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Understanding corporate governance, strategic management and firm performance: As evidenced from the boardroom

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Abstract

Researchers with an interest in corporate performance have increasingly shifted their attention over recent decades from the study of the chief executive to the board of directors. A large body of knowledge has now been published, including correlations between variables of interest, theories, conceptual models and rich descriptions of normative practice. However, substantive evidence to explain how boards actually exert influence over firm performance from the boardroom is yet to appear. That the board's ability to exert such influence has not been adequately described—let alone explained in any detail—is a significant knowledge gap in the literature, one to which this research seeks to contribute.

The aim of this research is to investigate corporate governance, strategic management and firm performance from the perspective of the boardroom. A longitudinal multiple-case study approach was used. Primary data was collected from direct observations of the boards of two large high-growth companies in New Zealand. Secondary data sources included interviews with the chairmen and chief executives, and board and company documents. An iterative approach to analysis was utilised from which a deep understanding of board involvement in strategic management was developed. The analysis revealed insights leading to the development of two models—a collaborative form of board–management interaction, and a mechanism-based model of the governance–performance relationship.

The research makes contributions to governance research by extending specific early and largely normative contributions. The board's active engagement in strategic management (especially strategy development, strategic decision-making and monitoring of strategy implementation) appears to be significant. This is achieved via the harmonious activation of five underlying attributes. While no explicit or predictable relationship between board interventions and subsequent firm performance was discovered, the findings provide insight into the contingent nature of the board's ability to exert influence from and beyond the boardroom.

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