UNIVERSITÀ DEGLI STUDI DI PADOVA

Università degli Studi di Padova

Padua Research Archive - Institutional Repository

Habitual accountability routines in the boardroom: How boards balance control and collaboration

Publisher:
Prof Lee Parker

Published version:
DOI: 10.1108/AAAJ-07-2015-2143

(Article begins on next page)

HABITUAL ACCOUNTABILITY ROUTINES IN THE BOARDROOM: HOW BOARDS BALANCE CONTROL AND COLLABORATION

Purpose
Corporate accountability is a complex chain of reporting that reaches from external stakeholders into the organization's management structure. The transition from external to internal accountability mechanisms primarily occurs at the board of directors. Yet outside of incentive mechanisms, we know surprisingly little about how internal actors (management) are held to account by the representatives of external shareholders (the board). This paper explores the process of accountability at this transition point by documenting the routines used by boards to hold the firm's management to account. In so doing we develop our understanding of the important transition between internal and external firm accountability.

Design/methodology/approach
An inductive, case based approach identifies recurrent behaviour patterns in two matched boards over three video taped meetings. Sequential analysis of coded group and individual behaviours provides insight into boards' accountability routines.

Findings
The boards engaged in clear, recurrent accountability routines. Individuals on the boards play different roles in these routines depending on the issue before the board, allowing both directors and managers to *hold each other to account*. The outsiders (directors) both challenge and support the insiders (managers) during board discussions, switching their behaviours with different agenda items but maintaining a consistent group level of support and scepticism across the meeting. This allows for the simultaneous development of trust and verification at the group level, a necessary condition for effective accountability.

Research limitations/implications (if applicable)
As board relationships and organisational context are highly variable, future research should concentrate on testing the generalizability of our results across different board and shareholder structures.

Practical implications (if applicable)
The results call into question the current governance focus on the independence of the individual director, as we identify that all directors appear to act as agents at one time or another in a meeting. Accountability at the boardroom level requires an effective group process not usually addressed in governance recommendations or regulation.

Originality/value
This study provides unique insights into board dynamics, documenting the accountability implications of group behaviours. By focusing on the group process, we highlight the potential mismatch of monotonic, individual-level approaches to governance and accountability prevalent in current agency approaches.

The Global Financial Crisis sparked an international effort to understand how accountability failures in the finance and banking system led to the largest economic disruption since the Great Depression. The UK's Walker Review (2009) was one such effort that investigated the UK banking system's contribution to the crisis. Its findings highlighted that nonexecutive directors' (NEDs') behaviours, rather than their independence, were systemically flawed. NEDs failed to hold executives to account, instead focusing on the *routine* aspects of governance. There was a "failure of individuals or of NEDs as a group to challenge the executive on substantive issues as distinct from [adopting] a conventional relatively box-ticking focus on process" (Walker, 2009: 53).

Walker's findings point to the importance of understanding *processes* of accountability in corporations. Traditionally, corporate accountability focuses on the actors' motivations – for instance, how external shareholders hold the insiders (management) to account (e.g. Eisenhardt, 1989; Fama and Jensen, 1983). While standard theory suggests that NEDs need to be independent of the insiders they are charged with overseeing, Walker's findings point to an additional requirement: the "outside" representatives need to be willing and able to challenge management.

This places NEDS in a difficult and unique position. They are inside the firm with access and ultimate formal control over internal information and decision-making systems, yet charged with pursuing the interests of the external shareholders. Our aim is to examine director behaviours rather than their attributes (Dalton and Dalton, 2011; Gavetti *et al*., 2012) to understand better how directors balance their obligation of holding managers to account with the ever-present social pressures required to operate effectively with them (Roberts, 2001).

Understanding the processes of boardroom accountability requires a broader approach to accountability research (e.g. Brennan and Solomon, 2008; Stein, 2008). The data reveal directors and senior managers engage in complex yet systematic and routine behaviours that initially appear paradoxical. While NEDs do hold management to account, they also hold their NED colleagues to account and are themselves accountable to the group for their decisions, views and actions. This seemingly contradictory transition in roles of accounting *for* and accounting *to* stands in contrast to traditional theory, which positions NEDs as guardians of external interests, singularly focused on holding management to account (e.g. Jensen and Meckling, 1976).

These behavioural transitions are the mechanism by which functional accountability develops in the boardroom and are only possible because boardroom accountability is group-based. Ultimate corporate power rests with the board of directors as a group, not any individual director (Bainbridge, 2002). It is the group that holds managers and each individual to account (Fama and Jensen, 1983). By focusing on the group-level habitual routines (Gersick and Hackman, 1990) of accountability, we demonstrate that a stable, consistent framework at the group level provides a foundation within which individuals shift their role and behaviours in response to the issue facing the board. The routines allow participants to exhibit behaviours associated with both trust and distrust toward their colleagues over the meeting, leading to the development of group norms that support an atmosphere of trust *and* verification as management is simultaneously supported and subjected to intense review.

The boardroom process we document builds on emergent perspectives on accountability such as socialized accountability (Roberts, 2001). While newer approaches such as this are positioned as complements or contingency conditions for traditional theory, we suggest that the *process* of accountability reveals instead that different directors exhibit trust or distrust of management around different topics. We develop these conceptual arguments to provide unique insights into counterintuitive effects that may arise when boards blindly follow traditional governance prescriptions. We join calls for accountability research to move beyond a sole focus on holding managers to account, to one that involves a self-monitoring regime of socialized accountability inside the boardroom (Roberts, 2001) through routinized but dynamic role execution by meeting participants.

Literature

Increasing boardroom accountability and transparency expectations are part of a broader systemic trend toward an "audit society" (Power, 1991). Less than forty years ago, boards of directors were seen as largely ineffectual and symbolic: "ornaments on the corporate Christmas tree" (Mace, 1971: 90) or "…parsley on the fish [of the corporation]" (Fleischer *et al.*, 1988: 7). Much has changed. Boards of directors are increasingly held responsible for corporate failure (e.g. *ASIC v Healey* [2011] FCA 717), leading some policy advocates to argue that expectations of a group of essentially part-time outsiders[1] are too high (e.g. see Cole 2012).

Scant research addresses the tension between the level of accountability and transparency expected of directors and what they actually do for two important reasons. First, there are well documented barriers to studying accountability in the boardroom, most especially gaining access to boards of directors (Leblanc and Schwartz, 2007). Second, there is limited agreement on the precise nature of accountability and how it can be operationalized in the boardroom. Given our access overcame the first challenge, we commence by articulating an operationalized definition of accountability useful in a governance setting.

Accountability in the boardroom

While accountability is applied to a broad array of organizational contexts (Willmott, 1996), an agreed and precise definition continues to elude the field (Sinclair, 1995). Despite disagreeing on specifics, most researchers provide a definition containing two core elements. First, accountability involves the "giving and receiving [of] accounts" (Willmott, 1996: 24) or, perhaps more precisely, the "giving and demanding of reasons for conduct" (Roberts and Scapens, 1985: 447). Someone must be able (or obliged) to justify, explain or take responsibility for events or actions about which there are expectations (Cooper and Owen, 2007; Messner, 2009); accountability involves both a person questioned and a questioner (Stewart, 1984). Second, the questioned one's explanation or justification goes beyond the "collection [and provision] of information" (Stewart, 1984: 28) and is subject to debate and challenge. In this way, the questioned becomes answerable for their explanation or justification and bears the consequences based upon an evaluation of the explanation/justification they provide (Jones, 1977).

Both core elements of accountability are most often operationalized in business research as an agency relationship (Eisenhardt, 1989; Jensen and Meckling, 1976). One party (the Principal) delegates authority to another to act on their behalf (the Agent). This creates the requisite relationship focus of accountability (i.e. between the questioning Principal and questioned Agent) as well as the requisite power dynamic, whereby one of the parties (the questioned Agent) is held to account or monitored and disciplined by the other (the questioning Principal). Thus, agency theory has developed as the predominant lens through which to view business in general and corporate governance in particular (Dalton et al., 2007).

Accountability in a corporate governance setting deviates from agency theory in important ways, however. There is rarely the simple dyadic relationship of a single Agent reporting to a single Principal (Chew and Greer, 1997; Gray and Jenkins, 1985). Instead, the management (as individuals or a group) is subjected to review by the board—a *group* of directors, not an individual Principal as described by agency theory. Accountability in a governance setting, therefore, suffers the "problem of many eyes" (Bovens, 2007: 445; Collier, 2008) whereby the questioned (management) is often faced with multiple and sometimes conflicting expectations from multiple questioners (directors).

This fundamental difference between theory and practice is reconciled by simplifying assumptions. It is assumed that directors, particularly independent directors, will be motivated to pursue shareholders' interests and act as though they are a single Principal. Similarly, it is assumed that management, motivated by self-interest, will act as a single Agent and seek to exploit information asymmetries to further their own goals at the expense of shareholders. The limited empirical support for classic agency prescriptions (see meta-analyses such as Rhoades et al. (2000); Dalton et al., (1998)) suggests we need a deeper understanding of the accountability process to determine whether these assumptions are justified.

The importance of process to boardroom accountability

Since governance and boardroom accountability involve questioning by multiple actors, accountability must be seen as a process (Huse, 2005). This shifts the investigation from Agency's focus on individual actors (i.e. the questioner and questioned) to the relationships between the questioned and *multiple* questioners as they prepare for and manage the act of accountability. Given accountability processes are likely "more profound, ubiquitous and varied than is typically assumed within agency theory" (Roberts, 2001: 1549) a process approach offers the opportunity to identify mismatches between an Agency understanding of accountability and accountability-in-action.

This shift in focus from actors to the multiple relationships that enable accountability requires careful construct operationalization. By employing Bovens's (2007) definition of accountability, we move from a dyadic questioner-questioned relationship envisaged under agency theory, to one that focuses on the relationship between an individual and a *forum*. We adopt a defininition of accountability as (p. 452): "(1) …a relationship between an actor and a forum; (2) in which the actor is obliged; (3) to explain and justify; (4) her/his conduct; (5) [and] the forum can pose questions; (6) pass judgment; and (7) the actor must face consequences". Emphasizing the forum allows the research to include more than one questioner, a central feature of governance at the board of directors level. As well as invoking the "many eyes" of the boardroom, the operationalization includes the agreed, core elements of accountability definitions (i.e. questioning of a person and consequences based on the judgment of the explanation/justification).

The forum of interest to our research is the board meeting, a unique and important setting in the chain of corporate accountability. It is the formal legal setting where the group bearing ultimate responsibility for the corporation (Bainbridge, 2002) is expected to hold the senior management to account[2]. As representatives of the shareholders (i.e. externals), directors are expected to ensure that managers (i.e. insiders) are acting appropriately and in line with their interests. Thus, the boardroom represents a key transition point or conduit between internal and external governance.

Despite long-standing and continuing calls for deeper investigation of the inner boardroom life (Hermalin and Weisbach, 2003; Pettigrew, 1992), accessing the board meeting has long inhibited the research agenda (Leblanc and Schwartz, 2007). Instead of studying the phenomenon in action, governance research has largely relied on important assumptions. Most research treats power as a zero sum game where individuals pursue their personal goals over the resistance of others (Pfeffer, 1981; Weber, 1978). Given agency theory's assumption of competing self-interest between Principal and Agent, the boardroom comes to be seen as the forum where those who have successfully reached the "top" of the organization seek to avoid accountability in their struggle for autonomy (Roberts, 2001).

Research involving actual directors and managers provides a different perspective, however. These studies suggest more nuanced use of power in the boardroom — for instance Maitlis's (2004) observation that four different processes underpin CEO influence on boards, or Parker's (2007) insights into how institutional routines such as budgeting and strategic planning become the vehicle through which directors engage in the selective championing of strategies and ideas. Boards appear to be less "warring groups" battling for self-interested autonomy than social systems with "typical interactive routines" (Samra-Fredericks, 2000: 311) that guide the board's work, as the directors simultaneously enact accountability and "do social life" (p. 313).

While prior observational board studies have highlighted the importance of routines to understanding accountability in the boardroom, they still focus largely on understanding and describing behaviour based on the motivations of actors. Whether it is how the CEO sought to influence the board (Maitlis, 2004), or individual directors sought to champion their agenda (Parker, 2007) or to influence each other (Samra-Fredericks, 2000) the central process concern of these studies still assumes a zero sum view of accountability (Pfeffer, 1981). Their central question is how an actor imposes their will on the group. While research based on the motivations and actions of individuals are important for our understanding of lived governance, they run the risk of ignoring the importance of group effects and patterns of behaviour (Roberts, 2001) that can be quite distinct from individual motivation (Hackman, 2002).

Accountability in a group context

Accounting back to a board of directors suggests the relevance of the general groups literature. While a detailed review is beyond the scope of this paper, groups research consistently highlights the danger in directly translating individual motivations, behaviours or attributes to the group level. For our purposes, three key issues arise.

First, it is important to distinguish phenomena residing at the group level from those residing at the individual level. Most governance studies focus on individual level constructs, particularly in accountability research where the dominant agency logic invokes an individual level of analysis (c.f. socialized accountability research). In contrast, a construct such as cohesion (a well known example of a group attribute consistently linked to group performance) is an attribute of the group, not individuals within the group (Gully *et al.*, 1995). Thus, it is important that our approach directly examine the patterns of both *group* and individual behaviour, looking for commonality and/or differences between them.

Second, many studies have highlighted that seemingly logical extensions of individual level findings to the group often do not hold. For instance, while IQ is a strong predictor of task performance across many different dimensions (Deary, 2000), aggregating the IQ of individuals to the group level (e.g. average group IQ) is *not* predictive of the group's performance (Woolley *et al.*, 2010). This presents both a conceptual and measurement problem that needs careful consideration; for instance, what is "group intelligence" and how would we recognize it (Carsen *et al.*, 2013)?

Third, even clearly defined and measured constructs exhibit complex relationships with group performance. Take the previous example of group cohesion where, on the one hand, meta-analyses suggest a generalized positive relationship with group performance (Gully *et al.*, 1995). Other findings, however, provide evidence that *strong* cohesion is linked to group *dysfunction* such as groupthink (Janis, 1972) or the Abilene Paradox (Harvey, 1988), which is particularly problematic given the dysfunction is rarely evident to the individuals involved. Thus, even in the case of well known effects such as cohesion, the overall relationship is complex. Taken together, these insights highlight the importance of carefully differentiating group and individual levels of analysis in our study.

Group routines and accountability

Recent evidence suggests observing behaviours (such as group turn taking behaviour) may be critical to our understanding of group-based phenomena (e.g. Pugliese, Nicholson & Bezemer, 2015; Woolley *et al.*, 2010). Routines of accountability represent one way of studying these group level behaviours independently of individual level motivations (Brennan and Kirwan, 2015). Routines have long been studied as a powerful force as individuals and groups find it difficult *not* to launch automatically into a routine once it is embedded (Gersick and Hackman, 1990) creating a systemic, pervasive inertia (Pentland *et al.*, 2012). In so doing, routinized behaviour overcomes logical processes and cognition (March and Simon, 1958) and dominates rational thought.

Given that effective governance (and its circumventions) requires logical thought and decision making, habitual routines in the boardroom are very likely a key component of effective accountability. Habitual routines entail "*a group repeatedly exhibit[ing] a functionally similar pattern of behavior in a given stimulus situation without explicitly selecting it over alternative ways of behaving"* (Gersick and Hackman, 1990: 69).

Studying habitual routines offers potential insight into two aspects of boardroom accountability. First, any pattern discerned can aid our understanding of the regular use of power and influence in board decision-making. For instance, it seems reasonable to expect that a board dominated by management would exhibit different patterns of behaviour compared to a board that monitors management effectively. Second, and more importantly for our study, patterns of interaction may tell us more about the nature of accountability itself. For instance, a prototypical pattern expected under agency theory would seem to involve a stable routine where insiders (i.e. management) explain and justify to outsiders (NEDs) who question and judge the justification. In contrast, a different form of accountability, may suggest patterns of behaviour involving *shared* explanation and judgment with limited power differentials (e.g. socialized accountability (Roberts, 2001)). A key distinguishing feature of group habitual routines is their independence from routine behaviour of individuals or the content of the routine. It is the routine pattern that emerges *irrespective* of differences in actors and content that makes them so powerful. Thus, the existence of habitual routines in the boardroom can point to *which notion* of accountability is being enacted in the boardroom. Our first research question aims to identify discernible patterns of interaction in board settings:

RQ1: *Do accountability behaviours in the boardroom conform to archetypal agency patterns or is some other pattern evident?*

Corporate governance research presents something of a paradox around the nature of boardroom accountability. While the predominant paradigm suggests boards are important devices for controlling management (Eisenhardt, 1989), there is also a distinguished tradition emphasizing that outside directors provide important advice and access to resources to the management team (Pfeffer and Salancik, 1978; Selznick, 1949) with theoretical papers often suggesting a simultaneous process of control and collaboration in the boardroom (e.g. Nicholson and Kiel, 2004; Sundaramurthy and Lewis, 2003). While there may indeed be differing mechanisms operating simultaneously, the process of managing these competing mechanisms remains unclear.

The group-based nature of boardroom accountability (e.g. Forbes and Milliken, 1999; Pettigrew and McNulty, 1998) is one potentially important way of understanding how this paradox is managed. For instance, Roberts (2001) points to different types of accountability including, in the board context, a socialized accountability that involves group-based social processes of information exchange. Central to this approach is the development of both trust and distrust such that directors can question and support management at the same time (Roberts *et al.*, 2005). While this provides a different perspective on the nature of accountability, it is unclear *how* the individuals within the group simultaneously enact control and collaborate. Fama and Jensen's (1983) early work suggests that understanding the individual's role within the group process is key to understanding boardroom accountability. Thus, our second research question is:

RQ2: *What behaviours do directors exhibit to manage the control-collaboration aspects of their role and is there any relationship with boardroom routines?*

METHODS

Given few direct studies of boardroom accountability, we employed an inductive research design (Colquitt and Zapata-Phelan, 2007). The cross-level nature of our research questions (i.e. routines of boards, and the actions of individuals within those routines) suggested a case study methodology. In addition to enabling both individual and group level analyses, the case method is a classic approach for capturing the interactions and dynamics central to our questions (Yin, 1994).

Direct observation of boards allowed us to "plunge ourselves deeply into the processes themselves…to extract theory from the ground up" (Langley, 1999: 691). This deep diving allowed us to inductively develop a coding regime based on Bovens's (2007) definition of accountability. We used the scheme to quantify behaviours (Langley, 1999; Van de Ven, 1992) and employed lag-sequential analysis (Bakeman and Quera, 2011) to present evidence of the routine nature of boardroom accountability behaviours. Finally, we used visual mapping and representation (Meyer, 1984) to show the relationship between behaviours in temporal order (Van de Ven and Huber, 1990) and to represent the observed patterns of behaviour better.

Case Selection

The directors of Red, our first case, expressed an interest in having their interactions analysed. After several meetings, we gained sufficient trust to negotiate written consent from all directors to videotape three board meetings. Next, we recruited a second case (Green) to match Red as closely as possible. This sampling strategy minimized differences caused by environmental or company-specific attributes such as the organization type, industry, operating environment, and so on (Yin, 1994). Case replication meant routine identification was more likely, while simultaneously increasing the trustworthiness of claims that any behavioural differences between the two boards arose from differences in how accountability was practised rather than from external factors. Both boards were provided feedback on their behaviours after data collection was complete.

The Cases: Red and Green. Red and Green are Australian, member-based corporations delivering services in the same industry and geographical region. Both share similar funding profiles (primarily government funded service contracts) and both were also incorporated under the *Corporations Act 2001*. This means their directors face the same legal requirements (e.g. fiduciary duties, reporting duties, solvency duties) as large, for-profit companies. These duties are generally shared across common law countries, such as Australia, New Zealand, the US and the UK.

Red had an annual turnover of approximately $A5 million and was governed by a board of eight outside directors, five of whom were full-time industry professionals. The other three included a senior government employee, an elected member of a regional government and the CEO of an organization with strong links to a community segment important to Red's work. The CEO of Red attended all board meetings as did a minute secretary.

Green had an annual turnover of approximately $A4 million and was governed by a board of seven outside directors, four of whom were drawn from the same industry profession (i.e. the same background as five of the Red directors). Other directors included a partner at a professional services firm, a CEO of a government owned organization relevant to the industry, and a business owner drawn from the relevant industry. During the period of observation, the CEO of Green was working on a major strategic initiative while another executive managed day-to-day operations. Both the CEO and executive attended all board meetings along with a minute secretary.

Data, Instruments and Protocols

Collecting qualitative and quantitative data from multiple sources allowed us to triangulate evidence (Yin, 1994). There were four key sources of data, each requiring its own protocols and instruments (see Appendix 1 for details). Observational data were collected via video recording of meetings, allowing any member of the team to "revisit" any aspect of the six board meetings. Access to transcripts and field notes from interviews allowed team members to understand individual participant perceptions; meeting mini-surveys provided insight into director perceptions on pre-defined aspects of meeting performance; while access to documents allowed us to understand better the context of the organization and how it was presented to external constituencies. Two independent coders were trained to provide greater trustworthiness and reliability in our findings (Eisenhardt, 1989b), an important consideration given our focus on routines.

ANALYSIS

We used an inductive approach to discern repeated patterns from the thick, rich data we collected. Following Suddaby's (2006) advice, we commenced with a broad view of accountability based on Bovens's (2007) definition, and gradually narrowed our focus through iteration between data and literature on accountability and routines. This occurred in five distinct stages where we gradually narrowed from a broad understanding of boardroom accountability to a coding regime to an emergent model that was triangulated with the literature and reviewed by practitioners for face validity.

Stage 1: Organizing focus.

Analysis commenced with a review of documents and interview data that were collected prior to observation. There were striking similarities in how Red and Green had routinized their board work: both prepared a structured agenda, both circulated pre-meeting reading materials developed by management, and both adopted a traditional leadership structure with a separate board Chair. Importantly, both boards approached their work on the basis of different topics (i.e. by agenda items), guiding us to structure our observational analysis at the item level. We also developed "mini-surveys" to measure directors' perceptions of each agenda item. Table 1 contains a summary of the key issues before the board.

Insert table 1 about here

Stage 2: Developing the coding scheme.

Initial reviews of the video observations highlighted recurring patterns of behaviours such as items nearly always commencing with "scene setting". After several rounds of iteration between the video data and literature we noted two qualitatively different groups of behaviour. The codes are outlined in detail in Table 2 and comprise four accountability behaviours derived from Bovens (2007) and three different supportive behaviours associated with managing the group.

Insert table 2 about here

The code "Judgment and Consequence" (JC) was qualitatively different from others in our scheme as it provided a bridge between the accountability and group behaviours (e.g. see Hackman, 2002). Since formal board power rests with the board as a group not any individual leader (e.g. Baxt, 2014), boards need to resolve differences in individual judgments and preferred consequences. JC coded behaviours were instrumental to this process as they represent both an accountability and groups behaviour. Table 3 provides a sample of how this coding was applied to discussions in a boardroom item.To answer our second research question, we also coded whether an individual participant in the meeting was talking or silent, allowing us to distinguish group-level patterns from individual-level participation within those patterns.

Insert table 3 about here

Stage 3: Coding and vignette development.

Since our research questions focused on recurrent patterns, we followed a standard coding reliability protocol. We trained two research assistants by reviewing segments of video, discussing the coding regimes, and applying those schemes to the data. Group level coding requires the coder to recognize a change in the overarching group behaviour (i.e. the narrative) and is more challenging than coding at the individual level where there are more clearly defined individual behaviour markers (such as a sentence or even individual contribution). Thus, coders would identify points in the discussion where the group focus changed and the segment of the meeting between each two changes in focus were coded as an event.

Following training, both coders cross-coded ten of the 48 items to determine coding reliability (Bakeman and Quera, 2011). Time-based kappa[3] analysis demonstrated acceptable to good levels of reliability across all items. On the ten cross-coded items, time-based corrected kappas had a range of 0.69–1.00 (mean 0.89) representing an agreement range of 70–100% (mean 86%). In all, coding showed a 2% difference between coders across items (i.e. one researcher coded 160 management explanation/justification events compared to 157 from the second researcher, across the 10 cross-coded items).

Stage 4: Model development.

Coded data began to reveal clear patterns and sequences. For instance, we noted that management explanation (MEJ) was regularly interspersed with director explanation (DEJ) and both appeared to be stimulated by information requests (IR). Judgments and consequences (JC) occurred later in time during an item, but could be recursive. By iterating between the observations, other data (e.g. interviews and mini-survey results) and the literature, we gradually developed the model of board behaviour illustrated in figure 1. Following initial model development, we exported the coding time log from Observer XT and analysed it using R (R Development Core Team, 2011) and GSEQ (Bakeman and Quera, 2011) to provide evidence of the reliability and trustworthiness of the model. Full code for data analysis along with the coded data set are available on request.

Stage 5: Review and disconfirming evidence.

Finally, we re-examined our findings, and the literature and sought review by practitioners for triangulation and confirmation. During this stage we reviewed interview summaries, presented tentative findings to groups of practitioners for external validation and reviewed key documents (e.g. minutes, agenda, etc.) to clarify and remove uncertainties, inconsistencies or conflicts.

RESULTS

Findings are presented in two stages. First, the recurring complex behaviours recorded on video are presented in a series of quantified tables to communicate the comprehensive nature of our findings by demonstrating the scale and scope of accountability patterns. Our aim is not to claim external generalizability but rather to allow the reader to gauge the trustworthiness of the findings. These quantified summaries and relationships are then recast as a generalized illustrative diagram representing the routines of boardroom accountability. Vignettes and examples provide additional insights into the patterns and mechanisms outlined.

The attributes of accountability behaviours in the boardroom

Table 4 provides a summary of the incidence (number) and duration of coded behaviours across both boards. Explanation/justification by management (MEJ) and directors (DEJ) dominate both incidence (59% of meeting events) and duration (73%

of the meeting time). The greatest discrepancy between incidence and duration involved inquiry behaviour (IR), accounting for 14% of meeting incidence but only 5% of meeting time.

Insert table 4 about here

Mean duration data also reveals that information requests (IR) generally take the shortest length of time per interaction and are qualitatively different from explanation and justification behaviours (MEJ and DEJ) as well as judgment and consequences (JC). However all accountability behaviours are quite short, indicating that board meeting accountability routines are highly dynamic. Appendix 2 contains more temporal descriptive data.

The intertwined accountability of directors and managers

A traditional agency theory perspective of accountability (e.g. Eisenhardt, 1989a) would suggest a pattern where managers provide their account of activities to the board (MEJ), are questioned (IR) and then respond (MEJ again). This is the general pattern of interplay emerging from the few studies of official meeting records (i.e. coding of minutes; see, for example, Schwartz-Ziv and Weisbach, 2013; Tuggle *et al.*, 2010). Direct observation of Red and Green did not reveal this pattern. Instead, results suggest a triadic interplay involving outside directors far more than a naive agency pattern suggests. Some 33% of the meeting duration involved events where *directors* were primarily explaining and justifying – roughly the same level of explaining and justifying undertaken by management (40% of meeting duration). This overall pattern represents socialized accountability (Roberts, 2001) rather than a pattern expected by typical agency models.

Instead, most meetings involved short periods of interplay between explanation/ justification from *both* managers and directors, with questions occurring half as often. Mean latency (ML) data (i.e. the time from the start of the agenda till the first onset of the code (Bakeman and Quera, 2011) reveals that while an agenda item started with meeting process (ML >1 sec) this was soon followed by directors (ML 89 sec) and managers (ML 147 sec) explaining and justifying behaviour. There was little to no evidence of long periods involving simple explanation or justification behaviours by management across the entire period of observation[4]. Further, the first explanation or justification *more* often came from a director, and even then there appeared to be a switch in group behaviour within less than 90 seconds. This provides further evidence of socialized accountability as core to boardroom accountability.

The scale of interplay between director explanation/justification, management explanation/justification and information requests is provided in Table 5[5] and interpretation again corroborates the boardroom as an accountability forum for *both* managers and directors. The most likely two stage sequences in the data we coded were from MEJ to DEJ (4.17) and DEJ to MEJ (4.08); that is directors were over four times more likely to explain or justify their position following a management explanation (and vice versa) than would be expected by chance. Both MEJ (2.33) and DEJ (2.42) were more than twice as likely to follow a question/enquiry (IR) than chance, but this probability was just over half the interplay between explanations/justifications. What is perhaps most interesting is the rough equivalence of these odds: directors were as likely to be explaining/justifying in the forum as managers were.

Insert table 5 about here

Structural positions in governance: the source of dynamic accountability

Thus far, the data reveal the boardroom as a forum where a process of symbiotic accountability unfolds between directors and managers. On further review of the process, we noted a clear distinction in the generalized nature of the process depending on the level of analysis. At the group level, behaviours were highly predictable (see figure 1) with a clear and recurrent structure to discussions. By contrast, at the individual level, participants switched roles on an item-by-item basis (and even within items). For instance, each item we reviewed involved the board receiving information prior to the meeting (i.e. a board paper). During the meeting, the specific item would commence with a very brief facilitative comment (introduction) and then an explanation/justification that supplemented pre-circulated information (i.e. a board paper). Yet, often the person providing the explanation was an outsider (director) rather than an insider (manager). This is somewhat puzzling in light of a stylized view of agency theory, with its emphasis on the outsiders holding insiders to account.

Closer review of the outsider-dominated items revealed a structural cause for this pattern: the actor was often delegated responsibility from the board and the "reversal" of explanation/justification was the delegate discharging their responsibilities. For instance, at Red one such item involved the Risk Committee providing a report to the board, while in Green an archetypal item involved an individual director delegated oversight of a specific task (as recommended by Sonnenfeld, 2002). In both items the remaining outsiders engaged in questioning and monitoring the activities of their delegate-colleague. The clearest example involved a contract issue facing Green. Management had been involved in problematic negotiations with a supplier that had been dragging on for several months prior to our filming. The board was clearly dissatisfied with progress and, during our filming, charged one of the appropriately skilled outside directors with intervening and resolving the dispute. From this point, the outside director took the lead in reporting on the item and was himself held to account at subsequent board meetings. Although we have selected a clearly unusual item to illustrate the relationship, we regularly noted outside directors being held to account both in terms of items and their position within items. Thus, both directors and managers appeared to have different roles in the organization's control systems (e.g. the audit function, specific initiatives) leading to accountability for different things as the source of variability in individual behaviour.

Group decision making - a core component of boardroom accountability

Definitions of accountability consistently require that consequences or actions follow any explanation or justification. Without this phase, the process is an information transfer rather than a holding to account. At Red and Green the consequence phase would mark a critical pivot point in the group accountability process where one participant would present the group with their judgment on the item. This JC phase was discernible in 31 of the 48 observed items and always followed the explanation/justification/information request pattern outlined earlier (i.e. mean latency for JC (562 sec) was much later than DEJ, (89 sec), MEJ (147 sec) and IR (230 sec)).

Since formal power in a corporation rests with the board, not an individual director (e.g. see Baxt, 2014; Bainbridge, 2002), this phase was critical to boardroom accountability as it marked the attempt to aggregate the individual views to reach a group outcome. This behaviour directly addresses the level of analysis concerns facing the governance literature (Dalton and Dalton, 2011) by highlighting how the individuals behave when moving to a group outcome. Individuals would either (i) support the position as presented; (ii) oppose the position; or (iii) provide an alternative to the position presented. The response of other group members then determined the accountability outcome.

While the process is largely presented as linear (in both description and figure 1), we note the item level process observed was often recursive. Recursion was due to meeting participants seeking a consensus (or at least majority) position on the judgment and consequence. Thus, in several items at both boards, a JC event would occur and, when all meeting participants did not share the proposed view, the group would revert back to another phase of MEJ/DEJ/IR interplay. Following further MEJ/DEJ/IR interplay, there was a final JC sequence where the group level position was agreed. Interestingly, even when the group level decision agreed with the pre-circulated information or the key presenter's position, meeting participants often supplemented the original proposal or altered the consequences. As the final JC phase drew to a close, more directors would begin to voice support for the proposed course of action (which might itself be merely to seek more information) and the interaction would move to a formal summary of the decision (coded as meeting process, MP) through to conclusion (coded as Close).

The importance of these group-based phenomena again emphasizes the divergence between practice in the boardroom and the stylized agency relationship. What is particularly important to note is that while this JC pattern was recurrent, *different* individuals would stimulate this common pattern of group behaviour. There were no clear "opposers" or "supporters" on the board; rather these positions varied at the item level.

Analysis also revealed group-based behaviours not normally associated with formal definitions of accountability supporting the view that boardroom accountability is a group based construct. First, there was a clear set of three behaviours designed to facilitate effective meetings, including: (1) an introduction to each item by the Chair (Item Open, ML < 1 sec); (2) facilitation behaviours during the meeting (Meeting Process, ML= 210 sec); and (3) closing off and summarizing behaviour at the end of the discussion (Item Close, ML = 1092 sec). Second, participants would use humour and affirmation during tense discussions to maintain group cohesion (Team Building, ML = 419 sec). While we found this interesting (and we conjecture it was tied to the group-level power of the board) it is not a specific focus of this paper. We do note, however, its apparent importance as a supportive mechanism to a functional accountability forum and process.

Towards a process model of boardroom accountability

Figure 1 summarizes our insights into the habitual routine of boardroom accountability. The area of each circle represents the proportional incidence of a code in the data; the larger the circle, the more prevalent the behaviour (see table 4). Arrows represent the odds that the behaviour at the head will follow the behaviour at the tail. The weight of the arrows is a proportional representation of the odds ratio of a relationship (taken from table 5) and we only include statistically significant relationships ($p<.05$) with odds greater than 1.25, a strong threshold given 48 items.

The position of the circle represents the average latency of the behaviour; that is, the average time the behaviour was first observed in an agenda item (see Appendix 2). Thus, the routine we summarize has a temporal dimension, with the sequence from left to right representing where each behaviour was likely to occur relative to others. Although the full pattern does not represent every agenda item we observed, it was the dominant pattern particularly for issues requiring decisions, thus satisfying the requirements of theoretical induction (Colquitt and Zapata-Phelan, 2007).

Insert figure 1 about here

The diagram highlights how both accountability and group process behaviours appear important to the habitual routine. It also provides a sense of the importance and interdependence of the MEJ-DEJ-IR triad to the routine, as well as the punctuation point provided by the JC behaviour, as the group attempts to resolve a path forward. This clear and recurrent routine was supported by other group-focused meeting process behaviours, item open and item close behaviours, as well as team building behaviours not traditionally associated with the concepts of accountability.

While the routine in figure 1 was clear and habitual, individual participation within the group routine was highly variable. For instance, participants would provide a majority of the justification/explanation (i.e. provide the account) in one item, and then switch to a more reactive, questioning role (i.e. holding others to account) in the next. Thus, the routine process of board accountability is more than managers reporting to directors (as a simple agency relationship suggests) but instead reflects a dynamic relationship with individual level behaviours varying by person by item. In some items a participant will be being held to account, while in others that participant will be holding others to account. This strong and changeable interplay between participants (both within and between items) suggests linear agent-principal accountability behaviours were rarely evident.

DISCUSSION

As accountability continues to seep further into all aspects of our life (Power, 1997), research is increasingly questioning the universal application of a standard agency perspective. This is particularly so in the context of organizational life where accountability involves reconciling multiple, complex processes. One emerging view gaining traction both academically (e.g. Roberts, 2001) and normatively (e.g. Walker, 2009) holds that understanding the social processes of accountability is critical for furthering the field. In this paper, we have sought to advance our understanding of accountability in organizational life by documenting the habitual routines of a firm's peak internal corporate accountability body, the board of directors. Direct observation of the board meeting forum (Bovens, 2007) reveals clear group-level routines that guide the giving and receiving of accounts. Within these stable routines, individual directors and managers engage in complex and dynamic roles.

Our first insight is that the process of accountability is far more complex than a single power dynamic as suggested by the Principal–Agent relationship (e.g. Eisenhardt, 1989). Accountability definitions and research often invoke situations where one individual is held to account by another, or where one group (management) is being held to account by another (directors). While this may be theoretically accurate on specific issues, our data reveal that the process of *who* is being held to account and *who* is holding them to account varies by item. Should an outside director be delegated responsibility (for instance as Chair of a Committee or even with a specific responsibility) they become accountable back to their colleagues on the board. These instances reverse the standard application of the agency relationship in the corporate governance setting, with the outside director being made accountable by the group, including the insiders.

This flexibility emanates from the unique position of the board of directors. As a conduit between the internal and external accountability frameworks enveloping corporations, the board as a group is both a device to monitor management (Jensen and Meckling, 1976) and a group of individuals held to account by shareholders in the General Meeting (and other stakeholders via specific legislation). Since individual directors hold no power in the management of a company (unless specifically delegated by the board: see Baxt, 2014), the boardroom becomes an arena that allows for an ongoing shift in powers between the individual directors that comprise it (Fama and Jensen, 1983). The core fiduciary duties of directors recognize this; conflict of interest occurs *on an individual item level* (Baxt, 2014). Since a director or manager may be self-interested for one item but not the next, director independence is, for many directors and managers, a transitory state. Donaldson and Davis's (1991) call to differentiate situations where managers act as agents from when they act as stewards appears germane, and our data appear to point to this contingency resting at the *item* level, rather than as a characteristic of the individual per se.

This variation in behaviour at the individual level raises the importance of group functioning as a key possible failure point, something not envisaged by simple monotonic agency-style accountability relationships. Without this pattern – aligned with the delegation structures in place – boardroom routines may devolve into a symbolic reporting ritual whereby the accounts provided are subject only to surface level review and probing. This appears to have been a factor in *ASIC v Healey* [2011] FCA 717, a high profile Australian legal case where the independent directors on the Audit Committee failed to oversee the preparation of the accounts properly. In line with the mechanism we have just detailed, the remaining directors (both insiders and outsiders) testified that they failed to review the work of the Audit Committee. That is, the outsiders failed to hold their colleagues to account and were found to have breached their duties of care and diligence. In contrast, a board with strong social norms that allow for the ongoing probing of each other's opinions and decisions will not see questioning of each other's behaviours and views as a negative, but rather an important failsafe in organizational accountability.

Focusing on the item level and describing the change in roles at the individual level during a meeting highlights the problematic nature of important corporate governance prescriptions such as director independence. Emphasizing majority director independence would appear to rest on a monotonic relationship between a group of outside directors who hold the group of insiders to account. This appears to be a powerful logic that remains dominant despite strong quantitative evidence to the contrary (e.g. meta-analysis) and qualitative insights that point to the relative importance of a board's social dynamic. Our contribution lies in demonstrating how boards generally delegate tasks to committees, thus creating new agency relationships with the individuals specifically recruited to monitor. In line with early theoretical work on agency theory (see Fama and Jensen, 1983) our data have suggested that the accountability forum is a dynamic space where the "monitors" and the "monitored" are constantly in flux. Rather than a monotonic independence, what is required is a *blend* of power relationships whereby no single individual holds the ability to remove any other. Developing this dynamic allows all individuals in the meeting both to bring forward relevant information (particularly important for insiders, given the information asymmetry facing outsiders) and to question without fear of reprisal.

The shift in focus away from set power relationships between individuals to a norms-based, dynamic view of accountability provides a new avenue for understanding the control–collaboration paradox facing boards of directors (Sundaramurthy and Lewis, 2003). Boards are theorized to play multiple often conflicting roles, for instance monitoring and providing access to resources (Hillman and Dalziel, 2003). A key challenge for the literature has been to understand how and when boards reconcile the paradox of assisting while holding management to account. Our data demonstrate a possible avenue for further investigation: that these roles *co-exist* in the group-based boardroom process. Since individual directors can monitor and provide resources, the group process allows for some outsiders to assist management (the interdependent explanation/justification behaviours of both insiders and outsiders in our data) while other outsiders were questioning or monitoring (the information request behaviours in our data). While not the focus of our current study, there are interesting implications for the possible co-dependence of roles. While others have developed theoretical insights into how this interrelationship may develop over time (Sundaramurthy and Lewis, 2003) further empirical work on the micro-processes of the board may allow us to understand how item-level activity stimulates the arc of development of this relationship.

A second series of insights from the study focuses on the socialized nature of accountability in the boardroom. Accountability in corporate governance has tended to focus on the narrow, formal, and remote or externalized mechanisms of agency (e.g. Rose *et al.*, 2013). Socialized accountability stands in contrast and has been developed to explain how more intimate and essentially trust (or distrust) based forms of accountability emerge in governance systems (Roberts, 2001; Roberts *et al.*, 2005). The mechanism behind socialized accountability involves the frequent face-to-face contact of individuals in a low power differential environment such as that experienced in a board meeting. The open communication possible in this environment facilitates the sharing of information as individuals enact their interdependence. A possible downside is recognized, however, when market pressures or other outside forces begin to develop a strong in-group/out-group effect between the board and external parties. In cases where the group bonds too closely in response to an external threat, the group may rely on this internally developed sense of trust to thwart the external accountability pressures, thus undermining another important element of corporate accountability.

The routines presented here also allow for a third pathway in effective accountability. Rather than the development of trust or distrust per se (Sundaramurthy and Lewis, 2003; Westphal, 1999), the norms of the group can allow for an individualizing of accountability within the group-based socialization framework of board routines. Roberts's (2001) typology of governance called for a form of complementary governance where the external forms of individualized accountability (such as market mechanisms) act as a safety net when socialized accountability within the boardroom fails. This views the key problem as balancing the external forces from markets, regulators and the like with the internal processes that promote trust and information sharing. Within this framework, socialized accountability is presented as a broad series of behaviours such as "challenging, questioning, probing, discussing, testing, informing, debating and exploring" (Roberts *et al.*, 2005: S12). Through these behaviours a sense of trust and increased information sharing builds within the group.

Our contribution lies in suggesting that these behaviours are most effective when engaged within a routine and expected discussion framework. Boards need to be able to manage the balance between supportive and critical director behaviour (Leblanc and Gillies, 2010; Roberts *et al.*, 2005) and habitual routines allow these behaviours to occur in tacitly agreed, known phases. This aids boardroom accountability in two important ways. First, the habitual nature of the routine reduces the cognitive load on individuals: everyone knows how the discussion is going to proceed, where the key punctuation points are likely to fall and where conflict and challenge are likely to occur in the meeting. This reduction in cognitive load may also allow individuals to manage their levels of stress and perceived threat.

Second, the behavioural switching of individuals within routines provides the opportunity for the board to build a socialized sense of accountability based on an agreed norm that everyone will be held to account for the good of the decision. Typical approaches to accountability in a governance setting focus on how management is held to account by the board. The actions of individuals within the routines we have outlined demonstrate, however, that both insiders and outsiders are held to account by their colleagues. By interspersing the accountability of insiders and outsiders, the group is able to reduce the perceived threat of accountability that might lead to obfuscation, particularly by insiders, through the development of appropriate norms. No one group or individual need feel unduly threatened or singled out because it is the "way we do things around here" (Schein, 1992). This cultural overlay to the routine provides a way for the group to balance the individualizing of accountability that is necessary to ensure actions are justified with a socialization of accountability (or group-based agreement) on how that accountability occurs.

Limitations and Future Directions

Given we only studied two boards and these were purposively sampled for similarity, there are a number of clear limitations to our findings. First, the patterns we describe and the behaviours that underpin them may be a function of the organizations we studied or the context in which they operated. Future work could look to expand the setting for observation by examining boards of different sized companies, companies operating in different industries, different countries and with differing board compositions.

A second key limitation is that we do not study the evolution of items (i.e. how the items developed across time). While several items we coded did not have a clear Justification/Consequence event, we suspect that this was a consequence of the emergent nature of the item before the board. Boards rarely deal with an item at a single meeting – instead the issue is introduced, elaborated, decided and reviewed over a series of board meetings. Future research might consider how this process of issue development occurs across board meetings and its impact on the accountability process.

CONCLUSION

As the Walker (2009) review and numerous researchers highlight (e.g. Roberts, 2001; Sonnenfeld, 2002), accountability requires more than form. What people do matters. Rather than viewing accountability as a monotonic and distant power relationship, this research has provided a lens for viewing boardroom accountability as reliant on routinized behaviours that allow management and board to develop the norms that support effective accountability. We hope to stimulate further research, discussion and practice that acknowledge the importance of group work to effective accountability in our society.

Table 1: Items analysed from full observation dataset

Case	Meeting	Agenda item	Item description
Green	1	1.3	Conflict of interest disclosures
		1.5	Previous minutes
		2.1	Board meeting discussion
		2.2	Board subcommittees review
		2.3	[Redacted*] report
		2.4	Board retreat discussion
		2.5	CEO report
	2	1.4	Previous minutes
		2.1.1	Strategic issues [redacted]
		2.2.1	Sub committee recommendations – governance
		2.2.2	Sub committee recommendations – finance
		2.2.3	[Redacted] update
		2.2.4	Strategic issues
		2.3	CEO report
	3	2.1.1	Strategic issues – board committee representation
		2.2	[Redacted] update
		2.3.1.1	Governance – governance manual
		2.3.1.2	Governance – member approvals
		2.3.2.1	Finance – finance report
		2.3.2.2	[Redacted] update
		2.3.3	Strategic issues
		2.4.1	Staff employment contracts
		3.1	Chair report
		3.2	Meetings attended
Red	1	6	Election of office bearers
		7	CEO report
		8	Environmental scan
		10	Previous minutes
		11.1	Risk management committee
	2	6.1	CEO report
		6.1.2	Discussion re [redacted]
		6.1.3	Stakeholder communication plan
		7	Environmental scan
		8.1.1	Request for [redacted]
		8.1.3	Presentation by CEO of the draft strategic plan
		8.2	Routine decisions – CEO presented 2 reports
		10.1	Risk management committee
		10.2	Governance committee

		10.3.1	Verbal report from [redacted]
		[Redacted]	Unexpected discussion on [redacted]
	3	6	CEO report
		6.1.1	Invitations to join [redacted] – strategic issue
		7.1.1	Implication of [redacted] – strategic issue
		7.1.2	Unexpected item on appointment of new Director
		7.2	Environmental scan
		8.1	Presentation by CEO of draft purpose and values statement
		9.2	Previous minutes – matters arising
		10.1	Risk management committee

*Some details have been redacted to maintain confidentiality

Table 2: Codings used in video analysis

Theoretical Basis of Code	Code	Description	Elaboration
Accountability	Management explanation and justification (MEJ)	Interactions where management were informing the board on matters affecting the company	Bovens’s definition points #3 and #4 (management focus)
	Director explanation and justification (DEJ)	Interactions where outside director(s) were informing the board on matters affecting the company.	Bovens's definition points #3 and #4 (director focus)
	Information request (IR)	Interactions involving queries, enquiries or questions about the substantive content of the item before the board	Bovens's definition #5
Hybrid	Judgement and consequence (JC)	Interactions involving the participants supporting, opposing or providing alternatives to the item under discussion.	Bovens's definition #6 and #7
Group behaviour	Team building (TB)	Interactions primarily involving social interactions between participants.	Drawing on group theory we noted that discussions often involved interactions primarily aimed at “getting along” – e.g. sharing a joke.
	Item open (O)	Interactions signifying the commencement of a new discussion.	Group theory notes that group discussions often involve interactions to aid the process of group work. This involved beginning items with a process interaction to introduce the new topic.
	Meeting process (MP)	Interactions guiding or facilitating discussions.	Behaviours aimed at facilitating the meeting and keeping it on track.
	Item close (C)	Interactions primarily summarising key points and decisions made at the end of an item	Aid to group work by summarising the key decision and consequences of the decision.

Table 3: Sample application of coding to a board agenda item

Code	Summary of behaviours coded during item
Meeting Open (O)	The chair introduced the item and handed the discussion over to the acting CEO.
Management explanation and justification (MEJ)	During the discussion the CEO and acting CEO explained the challenges around the current staff employment contracts and explained to the board their recommended course of action.
Director explanation and justification (DEJ)	During the discussion the Chair was heavily involved in further explaining the specifics of the challenges surrounding the staff employment contracts. The Chair also justified what had been done to date regarding this issue.
Information request (IR)	Throughout this 27 minute item several of the other directors asked clarification questions (e.g. which groups of staff will be affected by the changes; what is the timing of the decision) and challenged the acting CEO, CEO and Chair on how they were planning to tackle the current situation.
Judgment and consequences (JC)	At several times in the discussion directors (including the Chair) proposed how to deal with this issue. At first the board disagreed about these suggestions, resulting in more MEJ and DEJ. At the end of the item the board decided how to address the issue and advised the acting CEO of a date when they required a final verdict.
Meeting process (MP)	In this item, one of the directors was not present but phoned in to the meeting and experienced difficulties in hearing the acting CEO. The Chair changed the position of the phone and from then on helped to better manage the involvement of this director.
Team building (TB)	The discussion was quite intense and at several instances the Chair and another director made jokes that visibly eased the tension.
Meeting close (C)	The Chair concluded the item by confirming the summary one of the directors provides.

Table 4: Descriptive statistics for coded behaviours

Codes:	Incidence	Relative incidence	Incidence per minute	Total duration (sec)	Relative duration
Management explanation and justification (MEJ)	664	0.29	6.93	23113	0.40
Director explanation and justification (DEJ)	692	0.30	7.22	19072	0.33
Information request (IR)	324	0.14	3.38	3091	0.05
Judgment and consequences (JC)	146	0.06	1.52	4319	0.08
Team building (TB)	127	0.06	1.33	1897	0.03
Item open (O)	46	0.02	0.48	690	0.01
Meeting process (MP)	234	0.10	2.44	4885	0.08
Item close (C)	41	0.02	0.43	438	0.01
Totals	**2274**	**1.00**	**23.73**	**57505**	**1.00**

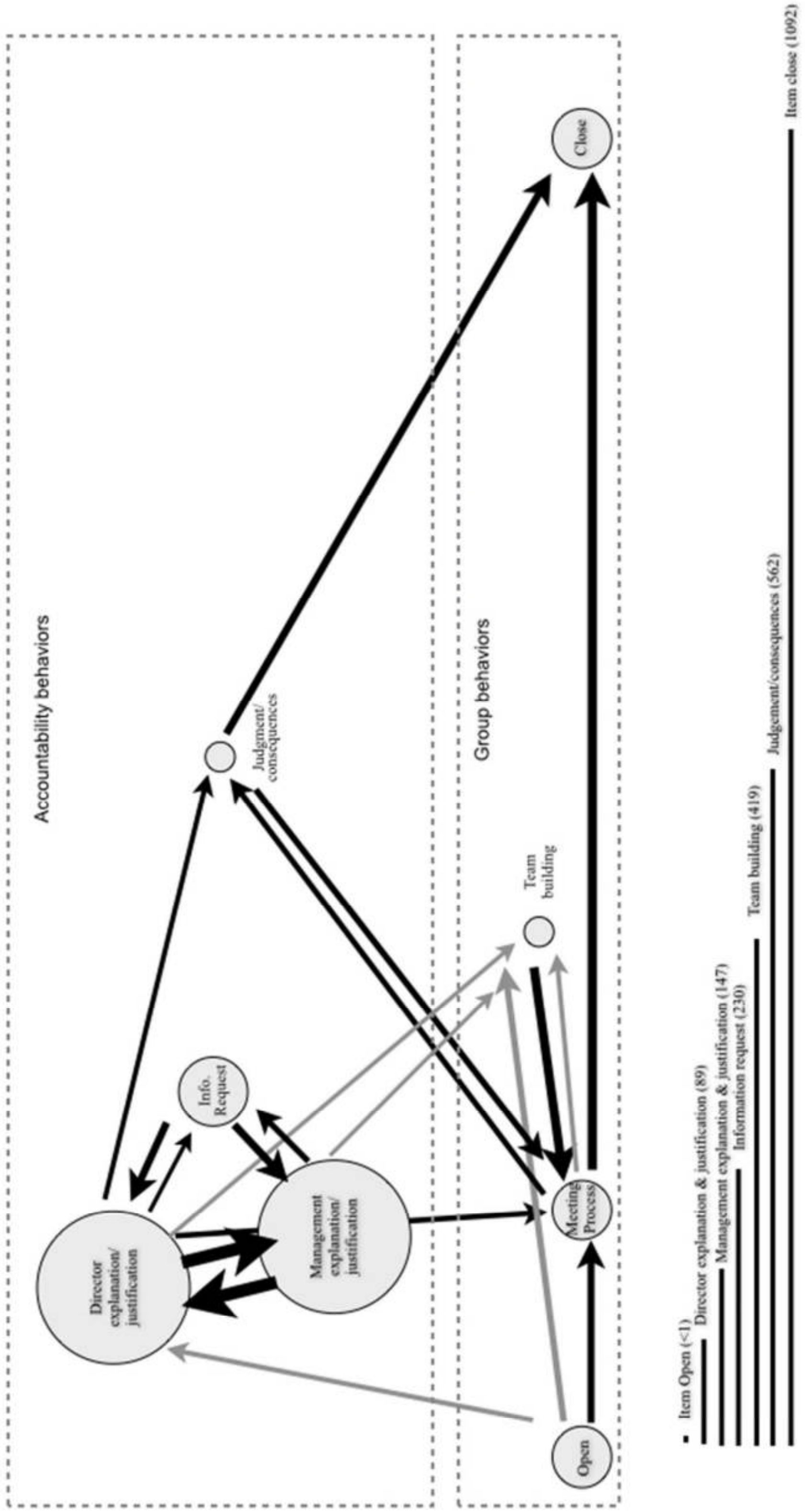
Table 5: Odds table for single lag sequential analysis for single page sequence of coded behaviours

Leading / Following	**DEJ**	**MEJ**	**IR**	**MP**	**TB**	**JC**	**C**
Item Open (O)	1.57	0.82	0.13^	2.15*	2.06	0.00^	0.00^
Director explanation and justification (DEJ)	0.01	4.08*	1.32*	1.74*	1.35	1.56*	1.03
Management explanation and justification (MEJ)	4.17*	0.01	1.87*	0.90	1.28	1.16	0.86
Information request (IR)	2.33*	2.42*	0.00	0.09	0.14^	0.33	0.00
Meeting process (MP)	1.27	0.80	1.09	0.00	1.49	1.80*	2.89*
Team building (TB)	0.88	1.14	0.39	2.82*	0.00	0.82	2.35
Judgment and consequences (JC)	0.88	0.94	1.26	1.99*	1.09	0.00	0.72

* significantly more likely, p<.05

^ significantly less likely, p<.05

Figure 1: Diagrammatic representation of the boardroom accountability routine.



REFERENCES

Bainbridge, S. M. (2002), "Board of directors as nexus of contracts", *The Iowa Law Review*, Vol. 88 No.1, 1 pp. 1-34.

Bakeman, R., and Quera, V. (2011), *Sequential Analysis and Observational Methods for the Behavioral Sciences*, Cambridge University Press, Cambridge, MA.

Bakeman, R., Quera, V. and Gnisci, A. (2009), "Observer agreement for timed-event sequential data: A comparison of time-based and event-based algorithms", *Behavior Research Methods*, Vol. 41 No. 1, pp. 137-147. doi:10.3758/BRM.41.1.137

Baxt, R. (2014), *Duties and Responsibilities of Directors and Officers*, Australian Institute of Company Directors, Sydney.Bovens, M. (2007), "Analysing and assessing accountability: a conceptual framework", *European Law Journal*, Vol. 13 No. 4, pp. 447-468.

Brennan, N.M., and Kirwan, C.E. (2015),"Audit committees: practices, practitioners and praxis of governance", *Accounting, Auditing & Accountability Journal*, Vol. 28 Iss 4 pp. 466 – 493.

Brennan, N.M. and Solomon, J. (2008),"Corporate governance, accountability and mechanisms of accountability: an overview", *Accounting, Auditing & Accountability Journal*, Vol. 21 Iss 7 pp. 885 - 906

Chew, A. and Greer, S. (1997), "Contrasting world views on accounting: Accountability and Aboriginal culture", *Accounting, Auditing & Accountability Journal*, Vol. 10 No. 3, pp. 276-298.

Cole, S. (2012), "Mind the expectation gap", *Company Director*, Vol. 28 No. 1, available at http://www.companydirectors.com.au/director-resource-centre/publications/company-director-magazine/2012-back-editions/february.

Collier, P.M. (2008),"Stakeholder accountability", *Accounting, Auditing & Accountability Journal,* Vol. 21 Iss 7 pp. 933 - 954

Colquitt, J. A. and Zapata-Phelan, C. P. (2007), "Trends in theory building and theory testing: A five-decade study of the Academy of Management Journal", *Academy of Management Journal*, Vol. 50 No. 6, pp. 1281-1303.

Cooper, S. M. and Owen, D. L. (2007), "Corporate social reporting and stakeholder accountability: The missing link", *Accounting, Organizations and Society*, Vol. 32 No. 7, pp. 649-667.

Dalton, D. R., and Dalton, C. M. (2011). Integration of micro and macro studies in governance research: CEO duality, board composition, and financial performance. *Journal of Management*, *37*(2), 404-411.

Dalton, D. R., Daily, C. M., Ellstrand, A. E. and Johnson, J. L. (1998), "Meta-analytic reviews of board composition, leadership structure, and financial performance", *Strategic Management Journal*, Vol. 19 No. 3, pp. 269-290.

Dalton, D. R., Hitt, M. A., Certo, S. T. and Dalton, C. M. (2007), "The fundamental agency problem and its mitigation: Independence, equity, and the market for corporate control", *The Academy of Management Annals*, Vol. 1 No. 1, pp. 1-64.

Deary, I. (2000), *Looking Down on Human Intelligence: From Psychometrics to the Brain*, Oxford University Press, Oxford.

Donaldson, L. and Davis, J. H. (1991), "Stewardship theory or agency theory: CEO governance and shareholder returns", *Australian Journal of management*, Vol. 16 No. 1, pp. 49-64.

Eisenhardt, K. M. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-550.
Eisenhardt, K. M. (1989), "Agency theory: An assessment and review", *Academy of Management Review*, Vol. 14 No. 1, pp. 57-74.
Eisenhardt, K. M. (1989), "Making fast strategic decisions in high-velocity environments", *Academy of Management Journal*, Vol. 32 No. 3, pp. 543-576.
Fama, E. F. and Jensen, M. C. (1983), "Separation of ownership and control",*Journal of Law and Economics*, Vol. 26 No. 2, pp. 301-325.
Fleischer, A., Hazard, G. C., and Klipper, M. Z. (1988). Board games. *Boston, MA: Little, Brown, & Company*.
Forbes, D. P. and Milliken, F. J. (1999), "Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups", *Academy of Management Review*, Vol. 24 No. 3, pp. 489-505.
Gavetti, G., Greve, H. R., Levinthal, D. A. and Ocasio, W. (2012), "The behavioral theory of the firm: Assessment and prospects", *The Academy of Management Annals*, Vol. 6 No. 1, pp. 1-40.
Gersick, C. J. and Hackman, J. R. (1990), "Habitual routines in task-performing groups", *Organizational Behavior and Human Decision Processes*, Vol. 47, No. 1, pp. 65-97.
Gray, A. and Jenkins, B. (1993), "Codes of accountability in the new public sector", *Accounting, Auditing & Accountability Journal*, Vol. 6 No. 3, pp. 52-67.
Gully, S. M., Devine, D. J., & Whitney, D. J. (1995), "A meta-analysis of cohesion and performance: Effects of level of analysis and task interdependence", *Small Group Research*, Vol. 26 No. 4, pp. 497-520.
Hackman, J. R. (2002), *Leading Teams: Setting the Stage for Great Performances*, Harvard Business School Press, Boston, MA.
Harvey, J. B. (1988), *The Abilene Paradox and Other Meditations on Management*, D. C. Heath, Lexington, MA.
Hendry, J. (2005), "Beyond self-interest: Agency theory and the board in a satisficing world", *British Journal of Management*, Vol. 16 No. s1, pp. S55-S63.
Hermalin, B. E. and Weisbach, M. S. (2003), "Boards of directors as an endogenously determined institution: A survey of the economic literature. (Part 1: a review of the literature on corporate governance)", *Economic Policy Review: Federal Reserve Bank of New York*, Vol. 9 No. 1, pp. 7-26.
Hillman, A. J. and Dalziel, T. (2003), "Boards of directors and firm performance: Integrating agency and resource dependence perspectives", *Academy of Management Review*, Vol. 28 No. 3, pp. 383-396.
Huse, M. (2005), "Accountability and creating accountability: A framework for exploring behavioural perspectives of corporate governance", *British Journal of Management*, Vol. 16 No. s1, pp. S65-S79.
Janis, I. L. (1982), *Groupthink*, Houghton Mifflin, Boston.
Jensen, M. and Meckling, W. (1976), "Theory of the firm: Managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305-360.
Jones, G. W. (1977), *Responsibility and Government: An Inaugural Lecture*, London School of Economics and Political Science, London.
Langley, A. (1999), "Strategies for theorizing from process data", *Academy of Management Review*, Vol. 24 No. 4, pp. 691-710.

Leblanc, R. W. and Gillies, J. (2005), *Inside the Boardroom*, Wiley and Sons, Toronto.
Leblanc, R. W. and Schwartz, M. S. (2007), “The black box of board process: Gaining access to a difficult subject”, *Corporate Governance: An International Review*, Vol. 15 No. 5, pp. 843-851.
Mace, M. L. (1971), *Directors: Myth and Reality*, Harvard Graduate School of Business Adminstration, Boston, MA.
Maitlis, S. (2004), “Taking it from the top: How CEOs influence (and fail to influence) their boards”, *Organization Studies*, Vol. 25 No. 8, pp. 1275-1311.
March, J. G. and Simon, H. A. (1958), *Organizations*, Wiley, New York.
Messner, M. (2009), “The limits of accountability”, *Accounting, Organizations and Society*, Vol. 34 No. 8 , pp. 918-938.
Nicholson, G. J. and Kiel, G. C. (2004), “A framework for diagnosing board effectiveness”, *Corporate Governance: An International Review*, Vol. 12 No. 4, pp. 442-460.
Parker, L. D. (2007), “Boardroom strategizing in professional associations: Processual and institutional perspectives”, *Journal of Management Studies*, Vol. 44 No. 8, pp. 1454-1480.
Pugliese, A., Nicholson, G. and Bezemer, P. (2015), "An observational analysis of the impact of board dynamics and directors' participation on perceived board effectiveness." *British Journal of Management* Vol. 26 No.1, pp. 1-25.
Pentland, B. T., Feldman, M. S., Becker, M. C. and Liu, P. (2012), “Dynamics of organizational routines: a generative model”, *Journal of Management Studies*, Vol. 49 No. 8, pp. 1484-1508.
Pettigrew, A. M. (1992), “The character and significance of strategy process research”, *Strategic Management Journal*, Vol. 13 No. S2, pp. 5-16.
Pettigrew, A. and McNulty, T. (1998), “Control and creativity in the boardroom”, in Hambrick, D. C., Nadler, D. A. and Tushman, M. L. (Eds), *Navigating Change: How CEOs, Top Teams and Boards Steer Transformation*, Harvard Business School Press, Boston, MA, pp. 226-255.
Pfeffer, J. (1981), *Power in Organizations*, Pitman Publishing, Marshfield, MA.
Pfeffer, J. and Salancik, G. R. (1978), *The External Control of Organizations: A Resource Dependence Perspective*, Harper and Row, New York, NY.
Power, M. (1991), “Auditing and environmental expertise: between protest and professionalisation”, *Accounting, Auditing & Accountability Journal*, Vol. 4, No. 3.
R Development Core Team (2011), “R: A language and environment for statistical computing”, R Foundation for Statistical Computing, Vienna, Austria, available at http://www.R-project.org.
Rhoades, D. L., Rechner, P. L. and Sundaramurthy, C. (2000), “Board composition and financial performance: A meta-analysis of the influence of outside directors”, *Journal of Managerial Issues*, Vol. 12 No. 1, pp. 76-91.
Roberts, J. (2001), “Trust and control in Anglo-American systems of corporate governance: The individualizing and socializing effects of processes of accountability”, *Human Relations*, Vol. 54 No. 12, pp. 1547-1572.
Roberts, J. and Scapens, R. (1985), “Accounting systems and systems of accountability: Understanding accounting practices in their organisational contexts”, *Accounting, Organizations and Society*, Vol. 10 No. 4, pp. 443-456.

Roberts, J., McNulty, T. and Stiles, P. (2005), "Beyond agency conceptions of the work of the non-executive director: Creating accountability in the boardroom", *British Journal of Management*, Vol. 16 No. s1, pp. S5-S26.

Rose, J. M., Mazza, C. R., Norman, C. S. and Rose, A. M. (2013), "The influence of director stock ownership and board discussion transparency on financial reporting quality", *Accounting, Organizations and Society*, Vol. 38 No. 5, pp. 397-405.

Samra-Fredericks, D. (2000), "An Analysis of the Behavioural Dynamics of Corporate Governance: A talk-based ethnography of a UK manufacturing 'board-in-action'", *Corporate Governance: An International Review*, Vol. 8 No. 4, pp. 311-326.

Schein, E. H. (1992) *Organizational Culture and Leadership*, 2nd edn. San Francisco: Jossey-Bass.

Schwartz-Ziv, Miriam; Weisbach, Michael S. (2013), "What do boards really do? Evidence from minutes of board meetings", *Journal of Financial Economics*, Vol. 108 No. 2, pp. 349-366.

Selznick, P. (1949), TVA and the Grass Roots: A Study of Politics and Organization (Vol. 3), University of California Press, Berkeley, CA.

Sinclair, A. (1995), "The chameleon of accountability: Forms and discourses", *Accounting, Organizations and Society*, Vol. 20 No. 2, pp. 219-237.

Sonnenfeld, J. A. (2002), "What makes great boards great", *Harvard Business Review*, Vol. 80 No. 9, pp. 106-113.

Stein, M.J. (2008),"Beyond the boardroom: governmental perspectives on corporate governance", *Accounting, Auditing & Accountability Journal*, Vol. 21 Iss 7 pp. 1001 - 1025

Stewart, J. D. (1984), "The role of information in public accountability", *Issues in Public Sector Accounting*, Vol. 17, pp. 13-34.

Suddaby, R. (2006), "From the Editors: What Grounded Theory Is Not", *Academy of Management Journal*, Vol. 49 No. 4, pp. 633-642.

Sundaramurthy, C. and Lewis, M. (2003), "Control and collaboration: Paradoxes of governance", *Academy of Management Review*, Vol. 28 No. 3, pp. 397-415.

Tuggle, C. S., Sirmon, D. G., Reutzel, C. R. and Bierman, L. (2010), "Commanding board of director attention: investigating how organizational performance and CEO duality affect board members' attention to monitoring", *Strategic Management Journal*, Vol. 31 No. 9, pp. 946-968.

Van de Ven, A. H. (1992), "Suggestions for studying strategy process: A research note", *Strategic Management Journal*, Vol. 13 No. 5, pp. 169-188.

Van de Ven, A. H. and Huber, G. P. (1990), "Longitudinal field research methods for studying processes of organizational change", *Organization Science*, Vol. 1 No. 3, pp. 213-219.

Walker, D. (2009), *A Review of Corporate Governance in UK Banks and Other Financial Industry Entities: Final Recommendations*, HM Treasury, London.

Weber, M. (1978), *Economy and Society*, University of California Press, Berkeley, CA.

Westphal, J. D. (1999), "Collaboration in the boardroom: Behavioral and performance consequences of CEO–board social ties", *Academy of Management Journal*, Vol. 42 No. 1, pp. 7-24.

Willmott, H. (1996), "Thinking accountability: accounting for the disciplined production of self", in Munro, R. and Mouritsen, J. (Eds), Accountability:

Power, Ethos and the Technologies of Managing, International Thomson Business Press, London, pp. 23-39.
Woolley, A. W., Chabris, C. F., Pentland, A., Hashmi, N. and Malone, T. W. (2010), "Evidence for a collective intelligence factor in the performance of human groups", *Science*, Vol. 330 No. 6004, pp. 686-688.
Yin, R. K. (1999), "Enhancing the quality of case studies in health services research", *Health Services Research*, Vol. 34 No. 5 Pt 2, pp. 1209-1224.

Appendix 1: Instruments and data sources

Data Source	Objectives	Sampling	Collection Process	Research Team Involvement
Interviews	Understand context of organization, perceptions of accountability activities and performance of board and organization	Total of 6 in person and 8 phone interviews across both cases	• Interviews lasted approximately 30 to 60 minutes; • Field notes taken; • Semi-structured and evolving interview protocol	• Two members interviewed each participant with a semi-structured interview protocol.
Observations	Identify accountability routines in board meetings and how individual directors contributed	Total of three board meetings for each board	• Each observation lasted between 90 and 325 minutes; • Meetings were videotaped by three different cameras • Participants asked to fill out mini-surveys during meetings • Participants asked to fill out end of meeting survey	• Each board meeting tape was reviewed by at least two research team members; • Coding conducted by trained Research Assistants and investigators; • All interpretation conducted by Research Team and Research Assistants
Document review	Understand context of organization; Identify how board and organization were presented to constituencies; Triangulate emerging evidence from primary data	Reviewed agendas, annual reports, websites and minutes from meetings	• Documents reviewed as input to development of case vignettes	• Members of the team reviewed documents prior to the interview and observation stages; • Documents referred to during the iterative process of analysis
Meeting mini surveys	Understand perceptions of participants on aspects of the items before the board	Total of 39 meeting mini-surveys and 351 agenda item mini-surveys collected over the 6 meetings	• Mini survey for each agenda item (see appendix A for details) • Mini survey for each board meeting (see appendix B for details)	• One research team member administered during observation; • Primary data entry conducted by one Assistant; data cleaning by different Assistant • Analysis completed by one member of the research team; • Interpretation by all research team

Appendix 2: Temporal descriptive data for coded behaviours

Codes:	Mean duration	Range of duration	Mean gap between codes	Range of gap between code	Mean latency	Latency range
Management explanation and justification (MEJ)	35	1 - 494	37	0 - 526	147	0 - 563
Director explanation and justification (DEJ)	28	1 - 330	49	0 - 678	89	4 - 673
Information request (IR)	10	1 - 114	120	0 - 1260	230	0 - 1697
Judgment and consequences (JC)	30	1 - 198	103	3 - 1437	562	64 - 3789
Team building (TB)	15	1 - 122	255	1 - 1841	419	9 - 2153
Item open (O)	15	2 - 47	113	113 - 126	>1	0 - 32
Meeting process (MP)	21	1 - 179	189	3 - 2626	210	0 - 1404
Item close (C)	11	1 - 75	25	7 - 43	1092	67 - 4809

Endnotes

[1] We use the term "external(s)" to denote shareholders (as external to the firm) and "outsiders" for non-executive directors. While NEDs are inside the corporate decision system, they act for the externals and are, by nature of their part-time status "outsiders" to management. We employ the term "outsiders" as a description for non-executive directors as is typical in the boards-of-directors literature.

[2] This is because individual directors do not have any power to sanction or reward management – decisions need to be made by the group as whole. This occurs during the board meeting.

[3] Reliability of time-based events is difficult to achieve because it requires coders to identify "events", where an event represents a period of time to which a code is applied. Thus, coders need to identify not only the appropriate code to apply but also the onset timing of event changes (Bakeman *et al.*, 2009).

[4] The longest single incidence of a behavior in the 16.25 hours of video we coded was 494 seconds (8 min 14 sec) and involved a manager providing an update on a particularly complex project (MEJ)

[5] Table 5 presents the odds ratio for every possible dyadic sequence of behavior we coded (i.e. the likelihood relative to chance that Behavior 2 (the code in the column headings) will follow Behavior 1 (the code in the rows)). The odds ratio is a direct measure of effect size for each sequence of behaviors, so is directly interpretable (Bakeman and Quera, 2011).