gaps and weaknesses in its existing regulations and policies. In response, the CMA issued the New Companies' Law of Kuwait, comprising Law No. 1 of 2016 in conjunction with its own executive regulations, collectively known as the New Companies' Law (NCL). The main purpose of the NCL was to overcome the weaknesses and gaps in the CMAL (Bouresli and Aldeehani, 2017). In this regard, one of the interviewees stated:

> Without these two laws—I mean the CMAL and the KCL—, our firms defiantly will use their personal identity to achieve their desirable goals, which will lead to a decrease in the development in our country. (GM, Firm 2, Moderate)

Table 14.5 Final list of codes, references and sub-themes: moderate-performance firms

Initial codes	References	Sub-theme
Corporate governance code compulsory	2	Corporate governance code
Corporate governance code voluntary	2	
Weaknesses in applying the rules	4	Capital Market Authority
Cultural factors	4	The restive factors (cultural factors)
Networking (nepotism)	7	
Mentalities	2	
Religion impact	3	The restive factors (religion)
Religion behaviour	2	
Straightforward person	1	
Weakness political	2	The restive factors (political issues)
Political dilemma	7	
Political connections	1	
Revolutions	2	
Political corruption	1	
Tribal power to hire employees	1	The restive factors (tribal system)
Favouritism	1	
Starting IFRS adoption in 2016	1	Other modifiers (IFRS adoption)
Audit committee and IFRS adoption	2	
Financial crisis 2008	3	Other modifiers (financial crisis)
Growing firms	1	
Customers decreasing	4	
Shortage in income	1	
Personal motivations	4	Manager incentives and remuneration
Shareholders' motivations and targets	1	
Bonuses and compensations	5	
Negative incentives impact	3	
Traditional accounting system	9	Accounting systems
Old-fashioned accounting system	2	

In 2013, regulators in Kuwait began working to introduce a corporate governance code, leading to greater organisation and standardisation of firm structure and transactions (Al-Saidi and Al-Shammari, 2014). However, adherence to the new corporate governance code was only voluntary until the end of 2015. Nonetheless, many Kuwaiti firms began to follow the new corporate governance code, as they seemed to realise that it would solve several pervasive problems in the Kuwaiti capital market, such as distinguishing between boards of directors and other firm structures

Table 14.6 Final list of codes, references and sub-themes: low-performance firms

Initial codes	References	Sub-theme
Developing corporate governance code	7	Corporate governance code
Corporate governance code compulsory	3	
Corporate governance code voluntary	5	
Developing IFRS rules	2	Capital Market Authority
Developing CMA rules	3	
Issuing new laws	2	
Cultural factors	6	The restive factors (cultural factors)
Networking (nepotism)	2	
Understanding international culture	2	
Language	8	
Mentalities	5	
Education	4	
Religion impact	2	The restive factors (religion)
Religion behaviour	4	
Straightforward person	3	
Believers	2	
Religion and lifestyle	2	
Bad political	2	The restive factors (political issues)
Weakness political	1	
Political dilemma	4	
Political connections	1	
Revolutions	2	
Political corruption	2	
Tribal power to hire employees	5	The restive factors (tribal system)
Favouritism	5	
Starting IFRS adoption in 2016	4	Other modifiers (IFRS adoption)
Before IFRS adoption	4	
After IFRS adoption	6	
Audit committee and IFRS adoption	1	
Firms' improvements after IFRS adoption	2	
IFRS adoption in developing countries	1	
IFRS adoption advantages	1	

(*Continued*)

Table 14.6 (Continued)

Initial codes	References	Sub-theme
Financial crisis 2008	5	Other modifiers (financial crisis)
Fake firms	2	
Restricting loan processes	1	
Growing firms	2	
Customers decreasing	1	
Shortage in income	1	
Board of directors rules	2	
Personal motivations	3	Manager incentives and remuneration
Shareholders' motivations and targets	4	
Bonuses and compensations	6	
Negative incentives impact	3	
Positive incentive impact	3	
Accounting software system	2	Accounting systems
Advanced accounting system	2	
Traditional accounting system	2	

and their duties and responsibilities (Alfraih and Almutawa, 2017). One manager discussed this voluntary adoption of the corporate governance code in Kuwaiti firms and its effect on firm management:

> [I]n 2013, the business life in our firms started directing to the right path once our government introduced the corporate governance code as voluntary . . . However, the level of our management became much better compared with the previous period. (GM, Firm 3, High)

From early 2016, the corporate governance code became compulsory for all Kuwaiti firms, and many of the interviewees linked it directly with an improvement in their firm's performance (whether financially or operationally) and transparency. In this regard, most of the interviewees agreed that the compulsory corporate governance code was a major development in their firm's day-to-day operations and a major turning point in Kuwait's economic and financial development.

> We feel that everything in our firm business life started developing quickly after 2016, after adopting the corporate governance code as compulsory . . . Accountability, independence, and transparency in our firms became higher-level compared to previous years. (GM, Firm 2, +/-ve; GM, Firm 3, High; BC, Firm 3, High; GM, Firm 3, Low)

> I am so happy that we are adopting the compulsory corporate governance code . . . I think, easily now, we can compare our financial and operation information with developed countries. (GM, Firm 1, Low)

The Capital Market Authority (CMA)

As shown in the second row in Table 14.3, high-performing firms reference the CMA 64 per cent more than moderate and low performing firms combined. The CMA also ranks fifth for high-performing firms, but only seventh and ninth for moderate- and low-performing firms, respectively. The creation of the CMA was to provide regulatory oversight of Kuwait's listed firms and to increase the growth of Kuwait's financial markets. Its stated aims were to ensure the control of security activities based on fairness, increasing the degree of transparency in financial and operational transactions, increasing capital market growth and increasing the reliability and validity of financial instruments to match those of international markets. Its stated aims also included increasing the level of investor security, decreasing the degree of security activity systemic risk, increasing the degree of disclosure to raise transparency levels within the final statements, reducing the conflicts between owners and management and controlling the compliance levels of adopting government regulations and policies. Most of these are under Law No. 7:

> Securities' activities should be regulated efficiently, transparently, and fairly. Capital markets should be grown with the investment instruments developed and diversified in line with the best international practice. Investor protection should be improved and ensured. Systemic risks stemming from securities' activities should be minimised. Requirements centred on complete and transparent disclosure should be obligatory to ensure fairness and transparency, and also to help to reduce conflicts of interests and the use of insider information. Compliance with, and adherence to, the rules and regulations regarding the securities' activities should be enhanced and improved.

In reference to this, two interviewees stated the following:

> We understood these rules, but unfortunately, still, there are weaknesses in applying these rules . . . For example, financial instruments are determined in Kuwait, and should be followed by each firm according to the international standard (such as IFRS), but until this moment, the personality is dominated by some firms by using different techniques to achieve their desirable incentives. (FM, Firm 2, Low)

> If we are following the CMA rules . . . I think we will be on the right side, since the rules of CMA are clear and corresponded with international rules, particularly in developed markets. (FM, Firm 1, Moderate)

From the point of view of the significance of transparency and disclosures in capital markets, there have been many changes. In this regard, a member of one of the boards of directors stated:

> It's clear, from the latest changes, that the CMA, during the last three years, know the Kuwait market is looking to be one of the top markets over the world. (BC, Firm 3, High)

This belief that that the various reforms have significantly improved Kuwait's global investor ranking is also evident outside our study (Alfraih and Almutawa, 2017):

> The Kuwaiti Government is working hard to develop its economy and improve its business environment and accounting practices. In this respect, Kuwait may be said to be one of the leading countries in adopting the International Financial Reporting Standards (IFRS). In April 1990, the Ministry of Commerce and Industry (MCI) issued the Ministerial Resolution No. 18, which stated that all listed companies on the KSE should comply with the IFRS requirements. A permanent technical committee of the MCI, established by Ministerial Decree No. 75/1981, undertakes the task of approving the application of the standards and their suitability for the business environment.

Accordingly, the adoption of IFRS is one of the Kuwait government's important targets to increase the transparency and trustworthiness of the financial statements in Kuwaiti firms. Furthermore, IFRS adoption will increase the ability of Kuwaiti firms to compare their financial statements with other firms around the world (Alfraih and Almutawa, 2017). Some interviewees likewise spoke on the importance of IFRS adoption:

> I think the adoption is important to enhance our firms' financial statements quality to provide more reliable and in-depth information to the users, which will lead to an increase in the trust in our firms' financial statements. (FM, Firm 1, High)

> IFRS is a great step to develop our firms' financial statement . . . For example, the full adoption of IFRS is more likely related to more financial statements quality. (GM, Firm 1, Low)

Kuwait has also paid more attention to the improvement, development and integration of its corporate governance code, especially considering the NCL introduced in 2012 and its strong emphasis on corporate governance principles. In this regard, one interviewee stated:

> I believed that the introduction of the NCL in 2012 was the first step that led our country to start thinking seriously to establish an integrated corporate governance code for Kuwaiti firms . . . Which is what happened in early 2013. (BC, Firm 3, Moderate)

This emphasis on disclosure to achieve transparency and justice and to avoid conflicts of interest was a clear advantage of the new regulation as far as our interviewees were concerned:

> Several issues occurred once the Kuwait government started establishing the new corporate governance code to meet the requirements of the other countries that our government signed with their contracts . . . I think more reliability will lead us to achieve more goals that we are looking for, such as to be amongst the developed countries within a few years. (GM, Firm 2, Low +/ve)

ANALYSIS OF SOCIOLOGICAL FACTORS

Culture

Cultural factors are among the most important external factors influencing business, not least in Kuwait. This section discusses this in depth, providing information about the cultural factors that affect Kuwaiti firms and their influence on corporate governance and firm performance. As shown in the third row in Table 14.3, high- and low-performing firms both reference cultural factors twice as much as moderate-performing firms, but cultural factors were ranked first for both moderate- and low-performing firms and third for high-performing firms. To start, most of the interviewees revealed that cultural factors were one of the most critical issues affecting corporate governance and firm performance in Kuwait.

> Cultural factors are indirect issues that affected the firm performance and business structure . . . Most of our managers ignore these factors that are important if they considered them. (BC, Firm 3, Moderate)

> Networking between the people is another issue that leads to more weaknesses for firm performance. For example, hiring unqualified employees in any level is sure to lead to a lot of error and mistakes in our financial statements. (GM, Firm 3, Low)

> I think that the successful managers should consider the cultural factors when they start evaluating their businesses, whether financial or operation. (FM, Firm 1, Moderate)

Once again, there is alternative existing evidence for the impact of culture on corporate governance. For example, Humphries and Whelan (2017) considered the impact of national culture on corporate governance codes across 55 countries, using published reports to collect information on corporate governance, as well as power distance, individualism, collectivism, masculinity, femininity and uncertainty avoidance, as proxies to measure cultural factors.

Similarly, Adnan et al. (2018) used a sample of 403 corporate governance reports from 4 countries (China, Malaysia, India and the UK) and concluded that corporate governance is a strong resistance factor that can lead to the impact of (national) culture on corporate social responsibility.

Our interviews also illustrate the importance of culture:

> Understanding international culture is very important, which will lead to reduction of the gaps in our business, particularly when we have international branches for our business . . . In the end, I would say that the cultural factors, whether local or international, are very important to assess business transactions. (BC, Firm 3, High)

Using a sample of Swiss firms, Volonté (2015) found that complexity sometimes made it difficult to align cultural variation with a common corporate governance regulatory framework. They found that differences in language and culture generated differences in work styles, leading to problems in implementing strategy. In this respect, our interviewees offered the following insights:

> Yes, language is a link of communication between the employees . . . without the existence of unified language, more problems will occur . . . this, in turn, will lead to more weaknesses in evaluating the corporate governance and firm performance. (FM, Firm 2, Low)

> Misunderstandings between the employees and management because of language is the main problem that we are dealing with nowadays . . . Since we have more than

> 25 nationalities here in Kuwait . . . From my experience, I remembered that one employee told him to do a certain piece of work and, unfortunately, he did the work in a different way since he misunderstood me. (GM, Firm 2, Low)

For this reason, Mertzanis et al. (2019) recommended that regulatory authorities in all Middle Eastern and North African countries should directly consider cultural factors when assessing firm performance.

In terms of other factors, Osemeke and Osemeke (2017) revealed that the childhood experience of employees within a particular culture could also affect corporate governance and perceptions of the abuse of power by top management, weak legal frameworks, poor recruitment and ineffective control. This in turn led to weak firm performance. Guiso et al. (2015) likewise studied how cultural factors could affect firm performance, finding that trust between managers and employees in a solid corporate governance framework led to strong firm performance, and Thanetsunthorn and Wuthisatian (2016) revealed the role of three cultural factors (community style, employee mentality and environmental circumstances) in a range of countries. Lastly, Ntongho (2016) concluded that US firms often display weakness in reflecting cultural factors, particularly political issues related to culture. This evidence from elsewhere finds reflection among our interviewees:

> I believed that the management level is the most important level amongst the firm structure . . . However, some managers have different types of mentalities that could affect the corporate governance rules by crossing some rules . . . this, in turn, will definitely lead to the influence of the firm performance level based on the manager's mentalities. (GM, Firm 2, High)

> Cultural factors, such as language and education, are considered to be one of the most important issues that directly impact the level of firm management performance . . . I think that religion does not have any effect on the corporate governance and firm performance at all . . . since we are in this country, which has a great understanding that each one can believe as he/she needs. (FM, Firm 1, High)

On this basis, we conclude that culture can affect corporate governance as every country has different circumstances and rules. For example, Gantenbein and Volonté (2012) found that differences in the structure of boards and composition of shareholders were most possibly related to language barriers in Switzerland. In evidence, directors on boards in the Swiss- and French-speaking parts of Switzerland typically had a Swiss or French university education and French citizens dominated Swiss and French boards.

Religion

The existing literature shows that religion also affects corporate governance. For example, Nakpodia et al. (2020) found that religion formed the cornerstone of the Nigerian corporate governance code, and this impacted on firms through the implicit preferences of stakeholders. Likewise, in Switzerland, Volonté (2015) found that firms in Swiss-French and Roman Catholic areas were more likely to use one-tier boards, but in Swiss-German and Protestant areas, two-tier boards were more prevalent.

Our interviews reveal that religion plays a moderate role in the corporate governance–firm performance relationship in Kuwait. As shown in Table 14.3, high-performing firms rank religion eighth in importance, but moderate- and low-performing firms both rank it higher at sixth. This complements findings elsewhere. For example, using a sample of 32 countries from 2006 to 2010, Kim and Daniel (2016) concluded that strong corporate governance related to Protestantism, even after controlling for cultural, economic and legal factors. This is consistent with sociocultural theory suggesting that religion helps determine the level of agency costs in firms, although Chintrakarn et al. (2017) found that the impact, at least in the US, was only indirect. Elsewhere, Hilary and Hui (2009) argued that religion is important for encouraging employees to support their work, revealing that the religious environment related positively with high levels of firm performance (e.g., the returns on assets and equity). This was suggested in our interviews.

> Religion is great in terms of the people's behaviour and letting them commitment to their responsibilities . . . More religious people is more effective in getting work done, because they feel that work is a part of their life and that they should do their best to achieve. (FM, Firm 2, Moderate)

In contrast, Nakpodia and Adegbite (2018) and Nakpodia et al. (2018) found that of religious, cultural and political factors, religion only had a weak effect on corporate governance. Most of our interviewees agreed:

> I am sure that the religion in this country does not have any impact on firm performance or any other issue . . . What you believe is between you and your god. (GM, Firm 3, Low)

> Religion is important to your life and makes you a straightforward person . . . But I believe that there is no relationship between corporate governance and religion. (FM, Firm 3, High)

> Religion could affect your lifestyle for you to be a good person in your life aspects, your work being one of these aspects . . . I think there is no association between religion and corporate governance. (GM, Firm 1, High)

Politics

Political issues are another factor that could potentially affect the nature of the relationship between corporate governance and firm performance in Kuwaiti firms. This appears especially so for moderate-performing firms where political factors rank highest. In related work, Domadenik et al. (2016) modelled the influence of political corruption on corporate governance, firm production and firm efficiency and effectiveness in Slovenia. Their results revealed that firm regulation does not necessarily develop the democratic institutions needed to protect firms from political corruption, in turn leading to a reduction in firm performance. In this regard, our interviewees stated:

> Some political issues in our firm are leading to unintentional financial corruption; for example, weaknesses in issuing the roles that protect the investors definitely leads to a decrease firm performance. (FM, Firm 1, Moderate)

> The main problem that we are dealing with nowadays is political; we are living in the same country, which means that each new decision will affect our firm's performance. For example, the regularity authorities recommend decreasing our high-quality product prices, which will definitely influence us badly. (BC, Firm 3, Moderate)

In addition, 'family power' in firms is another concern when considering political issues that could lead to a reduction in firm performance. As an example, Muttakin et al. (2015) found that in Bangladesh political connections were more important in family than non-family firms, as also suggested in one of our interviews:

> The main reason for the decreasing levels of firm performance in developing countries is dominating the family on the firm ownership; therefore, developed countries are less affected from this dilemma since their regulator is based on several issues to reduce any potential political problem. (GM, Firm 3, Low)

More recently, Boateng et al. (2019) measured the impact of ownership as a moderating variable on the relationship between political connections and risk decisions in China. In terms of our interviews, two statements are relevant:

> I believe that the ownership concentration is one of the political connections in some firms, since the power of some families and managements dominate several firms. In my opinion, this issue definitely will lead to more complicated issues to corporate governance . . . this will lead to issues in new roles that help these people, and then lead to bad firm performance. (GM, Firm 2, Moderate)

> More ownership concentration is more likely lead to bad firm evaluation, where higher types of ownership relate to several issues, such as new roles to serve groups of people and dominate whole sectors. (GM, Firm 3, High)

In other work, Jackowicz et al. (2014) considered the effects of political connections on firm performance and found that political connections negatively related to operational performance and firm profitability. In the same vein, Wang et al. (2019) used a sample of Chinese firms to examine the influence of political connections on corporate governance and firm performance, while Wu et al. (2018) focused on the political connections evident in executive compensation strategies in private Chinese firms. There is also some suggestion from our interviews of the interface between political connections, family ownership and firm management, especially relating to human resources:

> I think that the new political connections, as well as the development of political relationships with the other countries, are very important to reduce political corruption and increase firm performance and corporate governance . . . Since such kinds of issues reduce the family ownership control and reduce the networking in the firms to hire non-educated people. (GM, Firm 2, Low)

Using agency theory, Liedong and Rajwani (2018) argue that political ties lessen financial statement quality, board independence and nonfinancial information disclosure. This argument that strong political ties negatively affect firm performance is also evident in our interviews:

> As you know, our cultural attitude affects all our life aspects, and I believe that the political ties and connections have affected our firms in several ways: some people who have the power sometimes force the firms to hire their relatives, and you know this issue definitely will lead to a reduction in the quality of firms in total, particularly if this person is unqualified. In addition, the roles that were established to organise the firm financial and non-financial transactions are weak. (GM, Firm 2, High)

In sum, once a corporate governance system is in place, corporate managers can plan how they will use and manipulate power within the organisation and can use political power to retain corporate power. For example, managers in the US have frequently blocked transactions and legal changes that would restrain their power and shift power from themselves to others, typically shareholders, in large public firms (Chung and Zhu, 2021).

The Tribal System

The tribal system is particularly strong in Kuwait, but also elsewhere in the Middle East and North Africa. Nevertheless, our results in Table 14.3 suggest it has little influence on the corporate governance–firm performance relationship where it ranks only ninth, tenth and eighth as a factor in high-, moderate- and low-performing firms, respectively. In contrast, Rowland (2009) concluded that tribal law worked within Arab countries to smooth business relations outside civil law, while Oyedele and Firat (2018) found that tribal rule was one of the main challenges foreign firms encountered in implementing their strategies in emerging markets. In this regard, one interviewee stated:

> One of the factors that influence our firm aspects is the tribal system, since it has strong power in our country . . . Hiring people that are not qualified is one of the common problems that our firms suffer nowadays. (GM, Firm 1, Low)

Using a sample of Saudi Arabian firms, Alshetwi (2017) revealed that business structure, when dominated by a tribal system, gave more attention to individual and personal associations when choosing both board members and other stakeholders like employees. Zoogah (2016) examined the impact of tribal diversity on human resource management in Africa and revealed a negative relationship, which in turn resulted in poor firm performance. Our interviews likewise suggested the strong and enduring effect of the tribal system in Kuwait:

> The problem of tribal systems went further than hiring employees . . . It reached hiring the board of directors and choosing them based on the relationship between the people and their power. (GM, Firm 2, Moderate)

Cordes et al. (2008) also evaluated the impact of tribal systems on firms, concluding that modern firms that go out of their way to avoid or prevent tribalism perform better. Our interviews highlighted this problem in Kuwait and its continuation even under the new corporate governance framework:

> I agree that the tribal system is one of the firm threats that could lead to destroy firms, not only affecting the firm performance . . . I hope, from our regulatory authorities, that we can establish a law that prevents such kinds of problems in our country. (FM, Firm 1, Moderate)

The tribal system can potentially impact all aspects of life in Kuwait for stakeholders and shareholders, including access to business opportunities, employment, education, and social privileges, and from none of these is corporate governance isolated. For example, Baatwah et al. (2021) suggested that tribes should work to provide support to the government in achieving equality of business access and social fairness, but the reality is that it can result in the opposite. Our findings also reveal an association between the tribal system and corporate governance and firm performance in Kuwaiti firms.

ANALYSIS OF EXTERNAL ACCOUNTING AND FINANCIAL FACTORS

International Financial Reporting Standards (IFRS)

Adopting IFRS is an important development that has led to the improvement of business in the last decade throughout the world. In fact, and as shown in Table 14.3, both high- and low-performing firms consider IFRS adoption as the second-most key factor affecting the corporate governance–firm performance relationship in Kuwait. In a recent study, Nalukenge et al. (2018) studied the nature of the relationship between corporate governance, ethical culture, internal control and compliance with IFRS in Ugandan microfinance institutions. The results indicated that an increase in the level of IFRS compliance led to an increase in the rate of corporate governance adoption in firms, as well as an increase in the level of cultural ethics. One of the interviewees stated:

> IFRS adoption in Kuwait occurred in the beginning of 2016. The business life started to be much better than previous years, before adopting IFRS. As I understood that your study used two methods (quantitative and qualitative) to examine the relationship between corporate governance and firm performance, this meant that the quantitative results after IFRS adoption was better compared with the period before the compulsory adoption of IFRS. I am not saying that from my mind, but from my research experience, as I am a PhD holder in this field. (BC, Firm 1, Low)

IFRS has also likely benefitted audit committees as a corporate governance factor in relating positively with firm performance. For example, Sellami and Fendri (2017) used several audit committee characteristics, such as audit committee size, independence, meetings and expertise to examine their impact on the level of IFRS compliance in South Africa. The main finding was that high compliance levels with good audit committee characteristics were more likely to lead to an increase in firm performance levels with the adoption of IFRS. Elsewhere, Kouaib et al. (2018) revealed that the mandatory adoption of IFRS in the EU led to an increase in the negative relationship between CFO experience and earnings at the management level. Some of our interviewees touched on this relation:

> In my opinion, audit committees and other committees in firms are playing big roles to maintain the firm's high-quality performance. Before 2016—before the adoption of IFRS was compulsory—, most of our firms did not comply with corporate governance in a good way. I think our firms nowadays are better compared to the period before 2016. (GM, Firm 2, High)

> One of the IFRS adoption advantages in our firm was that the CFO started to be separate from the board of directors' chairperson; this, in turn, led to better firm performance quality. I hope that our entire firm complies with separating between CFO and chairperson of board directors to have an ideal corporate governance code in our country. (FM, Firm 2, Low)

Samaha and Khlif (2016) used four phases to describe the impact of IFRS on corporate characteristics, regulations and economic consequences in developing countries, namely, (1) IFRS adoption motivation, (2) IFRS compliance with corporate characteristics, (3) IFRS adoption and economic consequences and (4) the strength of regulations to control IFRS compliance. Although they found the macroeconomic impact of IFRS adoption fell within the economic theory of network and isomorphism in developing countries, the results relating to the relationship between the corporate characteristics and the IFRS compliance level were inconclusive. In addition, OFRS had a limited impact on foreign direct investment, the cost of equity and earnings management. Our interviewees provide a similar view:

> I agreed that the adoption of IFRS triggered a big growth in our firms, whether in operational or in financial transactions, but I am sure that this growth is still limited since we have several barriers that prevent our firm from benefitting from IFRS, adoption such as cultural factors and political issues. (GM, Firm 3, High)

> IFRS adoption has a limited impact in protecting our foreign investors; I believe this refers to the weakness of the regulations compared to IFRS adoption. (GM, Firm 2, Moderate)

In other work, Ofoegbu and Odoemelam (2018) examined the empirical relationship between disclosure practices under IFRS and firm performance in Nigeria, revealing that the extent of overall disclosure displayed no relationship with firm financial performance. However, there did appear to be a strong indirect effect with the stock price, firm size, audit firm size, leverage and firm age all affecting the disclosure of firms. Our interviewees seemed to agree:

> We believe that the adoption of IFRS in developed countries and second-world countries has more impact on business aspects compared to our developing countries; however, we

> are in Kuwait doing our best to be one of the developed countries in the near future once we have a strong economic growth. (FM, Firm 2, Moderate)
>
> I was working in a Western firm for several years; I found that in developing countries, we still need more improvement to achieve the target of IFRS adoption; in fact, we, in Kuwait, started developing our financial and non-financial system in the firm to be amongst that of developed countries soon. (GM, Firm 2, High)

Financial Crisis

The 2008 GFC resulted in the collapse of many financial firms around the world, with governments supporting some of these firms to reduce the restriction of global credit markets (Erkens et al., 2012). Accordingly, the GFC remains strong in the memories of our interviewees as it ranks as either the fourth or fifth most key factor affecting the corporate governance–firm performance relationship in Kuwait. In terms of nonfinancial firms, Joe et al. (2019) in a Korean study suggested that owner–manager firms performed significantly better than those with employed managers did. Some of our interviewees were even positive about the impact of the GFC in terms of eliminating some foreign firms and encouraging Kuwaitis to look outside its borders:

> You might say that I am strange in this point, but I found that the financial crisis presented to the Kuwait market a big gift by cleaning the Kuwait market from fake firms, particularly foreign firms, that were aiming to benefit from the strength of the growing Kuwait economy. (FM, Firm 1, Moderate)
>
> I think the financial crisis allowed us, as Kuwaiti firms, to sign new agreements with big firms around the world to overcome the impacts that have resulted from the financial crisis in 2008; for example, the Alshayea firm built a huge mall that included most of the market names around the world—I can say that the entire world's brand names are in the Avenues Mall. (FM, Firm 2, Low)

Others pointed to the negative consequences for a still developing economy:

> The financial crisis definitely affected our market, since big firms such as Nokia and Motorola finished their work in Kuwait and kept their agencies. (GM, Firm 2, High)
>
> After the financial crisis, our banks started restricting loan processes for firms; this definitely affected us negatively in our firm liquidity; accordingly, several growing firms were closed, since we expected them to be from the best firms in our country. (BC, Firm 3, High)
>
> The worst thing that we have faced after the financial crisis was decreasing the level of our customers, which affected us negatively on our level of profit. The customers had a shortage of income since the financial crisis affected the entire world; in addition, this also affected the ownership concentration, whether government ownership, family ownership, or managerial ownership. (GM, Firm 3, High)

Several studies conducted throughout the world highlight similar issues in other countries. Saleh et al. (2017) revealed that Australian firms with a high proportion of family ownership performed better than non-family firms, while Notta and Vlachvei (2014) discussed the impact of the GFC on Greek dairy firm performance, showing that firms with a large market share and loyal customers exhibited positive firm performance, both before and during the crisis. Elsewhere, Balachandran and Williams (2018) concluded that the impact of the GFC depended on the circumstances (e.g., culture, economics, politics) in each country, while Khodavandloo et al. (2017) concluded that the GFC had a negative effect on Malaysian firms via the capital structure. Yet other studies have examined the impact of the GFC on audit committees, with Aldamen et al. (2012) finding that smaller audit committees and audit chair turnover positively related to firm performance. Ezzine (2018) discussed similar issues relating to the size of board and audit committees in French and Saudi Arabian firms during the GFC. Our interviewees stated:

> I am definitely in agreement that a large number of board of directors is more likely to lead to more controlling and mentoring in our firms; this, in turn, led also to the choice of the best committee in our firms, like the audit committee and compensation committee. (BC, Firm 1, Low)

> A large number of board of directors in our firm mostly better compares to small board of directors, since we believe in less board of directors in the developing countries due to the fact that we believe that they dominate the firms. (FM, Firm 1, High)

Other studies highlighted this paradoxical relationship between board size and firm performance, including Reeh and Sharif (2018) in Ireland and Spain. Lastly, Orazalin and Mahmood (2019) concluded that corporate governance and firm performance generally improved through need during times of crisis, as also reflected in our interviews.

INTERNAL MANAGERIAL AND ACCOUNTING FACTORS

Managerial Incentives and Remuneration

Corporate governance clearly affects the way firms remunerate and incentivise their managers. This is important, given Rezaei (2012) showed that incentives positively affect managers and thereby firm performance, but also negatively by providing an incentive for earnings management. Moreover, like political factors and the tribal system, our interviewees in low-performing firms identify managerial incentives and remuneration as a more crucial factor affecting the corporate governance–firm performance relationship among our three firm performance categories, as shown in Table 14.3. Our interviewees stated:

> Managers' incentives are considered to be one of the big obstacles that we are dealing with nowadays, not only in Kuwait, but in whole the firms around the world. Seriously, you do not know how the managers manage the firm revenues and expenses to achieve personal motivations, which negatively impacts firm performance since the financial statement does not reflect the real numbers. (BC, Firm 3, High)

> I believe that the managers always work in order to achieve the shareholders' target, since most of our motivations are to positively impact our firm assessment. (GM, Firm 2, Moderate)

Habib and Ljungqvist (2005) used a sample of US firms to investigate the impact of manager motivations on firm performance and found that while managers had many options to achieve their incentives in firms, there was insufficient evidence that this affected firm risk and return. Elsewhere, Bushman et al. (2015) used pay performance sensitivities to evaluate firm performance, finding that firm performance was increasing (decreasing) in the residual when the dispersion of these sensitivities was too low (high). The suggestion of high agency costs in firms through managers distorting their incentives was also evident in our interviews:

> We can say that the main incentives that the managers used were to increase their bonuses and compensations in the firms, but they ignored that this issue could lead to bad effects in their firm evaluations, which will definitely affect their positions in the future. (GM, Firm 2, Moderate; GM, Firm 3, High; GM, Firm 1, Low)

> The managers think that increasing shareholders' wealth in an unclear way will lead to affecting the firms negatively; for example, the financial statements are not correct, so all their decisions are incorrect. (BC, Firm 3, High)

> Increasing the profit through manipulating revenues and expenses in order to attract more foreign investors is considered one of the worst scenarios that the manager used after the financial crisis; in my opinion, using such scenarios is negatively impacting the firm's future decisions. (FM, Firm 1, Moderate)

Accounting Systems

Lastly, our interviews highlighted some concerns with the differences in accounting systems in Kuwait, even though they referenced it least of all ten sub-themes across all firm performance categories, and it was only ranked tenth in importance by high- and low-performing firms, but fourth for moderate-performing firms. Some, especially larger foreign firms, employ what they referred to as 'advanced' or 'modern' accounting systems, including accounting software programs, such as QuickBooks, ERP and Oracle, to record their transactions. In this regard, the interviewees stated:

> I respect all the firms, whether local or foreign, that used the advanced level of the accounting software system in order to organise all the firm transactions. (BC, Firm 3, High)

> I can divide our firms into two methods according to the accounting systems in Kuwait: the advanced accounting system method (these firms are considered to be big firms, whether local and foreign), and the second one is the traditional accounting system method, which is implemented in medium- and small-sized firms, particularly local firms since medium foreign firms are sometimes to be from advanced accounting system methods. (FM, Firm 1, High)

> All firms that use the advanced level of accounting software programme, such as QuickBooks, ERP, and Oracle are considered as modern and advanced firms in Kuwait, since using such kinds of programmes leads to heightened firm performance quality compared to the firms that used the weak accounting software programme . . . I do not want to say the name of these programmes. (FM, Firm 2, Moderate)

Others referred to the 'traditional' accounting systems, used by mostly smaller and local Kuwaiti firms, with unknown accounting software:

> I think that up to 60% of our local Kuwaiti firms are following the traditional accounting system. (GM, Firm 2, High)

> I hope that all our firms in Kuwait follow the advanced level of accounting system. Unfortunately, a large number of firms are still using the old-fashioned accounting system by using unknown accounting software systems. (FM, Firm 1, High)

> Most of the firms that are following the traditional accounting system method are local and use unknown software accounting systems; I think if we keep adopting this method, then our economy will decrease. (GM, Firm 2, Moderate)

Based on these responses, the lack of development in accounting systems remains a major challenge for many Kuwaiti firms.

CONCLUSION

Quantitative methods conventionally serve to evaluate the corporate governance–firm performance relationship. In this chapter, we argue that this may yield results subject to significant bias from underspecified models, a lack of proxies for corporate governance variables and the limited availability of suitable data. This is particularly the case in our chosen context of Kuwait, where recent, rapid and extensive corporate governance reform defies parametrisation. We also believe qualitative methods provide insights into corporate governance, management decision-making and firm performance not possible using quantitative methods. We cover a wide range of sub-themes relevant to these main themes in our analysis, including the role of cultural factors like religion and tribal systems, economic and political circumstances, government regulations, financial crises, the transformation of accounting systems and the adoption of IFRS.

As expected, we reveal many interesting insights into the corporate governance–firm performance relationship not obtainable through quantitative analysis. However, there are also significant differences across Kuwaiti firms. Overall, high-performing firms seem much more focused on higher-order factors like corporate governance reform, the role of the CMA, IFRS adoption and the GFC and their impact in the past and the future. In contrast, moderate- and low-performing firms emphasise the role of culture, religion, politics and the tribal system in modifying this relationship and appear to struggle with elements concerning managerial incentives and remuneration and accounting systems. This has important implications for managers, boards, regulators and investors.

Of course, there are several limitations of this analysis. One challenge was the time needed for the interviews, translating Arabic into English and obtaining an accurate interpretation of the intended meaning conveyed by the interviewees. This was a very time-consuming process and necessarily limited the size of the sample we could obtain. Another problem was that despite the best assurances of the interviewers regarding the confidentiality of the process as dictated by extensive formal ethical approval, many interviewees were concerned that their responses would inadvertently divulge sensitive information, harming possibly both their firm and their own careers. One consequence might be that they provided information that was less forthright than ideal.

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15. Integrating quantitative and qualitative approaches in corporate governance research

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INTRODUCTION

There has been increasing interest among academics and policy makers in corporate governance over the past several decades. Following events such as the financial crises in 1997 and 2007 and in response to well-publicised corporate scandals such as Enron and World.com, corporate governance reforms were instigated around the world to address conflicts of interest between managers and shareholders/stakeholders and increase accountability (Aguilera, 2005; Christopher, 2010; Elsayed, 2010). A growing number of studies have been conducted to investigate various corporate governance mechanisms in organisations (e.g., the role of corporate executives, auditing firms and boards). However, despite the considerable volume of research on corporate governance, the empirical evidence tends to be conflicting and ambiguous (van Ees et al., 2009).

Empirical studies on corporate governance were traditionally developed based on an agency theory perspective. The narrow focus on the agency relationship between shareholders (the principal) and managers (the agent), however, fails to reveal the complex political relationships and processes of corporate governance in organisations. The inconclusive empirical results related to corporate governance motivate researchers to examine various aspects of corporate governance mechanisms from different theoretical perspectives (Elsayed, 2010), such as stewardship theory (e.g., Donaldson and Davis, 1991), stakeholder theory (e.g., Donaldson and Preston, 1995) and resource dependency theory (e.g., Hillman et al., 2000). Considering the complexity of corporate governance systems and the different stakeholders in relation to the organisations, some researchers argue that multi-theoretical perspectives should be used in corporate governance studies to narrow the theory-practice gap in governance (Aguilera et al., 2008; Christopher, 2010; Elsayed, 2010). Such a multi-theoretical approach needs to take into consideration factors at both the individual and social levels (Licht, 2004). Corporate governance, as an institutional phenomenon, can be seen as an 'outcome of evolutionary processes that are path-dependent and contingent on local factors' (Buchanan et al., 2014, p. 14) and therefore should be understood and examined within the contextual system in which it exists.

Empirical studies on corporate governance have long been dominated by quantitative methods. Bryman and Bell (2015, p. 32) point out that the ontological stance of traditional quantitative approaches posits that social reality has an existence that is independent of social actors, so the methods of natural science can be used in social science. However, such an ontology limits our understanding of corporate governance processes that require a multidisciplinary lens (de Villiers and Dimes, 2021). In an editorial review of methodological issues in corporate governance research, Filatotchev and Wright (2017) identify several major problems with quantitative studies in the area, and one of them is the gap between theory and methods used. They argue that theoretical frameworks were not fully reflected in the quantitative analysis approach used in many empirical studies. There are also other methodological challenges, such as the omission of contextual influences and the inappropriate use of variables and specification of models. These challenges and gaps, to a large extent, are results of limitations inherent within the quantitative approach.

It is therefore not surprising to see an increasing call for methodological innovations in corporate governance research. Buchanan et al. (2014) argue that qualitative research has an ontological stance of treating the social world as multivariate, complex and open and hence can unveil the role of specific features of social contexts in shaping outcomes. Roberts et al. (2005) argue that the commonly used quantitative approaches from the agency perspective remain too distant from corporate governance practices and are hence inadequate. Their interview-based study offers a good example of how empirical research based on qualitative approaches can provide a better understanding of corporate governance practices.

Taking it a step further, we argue that a mixed methods approach that combines quantitative and qualitative methods will be more appropriate for exploring the multilateral interactions among different stakeholders in an organisation (Licht, 2004) and the dynamic corporate governance process influenced by wider social and economic contexts (Buchanan et al., 2014).

The chapter is organised as follows. The second section identifies the need for a mixed methods approach in corporate governance. The third section considers the ontological and epistemological challenges of operationalising both quantitative and qualitative methods in the same study and suggests that these may be overcome with a critical realist perspective. The fourth section provides an illustration of a successful mixed method study that examined the theory of the resources-based view (RBV) in institutional contexts, to show how an interview-based qualitative study can provide the means to explore ways of improving proxies, identifying new measures of strategic resources and constructing models. The fifth section discusses the implications of a mixed methods approach for corporate governance research, while the sixth section concludes the chapter.

MIXED METHODS APPROACH AND CORPORATE GOVERNANCE RESEARCH

Mixed methods research refers to any piece of research that uses more than one method, usually, but not essentially, involving a combination of qualitative and quantitative methods in a single study (Bazeley, 2009). There is an increasing call for mixed methods research in accounting, management and organisational studies, as researchers have increasingly come to realise that the constraining of methods has limited our understanding of complex social phenomena and practices.

Although the benefits of mixed methods research have been discussed extensively in recent years (e.g., Hoque et al., 2013; Modell, 2009, 2010; Molina-Azorin et al., 2017; Molina-Azorin and Fetters, 2019) and several special issues on mixed methods research have been published (e.g., a 2011 issue of *Qualitative Research in Accounting and Management* and a 2017 issue of *Organizational Research Methods*), there appear to be considerable barriers to combining qualitative and quantitative approaches in actual empirical studies (Modell, 2009). Two main challenges faced by mixed methods researchers are the paradigm divide and the difficulties of integrating the two types of data in a single study. The absence of exemplars tends to be one of the main factors preventing integration from being carried out in mixed methods studies (Woolley, 2009). In some fields of studies, such as corporate governance, quantitative approaches stay as dominant as ever, and not enough emphasis is laid on the usefulness of integrating qualitative methods.

Corporate governance research has long been dominated by the quantitative approach based on agency theory. Due to the growing concerns around the ability of the agency perspective to explore the dynamic and complex processes of corporate governance, there has been an increasing call for multi-theoretical analysis that combines agency theory with sociological and psychological perspectives in empirical studies. Licht (2004) suggests that economic approaches to corporate governance should incorporate psychological analysis to reflect the multilateral interactions among different stakeholders and also capture country-level legal and political factors. Similarly, Lubatkin (2007) argues that an embedded governance framework from the psychological perspective is needed to specify more precisely the variables included in corporate governance studies and how these variables interact with one another.

We argue that addressing those issues appropriately requires a combined and integrated research approach. A better understanding of the complex and dynamic corporate governance system in organisations could be gained through both close engagement with the practice based on a qualitative approach and a quantitative analysis of relationships based on the generalised economic model of the multilevel corporate governance system. Using either method alone would have certain limitations. A qualitative approach has the capacity to reveal complex corporate governance process, while a quantitative approach is more powerful in providing tests of the theories. A combination of the two approaches is likely to provide a better understanding of the phenomena and a more complete answer to the research question concerned. In this chapter, we use an example to illustrate how such purposes can be achieved by the use of a mixed methods approach, which will be discussed in detail in the fourth section.

BRIDGING THE POSITIONS OF THE POSITIVE AND INTERPRETIVE PARADIGMS

Despite Campbell and Fiske calling for multiple methods research in 1959 (Campbell and Fiske, 1959), intervening paradigm wars around the relative usefulness of positivist and interpretive approaches meant that mixed methods research did not gain popularity in the social sciences until the 1980s. Traditionally, positive social researchers tend to treat the social world in the same way as the natural world; therefore, the methods of natural science (e.g., accurate observations and measurements) can be applied in social science (Lee, 1991; Morgan and Smircich, 1980). Interpretive researchers, on the other hand, maintain that the social world, created by human beings, is subjective and fundamentally different from the physical reality that is examined by natural science (Lee, 1991). Consequently, the methods used by social science should differ from those used in natural science, as social scientists need to interpret social reality in the sense of 'what it means to the observed people' (Lee, 1991, p. 347). At their extremes, positive and interpretive epistemologies – and their respective use of either quantitative or qualitative methods – would seem irreconcilable (e.g., Smith, 1983; Smith and Heshusius, 1986).

However, Morgan and Smircich (1980) suggest that there are different ontological assumptions, from the extremely objective to the extremely subjective point of view, and social scientists could hold different assumptions about the world and human beings. If taking a middle position between objectivism and subjectivism, it is possible for a researcher to not only recognise the existence and importance of external constraints that have some objective qualities but also accept the view of human beings as social actors capable of interpreting and contributing to the construction of their world (Johnson and Onwuegbuzie, 2004; Morgan and Smircich, 1980). Luft and Shields (2014) argue that 'the objective-subjective distinction is a continuum, not a dichotomy' (p. 551), as although many phenomena are socially constructed, analysis of them can be epistemically objective. With this middle-range viewpoint, quantitative and qualitative methods may be used together to explore the same social phenomenon.

As one of the pioneers demonstrating the feasibility of integrating positive and interpretive approaches at the level of theoretical foundation in organisational research, Lee (1991) proposes a framework integrating the two approaches and illustrates how positivist/interpretive researchers may benefit from it. In response to the paradigm-methodology link held by paradigm purists, Howe (1988) appeals for a pragmatic philosophical perspective that supports the combination of different research methods. Pragmatists reject the forced choice between positivism and interpretivist/phenomenology with regard to methods, logic and epistemology, maintaining the view that scientific inquiry is not formalistic (Tashakkori and Teddlie, 1998), and research methods may not be intrinsically linked to specific philosophical positions (Maxwell and Mittapalli, 2010, p. 146). Researchers should make the most efficient use of both qualitative and quantitative approaches in order to better understand social phenomena (Onwuegbuzie, 2002; Tashakkori and Teddlie, 1998). Pragmatism is therefore suggested as the philosophical assumption by many social scientists (e.g., Johnson and Onwuegbuzie, 2004; Morgan, 2007; Onwuegbuzie, 2002; Tashakkori and Teddlie, 1998) for mixing quantitative and qualitative approaches.

Pragmatists take a rather loose position in the philosophical justification for mixed methods research and focus more on the practice of mixing quantitative and qualitative methods than solving philosophical puzzles (Modell, 2009). However, pragmatic philosophy is considered limited in terms of providing clear advice and support for the validity of mixed methods research (Maxcy, 2003; Modell, 2009). Downward and Mearman (2007) argue that a methodological justification for combining different methods requires an explicit analysis of the ontological bases of various logics of inference. Neglecting the philosophical foundation could be detrimental to the status of mixed methods research (Modell, 2009). Critical realism, in this sense, is suggested to be a more relevant philosophical foundation for mixed methods research and has been advocated by researchers across different disciplines, such as accounting (e.g., Modell, 2009), management (e.g., Miller and Tsang, 2011), economics (e.g., Downward and Mearman, 2007), international business (Piekkari and Welch, 2018; Welch et al., 2011) and social science in general (e.g., Maxwell and Mittapalli, 2010).

Brown and Brignall (2007) point out that the debate on the incommensurability of different approaches to research is related to the plural ontologies that characterise the world. Critical realism argues that at an ontological level, 'reality is a structured open system in which the real, the actual and the empirical domains are organically related' and are observed and experienced by social actors in the empirical world (Downward and Mearman, 2007, pp. 87–88). Therefore, the significance of critical realism to mixed methods research is its integration of a realist ontology with an interpretive epistemology (Maxwell and Mittapalli, 2010; Miller and Tsang, 2011). It recognises the existence of a real world that is independent of a researcher's perceptions (i.e., the realist ontology) but does not agree fully with the view that empirical observations are direct, or unmediated, reflections of the underlying reality (Modell, 2009). Rather, it argues that the real world can only be understood or known through a researcher's own thought (i.e., the interpretive epistemology) (Brown and Brignall, 2007; Maxwell and Mittapalli, 2010). Because critical realism argues both for the objectivity of the real world that we experience and for the necessity of the subjective interpretation of the world by researchers, it provides a way of bridging the gap between quantitative and qualitative approaches in a singular study (Brown and Brignall, 2007).

Based on the philosophical foundation of critical realism, quantitative and qualitative approaches can be combined in various forms and achieve different purposes in empirical research. For example, the causal relations generated by quantitative analysis can be further explored by qualitative work (Downward and Mearman, 2007). Working from the perspective of critical realism, researchers can also advance theory evaluation and development as 'critical realism takes a balanced and modest stance regarding the prospects for affirming and rejecting theories based on empirical evidence' (Miller and Tsang, 2010, p. 144). This is critical in corporate governance research, where multi-theoretical perspectives are needed and various levels of governance mechanisms interact dynamically in practice (Christopher, 2010; Young and Thyil, 2008). In a review of existing literature, Christopher (2010) suggests that future research on corporate governance needs to validate the multi-theory proposition of it with real life organisational settings. Interview-based studies would be especially appropriate to explore new depths in the area of corporate governance. The philosophical foundation of critical realism offers even more potential for corporate governance researchers as it makes the combination of qualitative and quantitative methods possible.

REFLECTION ON THE USE OF MIXED METHODS IN AN EMPIRICAL STUDY OF RBV

Application of Mixed Methods in RBV Research

The RBV argues that any sustained competitive advantage that a firm has comes from its specific resources that are valuable, rare, difficult to imitate and non-substitutable (Barney, 1991). Both tangible and intangible resources can be potential strategic resources. While tangible assets can be valuable, they are usually transparent and relatively easily duplicated (Clulow et al., 2003; Fahy, 2000). Intangible resources, on the other hand, are normally found to be the key strategic resources in a firm (e.g., Clulow et al., 2003; Fahy, 2000; Godfrey and Hill, 1995). Intangible resources, by their very nature, are normally unobservable. Godfrey and Hill (1995, p. 523) argue that 'the more unobservable a value resource, the higher are the barriers to imitation, and the more sustainable will be a competitive advantage based upon the resource'.

Intangible resources in a firm can be generally classified into three categories: human capital (HC), structural capital (SC) and relational capital (RC). Human capital includes the knowledge, skills, experiences and abilities that employees take with them (Meritum, 2002) and has long been recognised as a critical resource for differentiating financial performance among firms (Reed et al., 2006, 2009). In the literature, human capital has been defined on an individual level (e.g., an individual's genetic inheritance, education, experience and attitudes) and in terms of the total workforce (Wright et al., 1994). Structural capital is the critical link that allows intellectual capital to be measured and developed in an organisation (Bontis, 1998). It can be sub-divided into organisational capital, such as culture, structural design and organisational learning, and technological capital, such as results from research and development or results from process engineering (e.g., Martín-de-Castro et al., 2006). Investment in R&D or IT, as an indicator of innovation, has attracted much attention in management and accounting research. Relational capital includes all external resources, such as the company name and brand, distribution channels and relations with customers and other stakeholders (Boedker et al., 2005).

Although intellectual capital is divided into three components, they exist and work together as a whole. The RBV suggests that the integration of different firm resources is more likely to contribute to a firm's superior performance (Reed et al., 2006).

The importance of resource integration has been evident in some empirical studies (e.g., Kamukama et al., 2010; Nagar and Rajan, 2005; Reed et al., 2006). Despite the wide acceptance of the RBV in theoretically explaining superior firm performance or competitive advantage, empirical evidence that supports the RBV tends to be limited and ambiguous. It is not clear that the marginal support of the RBV is due to theoretical shortcomings or methodological problems (Newbert, 2007; Armstrong and Shimizu, 2007).

Similar with the economic approach used in corporate governance research, large-sample quantitative analysis appears to be the longstanding dominant research design in the RBV empirical literature (Molina-Azorin, 2015). Bacharach (1989) suggests that a theory can be viewed as 'a system of constructs and variables' (p. 498), in which propositions state the relations among constructs at an abstract level while hypotheses specify the relationships among variables at a more concrete level (p. 500). Accordingly, to test a theory, researchers should examine not only whether the relationships identified are adequate but also whether the variables used can reflect constructs appropriately (Armstrong and Shimizu, 2007). Unfortunately, RBV researchers have encountered serious empirical challenges in both aspects.

In order to assess the relationship between firm resources and performance, one of the first challenges researchers need to deal with is to identify strategic resources that should be included in the model. However, the broad definition of 'resources' has resulted in 'a fragmentation of empirical studies' (Armstrong and Shimizu, 2007, p. 976). Denrell et al. (2003) point out that the concept of 'resources' in the RBV is extremely expansive, and this gives rise to confusion where resource valuation is concerned. Because the value of firm resources is normally industry-dependent (Armstrong and Shimizu, 2007), many RBV studies have adopted single-industry approaches to control for contextual exogenous influences (e.g., Reed et al., 2006). However, even within a single industry, strategic resources may be idiosyncratic (Denrell et al., 2003) and difficult to isolate (Armstrong and Shimizu, 2007). This makes the identification of resources problematic.

Apart from the challenge of modelling strategic resources, measures of intangible elements are ambiguous and problematic (Chiucchi and Montemari, 2016). Due to the unobservable nature of intangible resources, measuring them is inherently difficult (Armstrong and Shimizu, 2007; Godfrey and Hill, 1995). There are two ways of dealing with measurement problems in academic research. Some researchers employ survey methods to obtain direct measurements of the intangibles from firm managers (e.g., Nagar and Rajan, 2005; Reed et al., 2006), which allows them to generate indicators that can reflect different aspects of a particular intangible element so as to conduct studies on intangibles at different organisational levels. Although survey methods are useful for obtaining direct assessments about resources, they may have the limitations of subjectivity and bias if the respondents are insiders who are overconfident about their own resources and capabilities (Armstrong and Shimizu, 2007). Also, survey-based data is not suitable for longitudinal studies.

Others try to measure intangible resources using objective proxies and collect data from secondary sources. Objective proxies could be either input indicators, such as investments in advertising and R&D (e.g., Andras and Srinivasan, 2003), or output results, such as brand value (e.g., Barth et al., 1998), as RBV scholars need to 'theoretically identify what the observable consequences of unobservable resources are likely to be, and then go out see whether such predictions have a correspondence in the empirical world' (Godfrey and Hill, 1995, p. 530). Objective proxies are helpful in examining the effects of the resources using large samples in a longitudinal fashion and can also be easily replicated or modified (Armstrong and Shimizu, 2007). However, objective proxies are subject to concerns about construct validity (Barney et al., 2001).

Given the aforementioned problems and difficulties with modelling and measuring strategic resources, especially intangible resources, researchers have realised that the limitations of methods constrain our understanding of complex practices, and there is an increasing call for the incorporation of a qualitative approach with quantitative analysis in RBV empirical research (e.g., Armstrong and Shimizu, 2007; Barney et al., 2001; Molina-Azorin, 2015; Rouse and Daellenbach, 2002). Hoque et al. (2013) suggest that the triangulation of methods and pursuing the possibilities of synthesis in theory can capture reality in a more comprehensive manner. The use of mixed methods is more likely to give a better understanding of the complicated phenomena of organisational and social reality than a singular approach, as well as to provide opportunities to bridge the science-practice gap (Molina-Azorin et al., 2017).

Specifically, combining a qualitative approach with quantitative analysis provides the means to deal with the challenges that RBV researchers have encountered. One of the problems with RBV empirical studies, particularly when investigating intangible resources, is to identify the strategic resources and model the relationships among different types of resources. Incorporating a qualitative approach is suggested to be an effective way to understand the strategic resources in a certain industry and isolate important but under-examined resources (Molina-Azorin, 2015; Rouse and Daellenbach, 2002). Armstrong and Shimizu (2007) argue that some industry-specific resources may be identified theoretically, but others may only be recognised through interviews with practitioners, especially for under-explored industries. Moreover, the incorporation of a qualitative approach is helpful in improving the specification of empirical models and tests for quantitative study (Ittner, 2014). Brown and Brignall (2007) share their experience of using mixed methods research design. They argue that a fundamental question relating to quantitative research that uses models is how to abstract particular variables from the complexity of the social issues in ways where the modelled relationships are not mis-specified. The use of qualitative case studies has an obvious advantage in achieving this.

Combining a qualitative study with quantitative analysis can also cope effectively with the difficulty of developing appropriate variables to reflect constructs, which is probably the most difficult issue to deal with in empirical testing of RBV with a particular focus on intangible resources. Ittner (2014) points out that researchers have to demonstrate that the variables used in the quantitative analysis appropriately capture the theoretical construct that they are intended to capture. The use of a qualitative approach can provide two potential benefits on this front: getting a better understanding of the attributes of key constructs in their research context and then developing more valid quantitative indicators. As mentioned before, researchers have attempted to measure intangible resources using either a survey-based method or objective proxies. Indeed, pilot interview-based case studies are frequently used to facilitate survey-based studies, such as clarifying the dimensions of variables and developing measurable constructs (Lillis and Mundy, 2005).

Despite the widespread advocacy of a plurality of research methods in accounting, management and organisational studies, there are still barriers to the use of a mixed methods approach in these fields. Quantitative and qualitative data and findings do not appear to be substantially integrated in many studies that use multiple methods (Bryman, 2007). The absence of exemplars tends to be one of the main factors inhibiting integration from being carried out in mixed methods research (Woolley, 2009). While this is true for mixed methods research in general, it may be even more so in RBV research (Molina-Azorin, 2015). We also observe that very little attention has been paid to incorporating the qualitative approach with quantitative studies that use secondary data sources in the study of intangible resources. The use of observable proxies is always questionable in empirical RBV studies. Armstrong and Shimizu (2007, p. 966) argue that using readily measurable variables that reflect theorised resources 'offers limited contributions toward understanding the real value of resource-based theory', and there should be a focus on 'developing appropriate measures and accumulating those measures'. We agree with Armstrong and Shimizu's (2007) suggestion that developing new measures is critical in empirical RBV research. On the other hand, we believe that it is also important to assess the appropriateness of readily measurable variables in capturing the nature of specific intangible resources and to search for ways to improve them. The combination of qualitative case study and quantitative secondary data analysis makes that possible.

Introduction to the Project

This project was conducted after the financial crisis of 2007. It aimed to test the RBV theory by investigating the impact of intangibles on firm performance within the context of the European banking sector. The banking industry provides an excellent context for assessing intangibles due to its intellectually intensive nature and competitive environment (Mehra, 1996; Reed et al., 2009). The fundamental economic, political and technological developments have dramatically changed the environment in which banks compete. Banks have seen an erosion of their monopoly power because of deregulation and technological innovation (Matthews and Thompson, 2008). The competitive emphasis in this industry appears to have shifted from being market-based to being more resource-based (Mehra, 1996), and intangibles tend to be fundamental to creating competitive advantage for banks.

However, research on the relationship between intangibles and performance has focussed on various industries (e.g., biotechnology and manufacturing), and less attention has been paid to service industries in general and banks in particular (Mention and Bontis, 2013). We also noted that the banking sector became very visible and problematic in the post-2007–2009 financial crisis period, and the role of banks in the real economy and the role of intangibles in bank performance and risk levels tended to be even more important (e.g., Holland, 2010). Therefore, we were interested in investigating how intangible resources affected bank performance from the perspective of RBV, with an attempt to contribute to the literature by providing further quantitative empirical evidence.

Having reviewed relevant literature on RBV and intangibles, we noticed the methodological challenges of conducting empirical quantitative study in developing an appropriate model of the intangible-performance relationship and measuring intangible elements. Inkinen (2015) reviews empirical research on the linkage between intellectual capital and firm performance, showing that the relationships identified by empirical research are complex and follow different patterns in different contexts. In other words, there is no universal model applicable to all companies. Moreover, the contribution of a particular resource to a firm's competitive advantage might be offset or neutralised by another resource (Molina-Azorin, 2015). The complexity of such a relationship prevents academics from providing quantitative empirical evidence in this area (Chen et al., 2014).

With regard to the measurement of intangible resources, we were particularly interested in using objective variables based on secondary data. This would allow us to conduct longitudinal analysis, which had been called for by many researchers in testing RBV empirically (e.g., Barney et al., 2001; Molina-Azorin, 2015). Such a form of intangible measurement could also facilitate external stakeholders' understanding of competitive resources, as the secondary data utilised is accessible for them. However, how to select the observable proxies appeared to be another significant challenge for us, as there were concerns about the extent to which this type of proxies could reflect unobservable intangible resources.

Given the challenges we faced, a qualitative-dominated mixed methods approach was adopted in our study. Such a research design helped in overcoming the problematic issues of model specification and variable identification in objective proxies. Turner et al. (2017) point out that although the benefits of methodological triangulation have been widely recognised in organisational research, triangulation across methods still appears to be rare because there is limited guidance available for researchers regarding how to design mixed methods research studies. Therefore, we hoped to contribute to the mixed methods research design by providing an example of how two types of data can be integrated effectively in different stages of a project.

The Overall Research Design

We adopted mixed methods research as the methodology to explore a central research question: how do intangibles affect bank performance? We used semi-structured interviews to explore in depth the role of intangibles in the bank business model and the way of measuring intangible elements. At the same time, quantitative analysis of the relationships between intangible indicators and bank financial performance was conducted to complement the qualitative study.

For any piece of mixed methods research, certain issues need to be carefully considered at the research design stage, including the sequence of the data collection and analysis (i.e. the timing decision), the priority or weight given to the quantitative and qualitative study (i.e. the weighting decision) and the stage/stages in the research process at which the quantitative and qualitative phases are connected and the results are integrated (i.e. the mixing decision) (Creswell and Plano Clark, 2007; Ivankova et al., 2006; Morgan, 1998). In our project, the quantitative and qualitative studies were conducted concurrently, which enabled us to collect and analyse two types of data in a complementary manner.

With regard to the weighting decision of the project, it was designed to be qualitative-dominant, in which more attention and priority were given to the qualitative interviews. The qualitative study was more important in terms of gaining a deep understanding of the phenomenon and adding knowledge to the theoretical foundations considering the purposes of our study. This decision was also made based on the data availability, as the information disclosure of intangibles tended to be still limited in the public domain for a quantitative analysis.

The mixing decision is probably the most important and the most challenging issue for mixed methods researchers. Woolley (2009, p. 7) suggests that

> quantitative and qualitative components can be considered 'integrated' to the extent that these components are explicitly related to each other within a single study and in such a way as to be mutually illuminating, thereby producing findings that are greater than the sum of parts.

However, for many studies in which multiple methods are used, the quantitative and qualitative components are treated as separate domains and not integrated or mixed (Bryman, 2006, 2007; Greene et al., 1989). If mixed methods researchers wish to make the best use of the evidence they collect, they must solve the integration issue. In our project, we attempted to integrate quantitative and qualitative data at all stages of the research to maximise integration, and the integration of two types of approaches will be explained in more detail in the subsequent section.

Integrating Quantitative and Qualitative Approaches

The main purpose of our project was to explore the key strategic assets in the banks and their impacts on bank performance. We attempted to combine the qualitative interviews and the quantitative secondary data analysis at all the stages of our project – data collection, data analysis and presentation of results – making the best use of the different types of data.

During the evidence collection period, quantitative data was gathered from annual reports, bank websites and other public information sources; we collected qualitative data simultaneously by interviewing bank managers and analysts. The connection between the two datasets occurred in several ways whenever they could relate to each other. For example, the variables used in the quantitative study helped us to formulate interview questions to explore the participants' views related to intangibles measures, while our interview experience facilitated the quantitative analysis by identifying new measures of intangibles and/or improving the proxies derived from the literature.

During the data processing and analysis stage, there was close interaction between the analysis of the qualitative case data and the quantitative metrics. While the basic data analysis procedure in our study involved conducting separate data analyses for the quantitative and qualitative evidence, the concurrent research design allowed for emerging empirical themes and patterns in one part of the study to feed into the analysis in the other, and vice versa, in an iterative and integrated process. Conducting the two empirical studies concurrently allowed us to revisit each type of data and adjust our analysis whenever new issues emerged or the need arose. For instance, the proxies or indicators summarised from the extant literature and used in the quantitative models were useful for identifying codes and labelling concepts during the qualitative data processing. These concepts were derived from the extant literature and could enhance the researchers' sensitivities to their appearance in the case data. The qualitative interviews, on the other hand, helped us to develop hypotheses that would be tested in the quantitative study. Theoretical ideas and quantitative factors employed in relevant theory and literature interacted with each of our empirical studies in an iterative relationship, ensuring triangulation and embedding.

A grounded theory model of intangibles was developed based on the semi-structured interviews. This revealed the value creation process in the banks, which included three levels of interactions among different intangible elements and between intangibles and tangibles in banks (Chen et al., 2014). The qualitative study provided supporting evidence for the importance of resource integration as outlined in the RBV theory, showing that individual effects of intangibles tended to be limited, while the combination of different intangible elements and the integration of intangibles and tangibles were more likely to contribute to the value creation process in a bank.

Moreover, the model developed from interviews helped us to understand the relationships among different intangible elements and then formulate the hypotheses used in the quantitative part of our study. For example, it suggested that, among different types of resources, top management HC was central to strategic choices concerning resource combination and integration issues. So we developed hypotheses by examining both the individual impact of top management HC on performance and also the collective effect of top management HC and employee level HC.

During the data collection and analysis process of the qualitative study, we also explored the weaknesses and strengths of the intangible indicators used in the academic research and potential ways of improving existing variables and identifying new variables. In each interview, we asked the interviewees' opinions about the different variables used in academic research and how they measured those intangible resources in their business practice. We found that the case institutions were generally advanced in measuring their key intangibles, and some of them had developed systematic measurement frameworks, although many intangible elements were still measured in qualitative terms rather than in quantitative numbers. From the perspectives of practitioners (e.g., managers and analysts), many indicators used in academic research were ambiguous in terms of capturing the nature of intangible elements. They suggested that the limitations could have been addressed partly by measuring an intangible element in various dimensions and defining it in a more detailed or precise way. For example, training investment was a commonly used proxy of employee level HC. However, the indicator used in academic research had inherent limitations as it failed to capture the training activities of 'learning by doing', which was argued to be more important by the interviewees. As the proxy of brands, advertising and marketing expenditures could be further improved by distinguishing between brand-related expenditure and product-related expenditure; the former was more related to brand strength compared to the latter. Similarly, an employee leaving the bank was not always a negative indicator of human resources from managers' perspective, as it depended on whether the bank wanted to retain them. Therefore, the indicator of employee attrition was separated into regrettable and non-regrettable attrition in some case institutions' internal intangible measurement systems, and the former tended to better explain the loss of human resources than the indicator of employee departure used in academic research.

In the quantitative analysis, we took into account both existing literature and our interview experience when selecting intangible variables. For example, the extant literature normally utilises age, firm-specific experience or general managerial experience as proxies of management HC but pays little attention to professional or industry experience. We found that interviewees emphasised the importance of industry-related experience for bank managers rather than their general managerial experience, as the former related more closely to bank managers' capability of appreciating the risk inherent in banks' operation. Therefore, we adopted the proxy of CEOs' industry-specific experience as one of the top management HC measures in our analysis.

During the final stage of empirical results presentation, findings from the quantitative study and qualitative study were further compared and connected. Mertens (2011, p. 5) highlights that it is important for a mixed methods study to 'explain clearly how the results were integrated and the contribution to improve understanding that was achieved based on that integration'. We reported firstly the results from each method separately and then brought them together to show how evidence triangulation and complementarity had been achieved (Chen, 2012). Both the quantitative and qualitative studies provided evidence to support the resource integration hypothesis in the RBV theory. It was found from the quantitative study that the combination of different intangible elements appeared to better explain the variation in banks' financial performance than any individual element could. Similar findings were observed from the qualitative study in which both managers and analysts highlighted the combined or balanced effects of intangibles on institution performance. Therefore, both the quantitative and qualitative studies provided corroboration of the other's evidence and enhanced the external validity of the overall research.

Besides evidence triangulation, we showed that the integration of quantitative and qualitative studies had complementary strength. The qualitative study facilitated improving the specified models and variables used in the quantitative analysis, as discussed before. The grounded theory model generated from the qualitative study presented a systematic interaction process of intangibles and other types of resources, which provided useful suggestions for improving the quantitative model construction. Also, the qualitative study revealed useful ways to improve the measurements of intangibles. Although we were not able to include all the variables identified from the qualitative study in our quantitative analysis due to data availability issues, our research provided the means for researchers and regulators to consider those suggestions for future empirical research and intangibles-related information disclosure.

IMPLICATION OF THE MIXED METHODS APPROACH FOR CORPORATE GOVERNANCE RESEARCH

In the previous section, we discussed the project of intangibles we conducted in which we attempted to integrate qualitative and quantitative approaches throughout the processes of data collection, data analysis and results discussion. This project shows the synergy gained from the use of a mixed methods approach, such as overcoming limitations associated with singular methods, achieving evidence triangulation and identifying potential ways to improve the research design of a quantitative analysis. We believe that corporate governance research could benefit much from the combination of qualitative and quantitative approaches.

Corporate governance research has become increasingly interdisciplinary compared to the dominance of economics approaches at its early development stage, but there is still room for improvement in both the theoretical perspectives and the methods adopted in empirical studies (Filatotchev and Wright, 2017). Lee (2020) suggests that management research is conducted in a changing social world and shaped by the associated contexts, so research methods need to be adapted by recognising the facilitators of and constraints on research. Corporate governance research has long been dominated by quantitative methods, due to both the influence of the agency theory perspective and data availability. The widespread availability of datasets about public corporations (e.g., boards and executive compensation, etc.) allows quantitative analysis of corporate governance to be conducted at some distance from the phenomena. The increasing demand for greater transparency of governance arrangements and boards' affairs may also promote more quantitative analysis based on publicly available data (McNulty et al., 2013). However, there have been growing concerns around the economic approach because of its theoretical and methodological limitations. Researchers have increasingly recognised the importance of deep engagement with governance phenomena as complex and dynamic organisational systems (McNulty et al., 2013; Roberts et al., 2005). The combination of both approaches can offer even greater potential to extend the scope and depth of corporate governance research.

In the previous section, we illustrate how the use of mixed methods can benefit our study of intangibles from the RBV perspective. Investigations of corporate governance mechanisms face similar challenges to examining intangible resources based on the RBV theory. They are both concerned with complex institutional systems that depend on the context in which they are embedded. Indeed, some researchers argue that corporate governance can be seen as a source of competitive advantage for organisations and explored from the resources-based view (e.g., Barney et al., 2001; James and Joseph, 2015). Filatotchev and Wright (2017) point out that, as a significant methodological issue in corporate governance research, data limitations are not handled properly and the theoretical framework is not reflected fully in the empirical analysis, even though data availability has improved for listed firms.

Traditional corporate governance research, from the perspective of agency theory, emphasises the monitoring and control dimensions of corporate governance (Filatotchev and Nakajima, 2010). Considerable efforts have been made to investigate how boards of directors, auditors and institutional investors perform their roles in corporate governance practice, but results are inconclusive. For example, board independence is considered a good corporate governance practice, but its effectiveness appears to be in doubt, as empirical evidence is mixed (Neville et al. 2019). Erkens et al. (2012) find that financial institutions with greater board independence performed worse during the financial crisis. Based on a meta-analysis of empirical studies, Neville et al. (2019) show that the impact of board independence on corporate misconduct is dependent on the implementation forms and the external contexts. They argue that 'the popular governance practice of increasing board independence must both account for the manner in which independence is implemented and consider the powerful influence of firms' broader societal context to clearly understand its effect' (p. 2538).

Research on other dimensions of corporate governance practice observes similar issues. Corporate governance research on the role of institutional investors holds two opposite views: some researchers consider them as active monitors, while others treat them as passive investors (Yuan et al., 2009). Yuan et al. (2009) argue that a better understanding of the role of institutional investors requires insight into the contextual issues and underlying factors that affect the interactions between institutional investors and their portfolio companies. Holland (2001) provides field research examples of how this can be done. In a case study-based investigation of the current paradigmatic approach to 'good' corporate governance, Fairchild et al. (2019) suggest that further corporate governance research on auditors needs to take into consideration how 'relevant economic, institutional and cognitive/behavioural factors beyond the rational choice model of traditional economics should underpin future developments in required modes and structures of governance' (p. 90). The use of mixed methods provides an opportunity for corporate governance researchers to engage directly with the social context and process in which corporate governance mechanisms work, and this would help to gain a better understanding of corporate governance practices and improve the quantitative analysis in terms of developing the theoretical framework, model specification and variable construction.

CONCLUSION

Corporate governance researchers are facing new challenges due to the rapidly changing environment. Based on an agency theoretical framework, corporate governance research has traditionally been dominated by quantitative approaches. However, corporate governance structures and institutions are largely shaped by institutional and legal environments (Cumming et al., 2021), and this requires researchers to better understand the political and social context in which corporate governance mechanisms operate, as well as dynamic multi-level corporate governance systems. Moreover, the digital transformation brought about by technological development leads to unique institutional challenges and legitimacy controversies for corporate governance in a digital age (Fotaki et al., 2021). In this context, innovations in both theoretical perspectives and methodological consideration are vital for corporate governance research. In this chapter, we argue that neither quantitative nor qualitative methods may be sufficient to fully explore the complex phenomena. We use an innovative study to show how the adoption of mixed methods is not only theoretically possible from the critical realist perspective but also methodologically beneficial. The implication of a mixed methods approach in the field would bring considerable potential for the development of future research and bridge the gap between theory and practice.

It should be acknowledged that this chapter is mainly looking at the principal-agent relationships within corporate governance. However, we do not intend to suggest that other relationships are not of significance and worthy of study. Indeed, apart from the manager-shareholder relationship that has been substantially investigated in corporate governance research, contractual relationships that an organisation has with other stakeholders are also important in corporate governance practice (Cumming et al., 2017; Filatotchev and Nakajima, 2010). Future research on corporate governance practices may want to explore the various contractual relationships using mixed methods.

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