Behind the Boardroom's Door: the Role and Contribution of Corporate Boards

Ana Cristina Simões, ISCTE Business School, Portugal
cristina.simoes@live.com.pt
Andrew Kakabadse, Cranfield School of Management, UK
a.p.kakabadse@cranfield.ac.uk
Madalena Ramos, ISCTE – IUL, Portugal
madalena.ramos@iscte.pt

ABSTRACT

So far, academicians have not been able to empirically confirm that boardroom reforms will lead to more effective boards and ultimately positively affect corporate performance. As social actors we all have biased views, as do boardroom members, thus it is necessary to analyze directors' perceptions about their role in order to understand if they are aligned and acting accordingly. The research goal is then to understand what is, in fact, directors' role and contribution. Through a survey-based method board members from Portuguese listed firms were requested to rate the Chairman, the Board, the Senior Independent Director and the CEO performance, through their own perceptions. The survey draws three key conclusions: first, there are, generally, many inconsistencies around the board role boundaries between the chairman and the CEO and, particularly, around their strategic involvement. Second, tensions arise from the way this relationship evolves affecting both teams (the executive and non-executive directors) and third, there is an absence of a clear picture of the board's role regarding its strategic involvement. This study, whilst exploring and understanding directors and their interactions inside the boardroom in a non-Anglo-American context, contributes to opening the 'black-box' of board dynamics, thus 'dismantling the fortress' in boards studies.

KEYWORDS

Boardroom; role and contribution; cor; feasibility; analysis; study; assessment; project management.

1. INTRODUCTION

For different reasons, academicians and practitioners alike have stressed the relevance of the board of directors. Boards are the most established governance mechanism to protect principals' interests and some have described them as the 'apex of the firm's decision control system' (Fama and Jensen, 1983) and also as *'a large, elite, and episodic decision-making group'* that performs complex tasks in the realm of the corporate strategy (Forbes and Milliken, 1999). Scholars widely accept that spectacular corporate failures and the misuse of managerial power significantly contributed to the rise in prominence of the subject of corporate governance and the boards of directors. The Governance literature about boards of directors is prolific; however, few scholars have been able to research real behaviour and take into account the context in order to grasp what boards *really* practice. Mace (1972:37), decades ago, realised this and noted that '*there is a disparity in the literature. Much of it describes the roles that boards should play, not those that they really do*.'

Due to failures of diligence, ethics and controls on the part of directors and senior managers, boards are now at centre stage, as critics accuse them of failing to meet their governance obligations and responsibilities. Triggered by shareholder activism and aiming to solve the governance failures, corporate governance reformists, embodying the shareholder primacy model, attempt to unify corporate governance mechanisms and practices. By blindly standardising, these governance reforms are undermined by recommendations that reflect distant perceptions of board effectiveness, but not the actual and empirically tested effectiveness of boards. Formal regulations and policies are necessary, but they are not enough to fully understand effective governance (Gabrielsson and Huse, 2004) as long as reformers do not base them on significant research (Burton, 2000). Therefore, these reforms are contributing to increasing the gap between what firms expect boards of directors to do and what they are actually doing, instead of bridging the difference between board role expectations and actual board role reality and consequently, board performance. Perhaps here lies the major flaw of the corporate governance reforms when attempting to unify governance mechanisms and practices. Before normalising, as Zahra and Pearce (1989:327) masterfully assert, '*More descriptive work is necessary before normative board models or theories can be advanced'*.

One of the most developed and extensive board research streams is what Finkelstein and Mooney (2003) called the input-output studies. These studies try to assess the board contribution through its direct connection to the firm's output following the two commonly accepted board roles (controlling and servicing) which usually focus on the board's research relating the '*usual suspects*' (board size, CEO duality, insider/outside ratio and the stock holding by board members). Another stream of research explored the influence of board attributes on the performance of board roles allowing indirect and moderating effects between boards and company performance. Not denying their relevant contribution, both research streams fail to show results and widely accepted findings. This is because most of the empirical research relies on a positivistic and structural approach and though failure to recognize 1) boards as open systems, bond by social ties, 2) the research is subject to change and development and is influenced by a specific space-time dimension. Therefore the purpose of this survey is to try to fill this void as much as possible by bridging the gap between board role expectations and actual board role reality and shed light on the board's *real* contribution and ultimately, board effectiveness. Through the analysis of the board members' perceptions, we intend to understand the role and contribution of the boards, the boundaries between key functions at the board level, and explore what boards are, in fact, doing to help firms build the public confidence and trust and ultimately increase the firm's value in the long run. In particular this paper addresses the following research question: *what is the perceived role and contribution of the boards of directors?* The authors based the empirical study on a quantitative survey completed by board members of Portuguese listed companies at Euronext Lisbon in 2011. The survey explored a set of quantitative data generated from a sample of directors, who express their views on the Chairman, the Board, the Senior Independent Director and the CEO performance, based on their own (board) experience. This chapter is organized in four sections. First we outline the theoretical background. The second section contains an explanation of the research methodology. The third section presents the analysis and discusses the results and its main implications. The conclusion, the contribution of the study and areas of further study, ends this paper.

2. BOARD PURPOSE AND BOARD PERFORMANCE

Shareholder activism and the involvement of professional and regulatory bodies in corporate governance led to the development of codes of practice for listed companies, compulsory almost everywhere. Even if not backed by formal legislation companies, they are compelled to apply it otherwise they need to publicly explain their reasons for non-compliance (Burton 2000). In so doing, these prescriptions frame the boards' purpose and, at least formally, also the boardroom dynamics. This movement began in the USA and the UK, but globalisation has spread this almost everywhere, at least in the world dominated by western philosophy. Most of these guidelines are directed at increasing board accountability to shareholders and improving board effectiveness (Ayuso and Argandona, 2007). Dalton et al. Also note the intrusion of this informal regulation (1998:270). '*It is notable that board reform activists has strongly argued for boards comprised predominantly, if not exclusively, of independent directors and the formal separation of the CEO and board chairperson position.'* Rather than embracing and reflecting recent academic advances, these normative and legal perspectives (Nicholson and Kiel 2004) try to format the role and contribution of corporate boards.

Scholars interchangeably use the terms 'role' and 'contribution' (Roberts et al., 2005). For the sake of this survey, we use the terms differently because this research intends to really understand what the board of directors really practice, regardless of recommendations and board reforms. Drawing on the findings (Petrovic et al., 2009) we will use role as the pre-determined tasks and goals and refers to contribution as the extent that board members perform or fulfil tasks and goals to assess board contribution to a firm's performance (Zahra and Pearce, 1989).

Turning from a broader and prescriptive governance perspective to the contribution of boards of directors, in spite of recent attention, there is no all-accepted theme concerning the purpose, the role and functioning of boards. Consequently, scholars have used different lenses when analysing the apex of corporate leadership. Adopting the agency view of the firm implies to look at the board of directors as the body designated to discipline the firm's top management (Fama and Jensen, 1983). Daily et al. (2003:379) summarize this view as follows: '*Agency theorists present the board of directors as a mechanism to protect shareholders from managerial self-interest.'* Thus, the main emphasis of the board's role is on the way principals could monitor or control managerial (the agents) misbehaviour. Suggestions following this perspective would enhance control over the management team as separating the chairperson and the CEO positions in order to have a majority of independent directors, thus raising the number of board committees (Huse 2005). Departing from the agency theory, Blair and Stout (1999:255) provide an alternative answer for the board's main function by addressing a different problem. For them, the '*team production'* problem arises when the team members find difficult or impossible to write explicit contracts to distribute the results/output of the team's joint work. The authors argue *'that the essential economic function of the public corporation is not to address principal-agent problems, but to provide a vehicle through which shareholders, creditors, executives, rank-and-file employees, and other potential corporate 'stakeholders' who may invest firm-specific resources can, for their own benefit, jointly relinquish control over those resources to a board of directors.'* Dwelling in the 'nexus of contracts' view of the firm, the team production model considers that the essential function of the boards is to protect the firm-specific investments of all the members of the corporate 'team', including shareholders, managers, employees, creditors and other 'team' members. Gabrielsson et al. (2007) mention that for the team production approach, corporate boards are knowledgeable and cooperative teams with the purpose of leading the firm and coordinating activities. Yet, for this school of thought, the major function of the board of directors still continues to be monitoring and controlling, but for a different reason and for an enlarged set of constituents. Meanwhile, the agency theory builds on the managerial opportunism the stewardship theory views managers as a firm's stewards; therefore, the board's main role would be active collaboration and mentoring in the firm's strategy formation and implementation phases (Davis et al. 1997; Hillman and Dalziel 2003). As Huse (2009a) puts it, the stewardship theory has a focus on collaboration and mentoring board tasks and also involving them in the firm's strategic realm. Another important role whose empirical evidence has been very limited (Zahra and Pierce 1989) is the one related to corporate strategy. However, there is a growing consensus in the literature about the importance of the board's role in strategic management which draws on the perception that they are ultimately responsible for effective organisational functioning (Blair and Stout 2001, Johnson et al. 1996, Pearce and Zahra 1991). Bringing together the subjects of boards and strategy, McNulty and Pettigrew (1999) show that what they called 'part-time board members' (chairmen and non-executive directors) are able of exercising control over management and simultaneously influencing processes of strategic choice and change. These findings configure not only the involvement of board members in setting and influencing corporate strategy, but also the relevance of studying board's behaviour to fully understand what board members do. Agency theorists also emphasize the strategic role of the board not only as makers, but above all, as controllers of the strategic decisions (Zahra and Pierce 1989). In spite of directors' strategic involvement through advising and counseling the CEO, contributing with their own analyses or suggestions, they may not develop or execute strategies since these tasks are consigned to the CEO (Zahra and Pierce 1989). Yet later studies conclude that not all non-executive directors are simply 'rubber-stampers' of their executives counter-part (McNulty and Pettigrew, 1999). These contradictory studies show that the real practice of the board of directors and consequently, their role and contribution, is not yet thoroughly explored. Who, however, in the real world is setting the strategy? Is it the management team or the board or both or does it depends on the firm's context, industry, or country? Has the firm clearly defined those roles and does management understand them? Scholars have condensed the three main critical board roles into the categories of control, service and strategy (Zahra and Pearce, 1989; Johnson et al., 1996; Huse, 2007) reflecting different theoretical perspectives and being exposed as board task expectations (Huse 2005, 2007). Yet, to understand what exactly boards contribute, scholars need to go beyond conceptual and theoretical prescriptions about boards' role/task expectations and explore the way boards are actually functioning. When Kakabadse et al. (2006) posit that each board determines its own practice despite guidelines and voluntary best practice codes, the authors were not only calling for the need to be context driven when researching, but also stressing that there might be a gap between boards' expected roles and actual practice. Mace's earlier pioneering work already recommended that researchers should direct attention to understanding the gap between boards' role expectations and actual boards' practice. In this respect, his words still remain accurate and valid since the gap still exists. To assess the contribution of the board of directors implies the deep knowledge of what boards actually do through a board's behaviour analysis and what they perceive as their contribution, which was what this study has explored.

According to legalistic and agency theory approaches, one solution to improve board performance is to create independence in the board-management relations by board compositional means (Huse, 1993). In fact, according to the agency theory, a majority of outside directors would comprise effective boards. Empirical studies found support to highlight this position (Baysinger and Butler, 1985; Pierce and Zahra, 1992). Quite opposite to agency theory, researchers sustaining the stewardship position found empirical support to their contrary assumption that inside directors were associated with higher firm performance (Dalton et al. 1998). A balance of inside and outside directors is supposed to ensure that the board is at the same time knowledgeable about the company and independent from management. However, according to Allen and Gale (1998), scholars widely debate the extent to which this theory works in practice. In spite of how critical for effective governance the balance between inside and outside directors may be, we cannot assess the relationships and interactions by using proxies and optimum ratios (Gabrielsson and Huse 2004). The ratio will influence the type of interactions and thus would shape the board decision-making processes however mediated by the role that the board perceives as performing. Their perception of the role performed will also influence board actions and consequently firm-level outcomes. Thus, board independence is more a function of how directors interact as a group to play their roles rather than as a corporate governance objective based on composition and structure (Finkelstein and Mooney 2003).
The work of corporate leaders always attracted considerable attention among researchers and business practitioners. In many parts of the western world, it is also becoming highly regulated following an

increased number of corporate governance recommendations (Gabrielsson et al. 2007). The green paper about the European corporate governance framework issued in 2011 by the European Commission called for the need to clearly define the position and responsibilities of the board's chairperson as a consequence of the considerable impact his or her performance has on the board's functioning. This indicates that the boardroom role requires additional clearance. Also scholars have always stressed the importance of following corporate leadership. However, different perspectives arise and determine the course of research. Arguing that organisational structures affect the steward's performance, Donaldson and Davis (1991) challenged the conventional wisdom. They state that CEOs who are stewards best attain their pro-organisational actions when the corporate governance structures give them high authority and discretion to facilitate effective action. This occurs when the CEO chairs the board of directors. Aligning with this position, Davis et al. (1997) stated that stewardships theorists focus on structures that facilitate and empower rather than monitor and control. On the contrary, applying the agency theory to leadership structure, the call is to pull for a board chair independent of the CEO and use incentives to bind CEO interests to those of shareholders for the sake of controlling the managerial 'opportunism' (Donaldson and Davis 1991, Donaldson and Davis 1994). The preference for the separate board leadership structure is grounded in agency theorists' concerns for the management domination through the CEO entrenchment and consequent reduced board monitoring effectiveness (Dalton et al. 2004). An alternative research perspective on boards and governance research is the team production approach (Blair and Stout, 1999). Drawing on this perspective, Gabrielsson et al. (2007) conclude, from their empirical study, that effective board performance depends on the relevant knowledge which corporate directors bring into the boardroom. However, this knowledge serves nothing if the chairperson does not share this information. Therefore, competencies and behaviour as a leader are critical in the chairperson. The issue of CEO duality opened another stream of research linking board leadership structure and company performance. However, here again the empirical results are not consistent nor conclusive (Pettigrew, 1992; Boyd, 1995, Dalton et al., 1998). There has been extensive debate in both prescriptive and descriptive writing and researching around the right leadership structure. Clear direction, faster response, greater firm and industry knowledge and greater commitment to the firm were some of the advantages that researchers highlighted when discussing the CEO duality structure (Boyd, 1995). On the other hand, a dual leadership structure would help firms avoid some crises and facilitate more objective assessment of the firm and the executive management team (Dalton et al., 1998). What seems to be critical for board effectiveness is how corporate leaders enhance the board's ability to work together, as a team, not isolated from the outside work environment and not being accountable to a specific constituent, but for the firm as a whole. The goal is to manage conflicts in order to build consensus that brings added value at a firm and society level. For Kakabadse et al. (2010), the relationship of the chairman/CEO is so critical that it determines boardroom and organisational effectiveness. Likewise, Kakabadse and Kakabadse (2007) assert that the chairman role is now the '*keeper of the board'* and also the '*minder of the CEO'* as a consequence of endlessly raising the power of the CEO. Thus, irrelevant of the diversity and magnitude of challenges that the organisation and the chairman face, and the empirical and direct connections to the firm's performance, that relationship is critical to the sustainable future of the firm. The chairman's skill in managing often complex and sensitive relationships, with board directors expressing differences of view on strategy whilst striving to attain meaningful consensus on board and enterprise wide issues, is fundamental to the long-term future of the firm (Cadbury, 1992; Taylor, 2001). Regardless, of what perspective is adopted the relationship between the chairperson and the CEO exists and it is paramount to the firm's functioning and effectiveness as long as it affects the dynamics of the board of directors and the management team. Therefore we must explore, observe and understand the nature of the relationship between the CEO and the chairman and how it affects the board and its functioning. Whilst the absence of grasping the behavioural aspects of boards will persist, the gap between expected boards' behaviour (boards' role) and their contribution (what the boards actually do) will exist.

Agency theory substantially informs the prevailing view in the academic literature regarding a board's role within the corporation. Although it is a relevant contribution to the academic knowledge, it gives little attention to context and behavioural perspectives (Gabrielsson and Huse 2004) or board process research. In the same manner, the global governance reform movement based on agency theory assumptions and on the shareholder corporate governance model, drawing on aligning governance structures, perpetuates the absence of integrating the context as a relevant dimension on board research. Developing a holistic framework to understand the complexity of how boards work, Nicholson and Kiel (2004) contended that the ability of the board to execute the set of its roles will determine how effective it will govern the firm, but not all the firms will have the same role requirements since the company's context and history will influence the nature and the equilibrium of the roles performed. Kakabadse and Kakabadse (2007) 6mphasized the key role of context influencing the practice of chairmanship. In their study and despite their consideration of leadership as the '*ultimate driving force of the firm*', these authors considered the context, like home markets, the nature of governance stipulation (voluntary or legislative) and the codes of practice as significantly affecting the board dynamics and concomitantly the effectiveness of the board and the firm. As all these studies emphasise and illustrate, social and cultural practices are deeply rooted in any social group and often take precedence over legitimate decisions based on legal stipulation (Kakabadse et al. 2009) or even on best practices codes. Forgetting to consider the human and social side of the board of directors, the bilateral influence between people and the organisational structures is somehow denying the complex and richness of the social nature and that boardroom behaviour is context-driven and maybe this is one of the root causes of the mentioned gap between the board of directors' role and the correspondent practice, which this survey intends to help shed light.

Maybe the still missing universal accepted narrative about the role, purpose and contribution of boards (Pettigrew 2009, Huse 2005) also urges the call for studying the boards' functioning and effectiveness through theoretical pluralism (Huse 2005) and board processes and dynamics. In order to better understand the various criteria that contribute to the effectiveness of the boards, Levrau and Van der Berghe (2009) found that there is a massive mismatch between the criteria which the academic literature defines and the perceptions of the directors when questioned about the determinants of a board's effectiveness. These authors argue for a more salient role of intangible or 'soft' factors like the informal rules that govern the board and directors' behaviour and the importance of debate, thus directing the locus to the attributes of a board's 'inner' workings and not only the attributes of board structure and composition. Roberts et al. (2005), although not questioning the effect of the board structure, composition and independence in board effectiveness, posit that it is the actual conduct of the non-executive vis-à-vis the executive, so their interactions and relationships that determine board effectiveness. Challenging the agency theory and corporate governance reforms, these authors suggest that the role of non-executive directors of supporting the executives in their managing activities and of monitoring and controlling executive directors can only be achieved through processes of accountability within the board as 'challenging, probing, discussing, questioning, testing, informing, exploring and debating' and so through a deep understanding of board dynamics. As Pye (2004) put it, the realm of the debate is corporate govern*ing* and strategis*ing* and not only governance and strategy. That is what directors do in performing their functions as a board/decision-making body. Continuing with this reasoning and giving the example of Enron, what mattered was not what they *have* as governance mechanisms or strategy or leadership systems in place, but how people in charge *do* or enact governing, strategising and leading that makes the difference. Also, by exploring the dynamics of the dyad chairman/CEO through a qualitative approach, Roberts and Stiles (1999) conclude that splitting the roles will only be successful if individuals can play complementary roles, thus calling for their interaction and stating that what is paramount is the connections, the ties that bond and not the frames and the structures. The authors assert that key is how individuals involve, develop and unfold their relationship, thus the success appears to depend upon the effective management of the relational process. In the same degree and exploring the nature and effect of the chairman/CEO relationship, Kakabadse et al. (2010) highlight how critical that dyad is in determining boardroom and organisational effectiveness. Through the concepts of sense making (compatible interpretative capacity) and *philos* (deep friendship) named as "the chemistry factor", those scholars argue that the presence of both elements in chairman/CEO relationship allows the existence of a collective mind at the board level, which in turn, guarantees a smooth strategic demand, thus positively affecting both the board and the firm performance. All the referred studies are attempts to open the 'black-box' and answer the calls for process-oriented governance research and go beyond '*empirical dogmatism*' (Daily et al. 2003:379). Not denying the contribution of the mainstream theories in the boards of directors research, these academicians intend to add different perspectives to enrich this field of research, namely assessing how the boards create value. In short, as advocated by Huse et al. (2005), it involves a fit between the corporate context, board roles, board members and their inter-relations, and the inner working of boards, thus the human side of governance. Therefore, the issue is not to find the 'one-best way' of governing driven by the development of a capital market and financial internationalisation (Aguilera 2005), but a holistic understanding of how boards can be effective and add value to the firms in which they operate (Nicholson and Kiel 2004).

This section has examined the research tradition regarding board of directors. It has focused on the boards' role and contribution. The literature suggests that the most mentioned and defined board roles are 1) the monitoring and 2) the mentoring, depending on which theoretical perspective the board adopts. Additionally, the literature attributes another relevant role to the boardroom – the strategic task, draw on the perception that boards are ultimately responsible for effective organisational functioning. In what concerns boards' contribution, the literature is mostly divided in studies typified as input-output research which associates board composition and board structure with company performance with non-consistent and inconclusive empirical findings. Following another and more recent board research stream, this chapter described the studies on board performance based on the board process, dynamics and inner workings, suggesting it as the most indicative way to assess board effectiveness since the board, as any other social group, interacts in a specific space-time dimension, which influence and are being influenced by internal and external relations.

3. METHODOLOGY

As indicated above this research aims to explore the role and contribution of the board of directors by bridging the distance between board role expectations and actual board role reality. It starts with the ontological assumption that 'board roles' and specific practices and structures do exist and so it is possible to map them out. On the other hand, we also assume that each board adopts its own practice, so we look for patterns arising from the views and values of the board members about their own practices in the boardroom. This study primarily grounded on the perceptions of board members uses a survey-based questionnaire where all types of board members were requested to participate thus having directors as the units of analysis. The project was designed to understand and explore the boards of directors of the Portuguese listed companies, replicating the Kakabadse and Kakabadse (2007) study in the Portuguese environment. Therefore, we invited all the board members from the Portuguese firms listed in the Euronext Lisbon to participate in an anonymous survey. Due to the well-known and widespread difficultly to access board directors we decided that the sampling frame would be as large as possible within the following constraints: (1) the directors had to sit on the main board; (2) the firms had to be Portuguese-owned; and (3) the firms had to be listed. The reasons for these constraints are as follows: because the primary focus of this research is to examine the perceptions of directors concerning their own roles we felt surveying directors who are directly involved in the board action would be the best target. The second constraint circumscribes issues relating to differing corporate governance systems and structures. Context-driven, it would pose unforeseen cross-cultural issues to address in this survey. The third constraint granted that the degree of specialisation and diversity within the firm, consequence of size and presence in several markets would surface allowing us to consider the issue of ownership and control, a key corner-stone of the corporate governance debate (Stiles, 2001). Furthermore, studying the listed companies would bring to light the debate over the non-executives and the independent directors another paramount issue in the realm of both scholarly and prescriptive literature. This survey aimed to understand how well the participants perceived board performance, especially with respect to the chairman, the CEO and the board itself. We sent the questionnaire to 426 individuals (after discarding duplicates where individuals were members of more than one board). At first, the intention was to inquiry the entire population, but some members refused to participate or were unreachable, so we ended up with a sample of those who agreed to participate. All the reported findings in this study are then unique to the surveyed sample. Nevertheless inferential analysis was done with the purpose to help quantify differences and effect sizes. The significance level was set at $\alpha=0.05$. A comparison between the overall population and the sample shows that females and independent directors are under-represented, whilst the non-executive directors are over-represented.

We divided the questionnaire to gather information on demographic information about the respondent, the operation of the board on which the respondents sit and the company to which the board belongs. The second part of the questionnaire invited participants to express their opinions on the performance of the Chairman, the board, the independent director and the CEO on a 9 point rating-scale (1=Not at all true to 9=Very true).

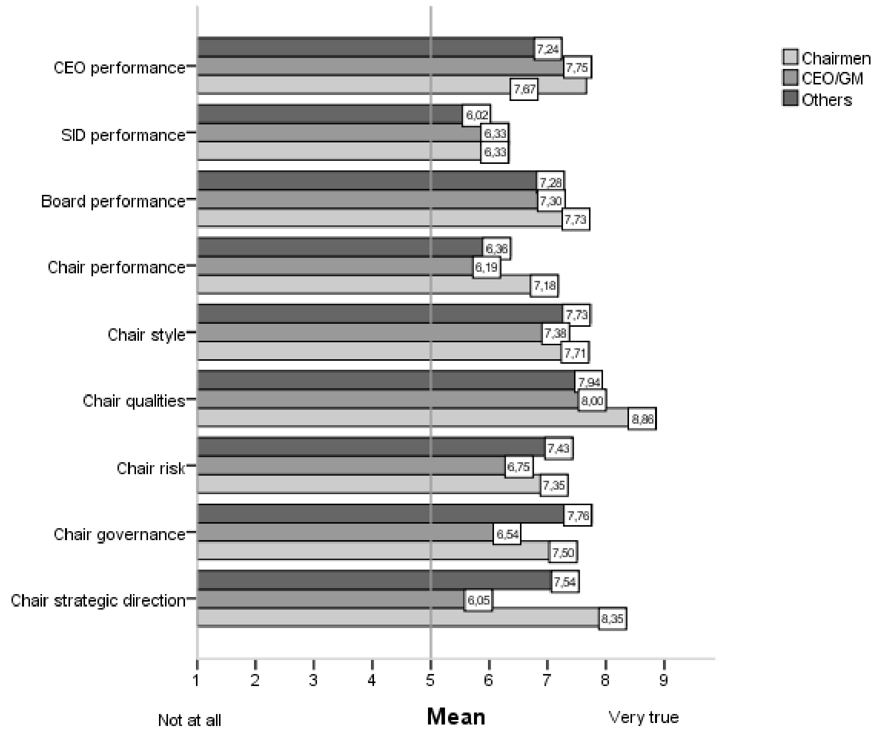
Since the source questionnaire (Kakabadse and Kakabadse, 2007) was in English we launched a pilot test to ensure that lexical, idiomatic and experiential meanings were aligned to what was requested, and to test the ease and clarity of the questionnaire (Saunders et al., 2009) after translation and back translation of the source questionnaire. The questionnaires were sent by post. Additionally two remainders by e-mail as long as phone calls were made to ensure the highest possible number of responses (Fowler, 2002). We received one hundred and nine (109) questionnaires which were considered valid for statistical treatment. This represented a rate of return of 25.6%. Considering the nature of respondents and the time pressures that they face, the response level is high compared to what is common in similar research internationally (Sellevoll et al. 2007).

4. **RESULTS AND DISCUSSION**

4.1 Results

As stated in the previous section respondents were requested to rate the chairman on strategic decisions, governance, risk, style, qualities and performance dimensions. Three further dimensions relating to Board, Senior Independent Director (SID) and Chief Executive Officer (CEO) performance were also measured, all using a nine-point rating-scale (1=Not at all true to 9=Very true). Following the legalistic perspective when analysing the role of boards of directors in the contemporary organization, which is relating directors' characteristics to corporate response (Zahra and Pierce, 1989) several demographic variables were crossed with the views of the study participants. Looking at variables such as size of the board, number of board meetings and the typical length of board meetings, the level of intensity between them and the views is irrelevant and with no statistic significant results. However views tend to differ when considering age and level of education. Notwithstanding the most relevant differences and the most statistically significant impact appear when crossing the position held by the directors and the views on the Chairman, Board, SID and CEO. Graph 1 shows how perceptions vary according to the position held by board members, by dimension.

Graph 1 Mean's comparison per dimension according to Chairmen, CEO/GM and other directors



Generally views are positive in the sense they are located in the right side of the graph (above the middle of the scale). However chairmen, consistently score themselves higher on their own performance, compared to the views of other Board members and CEO/GM. Moreover chief officers seem to be less positive with respect to the chairman performance but in the chair Qualities dimension. This finding shows a potential tension point between these two positions and their interrelation. In order to fully assess and explore this apparent grey zone it was decided to cluster board members in what respects their perceptions concerning the chairman and CEO relation and the roles they perform. This '*magical relationship*' (Kakabadse et al., 2006) has been consistently found determinant for board effectiveness by scholarship (Roberts and Stiles, 1999; Barratt et al., 2003; Gabrielsson et al., 2007; Kakabadse and Kakabadse, 2008; 2010). Moreover the role boundary between chairman and CEO was found to be pivotal to governance application in terms of task accountabilities, vision ownership and recruitment of top talent (Kakabadse and Kakabadse, 2008). Therefore it seemed appropriate to look for patterns among the board members based on their perceptions of the chairman and CEO relation and role boundaries. Using a hierarchical agglomerative clustering approach and the Squared Euclidean distance as the similarity index (Hair and Black, 2000) and the Ward's method for cluster agglomeration we found out that the optimal cluster solution lay on three clusters. Based on the input variables, whilst in respect to some views the three cluster scores present similar figures, others show disparate values among groups. This is quite noticeable in what regards role boundary between chairman and CEO, vision and strategy ownership, the way the chairman works with the management team, the operational involvement of the chairman, the different style adopted by the CEO towards both the Board and the management team and the CEO and the chairman being of a 'like mind'. On the contrary two views got almost the same scores along the three clusters: the type of relation the CEO entails with the chairman and if he/she is undermined by the chairman. Findings revealed many inconsistencies of the study participants' perceptions within the boardroom, namely related to the board role boundaries between the chairman and the CEO and their strategic involvement. It also showed that a higher level of role indefiniteness was perceived within the chairman' role when compared with the chief officers. These findings confirm the pivotal relevance of chairman/CEO role boundary definition for board effectiveness revealed by

Kakabadse and Kakabadse (2008). However the most impressive finding is that, somehow, chief officers are undermined by the chairman, which translates tensions at board level that ultimately could affect the organization performance. Moreover results show that despite the senior independent director being perceived as a relevant position to be kept in the board, there is also a lot of ambiguity related to the tasks and responsibilities of this position and consequently to the role it plays within the boardroom.

4.2 Discussion

The overall findings raised three major issues related to 1) role boundary between chairman and chief officers and indefiniteness of both the chairman and the SID roles; 2) lack of clarity regarding the board's strategic involvement and, 3) the relation between board members, namely executive and non-executive.
Scholars have found the role boundary between chairman and CEO as pivotal to governance application (Kakabadse and Kakabadse, 2008) and have consistently found it a determining factor in board effectiveness, referring to the '*system's*' pressure to 'deliver the numbers', contend that '*the system'*, whilst disabling corporate responsibility and governance, heap significant legal and administrative demands on corporate boards to uphold the highest standards of governance obligations. The question is whether this paradox affects board effectiveness. The empirical evidence shows that the lack of clearance between chief officers and chairman roles may be related to the governance recommendations in force. In reality, the Portuguese Governance Code, whilst recommending boards to delegate the executive management powers simultaneously, posits that the powers' delegation does not hinder the board's capacity to act upon the same matters which might lead to overlapping tasks. In addition to the role´s boundary issues board members perceived, they viewed a slightly higher level of role indefiniteness regarding the chairman' role. Specifically, executive directors feel that the chairman is not as assertive towards risk as one should expect him or her to be. Perhaps more impressive are the disparate results regarding the chairman's operational involvement. These results show an overlapping of the chair (too involved) and CEO functions and activities, thus creating tension between these two positions, which ultimately is reflected negatively in the boardroom climate and with the board's performance. The study results also revealed a great deal of role ambiguity about the independent directors' role and contribution and consequently, to the role they play within the boardroom. Board independence has been the cornerstone of the governance debate for long, although considerable divergent views exist on the right proportion of independent directors and their definition (Dalton et al. 1999). Despite board members perceiving this position as offering a valuable contribution to board dynamics, findings showed that the board members need to re-evaluate and re-define the SIDs' role needs.
This research evidences that a lack of clarity exists regarding the board's strategic involvement. Findings show that there is lack of clarity in the roles which both the CEO and the chairman perform as the overall rates are not strong in what concerns their roles towards the organisational strategy. Despite the increasing importance of the board's role in strategic management, according to empirical research (Blair and Stout 2001, Johnson et al. 1996, Pearce and Zahra 1991), the findings identified that this area requires further attention and improvement. As Mueller et al. (2003) suggest, it might translate the conflicting requirements and constant tension that boards of directors face into fulfilling the monitoring role (independence) and the strategy role (involvement). In the Portuguese case this situation might be worse due to some strategic matters that have a major impact on the companies' strategic setting and direction and which are ruled at the shareholders' meeting. This could lead to a grey zone on the strategic role boundary on which the board of directors play.
Concerns subsist around the chairman and CEO relationship and its impact upon the board environment and ultimately its effect in board effectiveness. Findings indicate that there is tension between these two positions. The tension is perceived both ways - when participants rate directly the chairman/CEO relation (level of openness, working together for targets, mutual benefits from the relationship, for instance), clearly demonstrating both are far from being of a 'like mind' and CEO being, to some extent, undermined by the chairman, but above all when looking at the disparate views between the two teams

(executive and non-executive) when grading both positions. For example, survey results showed that the executive directors are least positive in their perception of the chairmen, showing distance between the chairman and the executive team. Furthermore, survey results showed that chief officers are not closely aligned with the board, whilst executive directors do not see the chairmen as having a close relation with them as they would like. Moreover, findings revealed many inconsistencies of study participants' perceptions precisely when rating the relationship between the two leaders. At this stage, we require further investigation to understand the nature of this tension. Nevertheless, those findings confirm Kakabadse and Kakabadse (2006:30) conclusions that '*no amount of attention to governance controls and procedures is perceived as compensatory for an effective working relationship between the Chairman and the CEO'*. In fact, regardless of whether Portuguese legal corporate governance is highly developed (OECD, 2011), '*effective governance application is dependent on the Chairman and CEO nurturing a supportive and transparent relationship and manner of interaction.'* (Kakabadse and Kakabadse, 2006:31).

5. CONCLUSIONS

With the purpose of exploring the role and contribution of boards of directors, this survey draws three key conclusions: first, there are, generally, many inconsistencies around the board role boundaries between the chairman and the CEO and, particularly, around their strategic involvement. Second, tensions arise from the way that this relationship evolves and affects both teams (the executive and non-executive directors) and third an absence of a clear picture of the board's role regarding its strategic involvement. In so doing, there is the need to improve the chairman/CEO role boundaries and also clarify the board's role, as a whole, regarding its strategic involvement. Indeed, the grey zone created by the fact that some strategic matters which have a major impact on the companies' strategic setting and direction, are taken at the shareholders meeting may lead to a lax corporate directorship on a day-to-day activities so ultimately affecting not only board effectiveness but above all the overall organization performance. Additionally, further investigation is required to analyse the extent to which the national corporate governance legal framework and other relevant contextual variables are potentially affecting boards' dynamics and, as a consequence, the firm's performance. Lastly, particular attention needs to be paid to the impact created by the deployment of the '*magical relationship'*. Recall from our discussion in the theoretical background section that despite national contexts, nationally determined practices, role delineation (or not) and sound governance application (or not), the qualities and behaviour of the leaders emerge as the pivotal key to determine a firm's success (Kakabadse and Kakabadse, 2007). Therefore, qualitative research is now necessary to explore in greater depth and detail the role and contribution of boards, but above all, to understand the nature of the tension between the two leaders and the '*why'* of the disparate views between the executive and non-executive board members.

Finally, results suggest that there is not a shared and clear perception of the chairman's role among survey participants. However, findings confirm the role of chairman as influential and powerful in shaping the board through, for instance, generation of consensus and acting as a role model for others. Concomitantly the chairpersons rate, systematically, themselves higher than other directors and do not strongly encourage others to give feedback on his/her performance. Adding up all these findings, it seems that despite the chairperson's paramount relevance to contribute to board effectiveness, board functioning issues surrounding his/her role are affecting the chairmanship. The chairman, as the apex of corporate leadership in the organisation, is a critical factor in determining a firm's success. So that further research into his/her critical influence in determining the nature of boardroom relationship dynamics and how he/she shapes board effectiveness would be of capital relevance.

This survey makes at least four contributions to the corporate governance literature. The first contribution stems from the study of boards of directors in a non-Anglo-American context using an alternative research method. In an article with the objective to present an overview of empirical research on boards and governance in leading international academic journals, Gabrielsson and Huse (2004) contend that no articles employed cluster analysis. In that sense this study's approach is novel. Moreover, it enlarges and enriches the still scarce but growing non-mainstream literature on boards of directors (Huse, 2005; Levrau and Van den Berghe, 2009). Second, this survey provides directions to open the '*black-box'* of board dynamics and it has contributed to 'dismantling the fortress' in studies of boards of directors (Daily et al., 2003) whilst exploring and understanding directors and their interactions inside the boardroom. This inquiry does not intend to generate universal theory about boards, rather, it tests the theories surrounding the role and contribution of boards of directors producing locally relevant knowledge. As such it contributes to opening the '*black-box'* that characterises the actual scholarship knowledge. Third, this study also stresses the relevance of considering the human side of governance. It shows one of the major flaws of the corporate governance reforms whilst attempting to uniformly create governance mechanisms and practices with the purpose of enhancing board effectiveness. To forget the human and social side of the board of directors, the bilateral influence between people and the organisational structures, somehow denies the complex and richness of the social nature. Maybe this is one of the root causes of the mentioned gap between the board of directors' role and the correspondent practice, on which this survey sheds light. As Van der Berghe and Levrau (2004:467) put it, '*Structures are no guarantee for an effective board working: they are only a facilitator. Structures are 'brought alive' by people*.' Much of board research is data based, examining boardroom dynamics from a distance (Dalton and Dalton, 2011). In contrast, this survey contributes to a relatively small, but growing stream of research which draws on the growing recognition that the board is a living social system that operates as a 'team' and having a human dimension, whose behavioural aspects have a deep impact on board contribution to the firm's performance. Finally, this research contributes to theory by demonstrating the particular context where firms act and its influence in the board dynamics. As such, asserting that boardroom behaviour is context-driven.

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