

INVITED ARTICLE

Boardthink: Exploring the discourses and mind-sets of directors

BRIGID CARROLL,* CORAL INGLEY** AND KERR INKSON§

Abstract

In a context of institutionalized regulation and academic framing determined by agency theory, we note paradoxes in board governance literature and practice. These paradoxes concern boards' conflicting roles of monitoring/control, and innovation/strategy-making. We explore directors' mind-sets about governance on which their resolution of paradoxes and their decisions and actions will be based. We do this by applying discourse analysis to the transcripts of 60 semistructured interviews conducted with New Zealand directors who described and evaluated their experience of board governance. We identify and discuss their various discourses, which we label discourses of conformance, of deliberation, of enterprise and of bounded innovation. We note the homogeneity of discourses across different organization types, the dominance of conformance, the nonresolution of paradoxes, and the likely effects in inhibiting board strategy-making and contribution to innovation. We recommend attention by boards to their mind-sets and processes, and the development of generativity.

Keywords: board governance, directors, paradox, discourse, agency theory

INTRODUCTION

The literature on board governance has major lacunae. It is prescriptive rather than descriptive, stronger on what authorities consider that boards *should* think and do than on what boards and their members *actually* think and do. It makes clear the major roles that a board must typically perform, namely control (Fama & Jensen, 1983), stewardship (Westphal, 1999) and strategy (Hendry & Kiel, 2004), but has failed to get to grips with fundamental paradoxes and tensions between these roles. It studies the input–output effects of such variables as board size and composition, but has largely failed to penetrate the 'black boxes' of boardroom processes and board members' thinking. This literature has been criticized for its failure to capture the dynamic, interactive nature of governance (Brennan & Kirwan, 2015). In response to this criticism, some scholars advocate greater attention to 'how governance actors and institutions actually function' (McNulty, Zattoni, & Douglas, 2013: 183). In this paper we seek, as recommended by

* New Zealand Leadership Institute, University of Auckland Business School, Auckland, New Zealand

** Department of Management, Auckland University of Technology, Auckland, New Zealand

§ University of Auckland Business School, Auckland, New Zealand

Corresponding author: k.inkson@auckland.ac.nz

This paper is an original work that has not been submitted or published elsewhere. All the authors have read and approved this material and have met the journal's criteria for authorship.

Zattoni, Douglas, and Judge (2013: 119) to learn more about 'real-life governance issues using data collected through a direct interaction with key governance actors'.

THE CONTEXT OF BOARD GOVERNANCE

In this paper, we are interested in the roles that board directors perceive and enact, as evidenced by what they say when they talk about board activities. These conceptualizations will, however, be heavily influenced by contextual forces, such as legislation, regulations and norms governing board practice, and the social and professional backgrounds of board members. Here, following Hartel (2014) and Johns (2006), we review the essential context for our study.

A dominant contextual influence on governance, as evidenced in corporate governance theory, legislation and regulation, and in day-to-day practice, is agency theory. This perspective emphasizes the board's role (as an 'agent' of shareholders and owners) in ensuring compliance with regulations, and in monitoring and controlling the organization's managers in order to guard against their possible incompetence or corruption (Fama & Jensen, 1983). This role underpins the 'institutional logics' (Westphal & Zajac, 2013) of corporate law, board regulations and guidelines for best practice, and remains dominant in governance studies (McNulty, Zattoni, & Douglas, 2013). Corporate governance research likewise emphasizes the shareholder–manager dichotomy, and views functions of the firm's governance mechanisms predominantly in terms of ensuring compliance with the formal rules and regulations that govern transactions within and outside the firm (Filatotchev & Nakajima, 2014).

In contrast, stewardship theory considers that managers are trustworthy (Donaldson & Preston, 1995), that their interests are aligned to those of the owners (Lane, Cannella, & Lubatkin, 1998) and that the board should collaborate with, not control, managers (Westphal, 1999). Further, increasingly complex contexts and strategic choices lead to the suggestion that boards should have a greater role in the strategic direction of their organizations (Page & Spira, 2016). Firms with stakeholder-aware boards and socially responsible investors seek to think and act strategically. Directors' qualifications, experience and access to valuable resources enhance their potential to contribute to strategy (Hillman & Dalziel, 2003), and firm performance is improved when the involvement of directors develops and increases the strategic capabilities of senior executives (Finkelstein & Hambrick, 1996). This characterization of board governance includes the idea of responsible leadership and a wider, more holistic view than that of classical agency theory (Solomon, 2013). Despite the advocacy of strategy as a key board role, however, little recent change in actual involvement has been apparent (Stein, 2011; McKinsey & company, 2013).

A country exemplifying the practical application of agency as a contextual determinant of board activity is New Zealand, the setting for our research. Here, the context for board governance is the Anglo-Saxon principles-based system, which shares structural, legal and regulatory requirements with other Commonwealth countries that have adopted this approach, including the United Kingdom, Australia, Singapore, Hong Kong, Canada and South Africa (Clarke, 2007; Tricker, 2008). These countries' codes and guidelines reflect the principles set out by the Organisation for Economic Co-operation and Development (OECD) (2004), being characterized by unitary boards comprising a majority of nonexecutive directors, and a 'comply-or-explain' reporting environment. The 2004 principles and guidelines developed by the New Zealand Securities Commission (now the Financial Markets Authority), the New Zealand Stock Exchange listings rules and the Institute of Directors in New Zealand's (2012) reference guide for directors all reflect the dominant agency view of corporate governance with an emphasis on monitoring and control by boards.

The research reported here covers not just corporate but noncorporate organizations, such as public sector agencies and not-for-profits, and there is reason to believe that notwithstanding variations in regulatory requirements for different types of organization, there may be a normative convergence of institutions and practice concerning board governance. It has been suggested that the principles and

guidelines for corporate governance best practice are normalized to other sectors, in a relatively small and homogeneous director community where beliefs are likely shared in tight social networks (Van Der Walt & Ingley, 2003). In this context a group of experienced directors who sit on multiple boards together is noticeable and constitutes an easily identifiable 'old boys' network' (Dalton, 2007; Tahir, 2017).

PARADOXES AND TENSIONS IN BOARD ROLES

There is an inherent difficulty associated with the two key roles, control and strategy, that directors are expected to perform. Such contrasting elements bring paradoxes: acting *on* versus acting *with* management; measuring the past versus planning the future; short-term versus long-term; conservation versus enterprise. In the literature these paradoxes are noted with concern by theorists. Thus:

Perhaps the biggest obstacle to board engagement in strategy is the inherent tension in the board's role. On the one hand, it must act as a trusted advisor to top management. On the other, it must be a vigilant monitor, perhaps even an adversary of management on occasion. In fact, it is this dual (and sometimes contradictory) role that discourages management from fully embracing the board as a partner in strategy formulation. (Kerr & Werther, 2008: 115)

Paradoxes cause tension. Unless paradoxes are identified correctly and faced squarely they risk being managed through a focus on the most pressing immediate problem. This can lead to tunnel vision, generating vicious circles where each successive response intensifies the problem, thereby creating paralysis, stifling enterprise and limiting the potential for value creation (Aubert, Kishore, & Iriyama, 2015; Soltwisch, 2015). Yet according to Higgs: 'while there might be a tension, there [is] no essential contradiction between monitoring and strategic aspects of the role of the non-executive director. Polarized conceptions of the role ... bear little relation to the actual conditions for non-executive effectiveness' (2003: 27). Understanding, embracing and balancing paradoxes will facilitate organizational learning and adaptation (Sundaramurthy & Lewis, 2003).

But how do board members themselves understand their board governance roles, and the paradoxes involved? And how is this understanding reflected in the agendas they set, the discussions they conduct and the decisions they make in the boardroom? These questions might best be answered by direct observation of board meetings. Unfortunately, possibly because of the reluctance by boards (citing privacy, commercial sensitivity, lack of time and the like) to allow researchers to observe their actual deliberations, the literature contains few observational studies of boards in action (Pugliese, Nicholson, & Bezemer, 2015, is a notable exception) and therefore provides little if any empirical evidence on how they discharge their roles and deal with the paradoxes we have identified.

An alternative approach is to consider directors' *cognitions* about board governance. We believe such cognitions both reflect and affect directors' behaviour in boards. Here, the concept of 'mind-set' is a useful one. A mind-set is a set of assumptions which is so established in people's minds that it creates a powerful incentive within them to continue to adopt or accept prior choices (Blackburn, 1998). Mind-set influences the type of information people are attuned to, how they interpret this information, and their consequent actions (Gollwitzer, Heckhausen, & Steller, 1990). Shifts in mind-set are increasingly seen as prerequisites for addressing fundamental change (Marshak & Grant, 2008). In the field of board governance such mind-sets, we believe, potentially determine how boards think, how they determine agendas, how they learn, what they spend time on, who they recruit, and, most importantly, how they make decisions and what decisions they make. This poses the question: What are the mind-sets of directors concerning board governance, and how do they affect their resolution of paradox, and their decisions and actions?

Our research questions are therefore: What are the characteristic mind-sets of board members with regard to board governance? and How do these mind-sets affect board members' identification and resolution of the inherent paradoxes of board roles?

RESEARCH PHILOSOPHY, METHOD AND SAMPLE

In soliciting data from directors we adopted a constructionist ontology that assumed that board governance is continually given meanings by different groups that are influenced by wider contextual forces, with relationships, tensions and balances in boards' roles being negotiated amongst board members and other stakeholders (Newton, Deetz, & Reed, 2011). Our study was partly exploratory, but we also sought to use the empirical material to test established theory (e.g., on paradox, as reflected in our research questions). We noted how 'the world "out there"' (Alvesson & Kärreman, 2007: 1267) is mediated through language, and we therefore employed a form of discourse analysis, focussing on the patterns of meaning conveyed by participants in interviews (Alvesson & Kärreman, 2011), and the 'often contradictory and indeterminate meanings that provide the substance of organizational life' (Mumby, 2011: 1150). We recognized too that while the directors we interviewed were from many different organizations, they might represent a 'discourse community' (Lemke, 1995: viii) of shared mind-sets.

Our data were derived from interviews that we conducted with 60 directors as part of our preparation for a 2-day interactive workshop to be attended by all the participants. The purpose of the workshop was to provide an opportunity for directors to reflect on their governance roles, attitudes and behaviour (as well as on other topics such as strategy and leadership in their organizations) and to use the key features of this material in the workshop as feedback to a forum of all the participants, thus providing a basis for collective learning. Our semistructured audio-recorded interviews, thus provided the directors with opportunities for self-conscious thought and sense-making, enabling recognition (by us and by them) of their mind-sets. We sought to articulate directors' authentic voices, and they typically spoke informally and employed colourful metaphors and other figures of speech that contrasted with the precise, legalistic wordiness of formal governance. They talked freely of their impressions of board practice, illustrating their talk with 'coal-face' stories.

To dissect this material, and to look for communalities in it, we used a form of discourse analysis, our interest being less in the discourse of individual directors than in the shared discourses that might characterize their 'discourse community' of the wider population of directors. To the best of our knowledge, with the possible exception of Pye (2002), no prior study of such phenomena of board governance has been reported.

TABLE 1. PARTICIPANT COMPANY INDUSTRY DIVISIONS AND OWNERSHIP TYPE

<i>Industry division</i>	<i>Frequency</i>	<i>Ownership type</i>	<i>Frequency</i>
Administrative and support services	1	Crown entity	3
Arts and recreation services	1	Local government	1
Education and training	2	Not-for-profit	5
Electricity, gas, water and waste services	2	Private	6
Financial and insurance services	2	Private partnership	3
Health care and social assistance	1	Publicly listed	15
Information media and telecommunications	2	State-owned enterprise	2
Manufacturing	2		
Other services	1		
Professional, scientific and technical services	9		
Public administration and safety	4		
Rental, hiring and real estate services	1		
Retail trade	3		
Transport, postal and warehousing	2		
Wholesale trade	2		

Our data were collected from 60 participants who were board members of organizations which were important representatives of key local industries and had been recruited to take part in the workshop. They were almost all based in New Zealand, though a few were the Australia-based Chairs of New Zealand organizations. They were from various different industries and firm ownership types. Table 1 classifies the participating organizations by industry and ownership type.

Our sample covered 35 large organizations, in each of which we sought to interview the Board Chair and the CEO, who we assumed were key influencers and representatives of board members' mind-sets. Because of Chairs' busy schedules and the requirement to take part in a 2-day workshop as well as an interview, not all Chairs were available, and in the end our 60 interviews involved 35 CEOs, and 25 Chairs from the same organizations.

Interviewers followed a semistructured interview format using cue cards on which the words *leadership*, *governance*, *strategy*, *ethics* and *innovation*, respectively, were printed, one concept per card. At different stages interviewers placed the cards in front of participants to elicit stream-of-consciousness responses. As participants talked, interviewers shaped questions inviting them to extend and illustrate their thinking, thus encouraging multiple discourses.

The interviewers collected 84 hr of data (on average 1 hr 23 min per interview) which were audio-recorded and transcribed. Interviews were anonymized and read separately by each of five researchers, who noted language, imagery, speech effects and syntactical constructions alongside the meaning and conceptual material. An independent content analysis of a random sample of the overall data revealed that 48% of the discourse content, that is, 21 hr of interview time, was concerned with governance. This is the material we focus on in this paper.

In our analysis, we paid attention both to participants' word choice, sentence structure, syntax, and imagery, and to the broader patterns through which their mind-sets towards governance were demonstrated. First, we searched for connected sets of statements, terms and concepts that represented a way of talking about governance. After the initial analysis we undertook a more intensive reading aimed at grouping the different fragments into common discourses shared by different participants. By applying this form of analysis we were able to discern and discuss the experiences directors reported, the roles they saw themselves as performing, and the dilemmas and challenges they believed they faced; and to identify predominant and nondominant discourses and mind-sets towards board governance. These discourses typically characterized the talk of not just one, but of many directors. We also found similarities between discourses that enabled us to organize them into four main discourses that indicated important elements of mind-set.

RESULTS: THE DISCOURSES OF BOARD GOVERNANCE

Research question: What are the characteristic mind-sets of board members with regard to board governance?

A remarkable feature of our data was that in terms of their directors' prevalent discourses there seemed little difference between the different types of organization we identified (e.g., publicly listed company vs. not-for-profit), suggesting that the board mind-sets these discourses represent may be universal, at least across our sample, crossing organizational boundaries: a *collective* mind-set about governance.

Ten predominant empirically based discourses of governance were identified. We titled these: watchdog; border control; inspectorate; mentoring support; investigative committee; debating forum; strategy unit; council of elders; leadership team; and bounded innovation. While the titles are ours, the categories were constituted by participants' language and metaphors. Nine of the 10 categories were then grouped into three major sets of discourses, which we label *conformance*, *deliberation* and

TABLE 2. DISCOURSES OF CONFORMANCE

<i>Watchdog</i>	<i>Border control</i>	<i>Inspectorate</i>
'Governance tends to have more of a type of watchdog element. It's the check and balance that you're doing the right things. That would be kind of a down and dirty definition'.	'It's control and it's boundaries. It's what you can and can't do'.	'If you wanted one word, it's monitoring'.
'Governance is a discipline that you put over the business in terms of making sure that the right issues and decisions come to the level where the right heads and minds can actually observe and look at it and be aware of it'.	'If it looks like it's going off the rails for any particular reason, or it's "correctionally" wrong, unfair or inappropriate – it's the ability to either coax it back into line or if necessarily bring it back into line'.	'The governance is monitoring the ethics of the organization'.
'And that's why a board which has a governance responsibility shouldn't become the manager but it should be able to, if it's smart enough, to probe down into management and even though it doesn't make decisions its enquiries, its interest, will all ensure that management knows that there are others who are watching what's happening. And are frankly normally not happy with what's happening so that's why they're enquiring'.	'I think it's about setting boundaries, but it's also setting freedoms as well'.	'To me governance, and this is my personal view, leadership is king, governance is the safety net to make sure that you are ticking the boxes and things are done in a way which is appropriate'.
'To me, governance is basically as old as the hills. It's about checks and balances on power'.	'The governance piece is saying "okay", here's the boundary – you can't cross'.	'I just sort of sense that the governance guy in this example is the guy who's counting the tickets for the audience to come in and watch the orchestra. He's accounting for x number of people. He's got 3000 tickets in his hand and it equates to what we've booked – perfect. That to me is governance. We all have to do it'.
	'I do see that constant expression that governances is the notion of the moderation of the unbridled drive of the management team'.	'And it's almost like boards have been consumed or taken over by that so your audit and risk committee stuff, you know, it's all clipboards and testing and it's almost like the board and the CEO are on different teams'.
	'For me, it was putting it in the frame of actually – part of creating the garden is creating the boundary. And making sure that the boundary is firm, because that actually keeps everybody within the garden – now I'm back to my safety net. That's a safety net that I think you have to have. So there's other safety nets I can play with, but that one I can't play with'.	

enterprise. These discourses, we argue, represent the primary 'structuring forces' in this empirical material, thus embodying participants' mind-sets concerning corporate governance.

In terms of their relative weighting in the data the discourse of conformance represents the dominant discourse, with the discourse of deliberation figuring as the supporting discourse and the discourse of enterprise the weakest discourse. The remaining discourse of *bounded innovation* sits separately as an unintended consequence of relationships between the three broad discourses.

Discourses of conformance

'Conformance' – the pursuit of conformity, compliance and control – is identified by participants' constitution of three component discourses (see Table 2 for examples), which differ in terms of how control is constructed, claimed and exercised, but which share a positioning of acting 'over' and 'on' management and the organization from a distance, aligning the main discourse closely with the agency perspective.

'Watchdog' is conjured up in the expression 'checks and balances' – a phrase more common in these data than any other. This is a 'down and dirty' definition that connotes the blunt, grounded reality of governance, permeated by notions of what is 'right', applied to 'doings', 'issues', 'decisions', 'heads' and 'minds'. A whole apparatus of surveillance is conveyed by perceptual verbs such as 'observe', 'look', 'be

aware of, 'probe down' and 'watching'. The surveillance is explicit, overt and recognized. It will 'ensure that management knows that there are others who are watching what's happening', and is part of a mind-set of a collective gaze 'where the right heads and minds can actually observe and look at it'. In this image governance is a 'discipline', a 'responsibility' and a tradition 'as old as the hills'.

'Border control' represents talk about 'boundaries', 'lines', 'rails' and 'safety nets', full of imperatives and admonishments: 'what you can do and can't do' and 'you can't cross', sometimes with a parental kind of concern: 'that's a safety net that I think you have to have' and 'coax it back into line'. The 'boundaries', 'lines' and 'rails' are about control, correction and moderation. The phenomena to which the boundaries apply include hints of ruling out the 'wrong, unfair or inappropriate' (which suggest ethical boundaries), and 'unbridled drive' (power boundaries). Such talk implies that governance is about guarding the terrain of the organization, and that 'boundaries' are the critical delineators where being *in* or *out* occurs behaviourally, cognitively, relationally, ethically and strategically.

'Inspectorate' concerns how conformance is enacted: it is an operational aspect of conformance. It is the policing of policy, rules, regulations, requirements and expectations: 'ticking the ... boxes' and 'audit', with the appearance of a matching exercise – plan versus performance – best captured by the 'ticket' metaphor: 'the guy who's counting the tickets for the audience to come in' and 'accounting for x number of people' with the outcome that 'it equates to what we've booked'. There are hints of dislike of the nature of this work: 'ticking the bloody boxes', 'consumed and taken over', and 'we all have to do it' and disunity: 'it's almost like the board and the CEO are on different teams' – where any entity that inspects, monitors and audits is automatically the 'other'.

Discourses of deliberation

'Deliberation' involves a weightiness and thoughtfulness that denotes care and intentionality. The component discourses may represent a construction of governance acting 'for' management and organization. Again there are important differences between them (see examples in Table 3).

'Investigative committee' refers to practices of 'querying', 'challenge' and 'testing'. There is a pattern and variation in such 'testing' with extremes present in 'stress test', 'crash test' and 'destruct'. There is a tension and balance in the discourse between testing for 'an overview' and testing in crisis. In extreme versions, there is the possibility of a relentless, automatic repetitiveness ('it's their God-given role in life to actually stress-test everything') on the 'crash test dummies' of management. In more constructive versions, the questioning can lead to 'thinking of those issues' such as performance and innovation which require a robustness and stretch beyond 'trite statements' and the *status quo*. The power of governance to do this rests in its ability to mount a 'combined challenge' through such a 'wider view'. This discourse implies pressure on management and could easily be seen as part of the conformance discourse.

'Debating forum' has a different, less inquisitorial, more dynamic tone, with the sense of a conversation that is 'around the table', 'ongoing', 'distilled', 'consensus', 'together' and 'participative', a language of collective endeavour. The force that holds this microdiscourse together is constructive 'debate' with the capacity 'to talk openly and frankly', to invite 'people to say something different', and to work with 'disparate views' and 'different points of view'. The outcomes from such deliberation are 'a 1 + 1 = 5 situation' where 'more knowledge or more thought', 'good understanding' and 'a decision point', as well as the need to 'celebrate difference' are important and are often presented in contrast to 'a model where I wanted everyone to agree'.

'Mentoring support' evokes positivity through the use of words with an upbeat sense: 'effective', 'inspiring' and 'really keen'. It is allied to 'support', 'guidance' and 'sounding board', both 'one on one' in terms of the chair and CEO but also 'corporate mentoring to the whole organization'. The idea of mentoring an entire organization is regarded as important but there is little sense of how to do so.

TABLE 3. DISCOURSES OF DELIBERATION

<i>Investigative committee</i>	<i>Debating forum</i>	<i>Mentoring support</i>
<p>'It's querying and questioning the direction of the business. It's hard to get away from trite statements and concepts, but it is more about how well the organization is and how well it's performing'.</p> <p>'I guess, in summary, the governance responsibility is to have a wider view – an overview to test, but not to destruct'.</p> <p>'Quite often you find some directors who feel it's their god-given role in life to actually stress-test everything. They turn management into crash-test dummies'.</p> <p>'Yeah and making sure that I'm thinking about these issues. And challenge us, making sure we're innovative. Making sure we're thinking of those issues. Making sure we're moving ahead. So it is their experience coming forward in us and sort-of combined challenge coming through'.</p>	<p>'My idea of governance used to be about ensuring compliance and a bit about strategy, setting strategy. But I think governance is also part of an ongoing conversation where there's an opportunity to talk openly and frankly and disagree, or move from a model where I wanted everyone to agree to one that was, one which is, it's not random but it allows a whole lot of disparate views to be distilled'.</p> <p>'It's basically where different points of view around the table, given the subject matter, and is enough debate for consensus where those are brought together in a manner that is probably a 1 + 1 = 5 situation. So you have to have different views based on experience, leadership and skill. A good debate is where you come away with more knowledge, or more thought around a given subject'.</p> <p>'So I actually celebrate differences, I actually want people to say something different so I can get a debate going. And encourage everybody to participate in that, and debate the issue so that we feel that when we've got to a decision point, that we've got good understanding'.</p>	<p>'It's more the mentoring type aspects of leadership. So you're using that experience to make sure the organization is on track and has the ability to be the most effective leader'.</p> <p>'So, if I look at the concept of governance, it's a question of providing guidance, mentoring – not one on one but corporate mentoring to the whole organization'.</p> <p>'I think they should be inspiring guiders'.</p> <p>'Framework, guidance, mentoring, challenging, inquiring, testing and being satisfied – this is where we're going to end up'.</p> <p>'To be there, as a mentor – one of the things that people don't if they haven't been a CEO, they don't realize how lonely that job is. The CEO gets pressure from the senior management team, from the Board, and has nowhere to run. Who does he talk to?'</p> <p>'To provide guidance to be a sounding board'.</p>

The idea of support and counsel permeates these comments in verbs like 'provide', nouns like 'guidance', descriptors like 'lonely' and phrases like 'be there'.

Discourses of enterprise

The component discourses in this cluster reflect the ideas of developing new mind-sets and of governance as leadership. We link them here with being creative and pursuing what is novel and strategic. Because the three component discourses – strategy unit, council of elders and leadership team (Table 4) are held as desirable in principle but are difficult to attain in practice, they represent both idealized and deferred constructions of governance. They are, therefore, somewhat problematized, making the discourses of enterprise a particularly fertile point of focus and inquiry.

The term 'strategy unit' aligns governance with stewardship theory. While participants clearly wanted to be involved in strategy, they gave different interpretations of their strategic work. First, there is a constant sense of never dealing with strategy to the extent they wished ('And some of the boards ... spend more time on some of those governance issues than they do thinking about the strategic direction'). Second, strategy is seen as difficult, nebulous, and, for many, unfamiliar ('that's so

TABLE 4. DISCOURSES OF ENTERPRISE

Strategy unit	Council of elders	Leadership team
<p>'The business of having to sit down and actually think hard about clarity of strategy, prioritising, thinking at a higher level than some manageable bit of trivia – that's so hard it gets done, on the whole, poorly. And what instead they want to do is stuff they're more comfortable with, which is management, and often the kind of stuff that exercises in this is stuff that's well below the level of things I would normally deal with'.</p> <p>'Making sure management are thinking about sensitivities, the risks about the strategic plan. And sort of so it's not just rubber stamping'.</p> <p>'Some of the boards which I'm on, which I've seen, spend more time on some of those governance issues than they do thinking about the strategic direction. And what I'm saying, well why are we here/are we here to just sort of tick the boxes that management are doing this, this, and this? Or should we be making sure we're here because we want to increase our surrounding?'</p>	<p>'The governance is well away from the battlefield, or it's removed from it. So, whether it's a council of elders ... it's like back before the battle is "how do we get into the war?" "What do we want to achieve in the war?" "How are we going to know whether it's absolutely surrender or trying to get a piece of territory?" "How broadly are we going to pay for this war?" That to me is the analogy around governance'.</p> <p>'Because then all you've got is seven or eight people who are collectively thinking about how to make the business grow and thrive'.</p> <p>'It's more distant horizons in thinking about where that's going'.</p> <p>'Over governance, they'd sit back and say well where is the organization in 10, or 15, or 20 years down the track'.</p> <p>'What is the role of governance? I see it as actually looking beyond presentation to what underpins? ... It's looking beyond the surface – is there substance behind it?'</p>	<p>'So for me, if I look at where I see leadership going ... where I see leadership going in the future, it almost feels like it's completely opposite from where governance is'.</p> <p>'Governance is the boring bit; leadership is the fun bit'.</p> <p>'I just see governance at one end of the leadership spectrum and management at the other and leadership right around the whole, well actually they're all inside the leadership bubble'.</p> <p>'So the leadership within governance is often understanding the landscape of what might be happening'.</p> <p>'But it seems to me that boards have been overtaken by the same sorts of things I was talking about that paralysed our leadership – which is all those management over-focused, details and compliance type management issues'.</p> <p>'To me governance, and this is my personal view, leadership is king, governance is the safety net to make sure that you are ticking the boxes and things are done in a way which is appropriate'.</p>

hard it gets done, on the whole, poorly. And what instead they want to do is stuff they're more comfortable with, which is management'). Finally, some get tangled up because accountability for strategy exists at multiple levels: ('making sure management are thinking about sensitivities, the risks about the strategic plan. And sort of so it's not just rubber stamping'). Because other tasks (usually conformance-related) claim the time and focus that strategy might have had; because it is more complex; and because of the conflation of strategy at both management and governance level, we consider this a 'deferred' positioning of governance. Whatever the reasons, it seems this is a discourse full of contradiction, ambiguity and uncertainty.

If strategy is a deferred position then 'council of elders' represents an idealized positioning of 'elders' far removed from the immediacy of 'the battlefield'. The feel of it is captured in verbalizations ('well away' and 'sit back') which evoke a predominately reflective mode with a different pace and dynamic ('seven or eight people who are collectively thinking'). They are able to consider 'distant horizons' and 'beyond the surface' thinking, and to go 'beyond' the present to 'where is the organization in 10, or 15, or 20 years', beyond the everyday concerns of management ('shouldn't be here on the battlefield second guessing the leader') and beyond what is evident, visible and articulated ('presentation') to the sense-making underneath ('what underpins').

The 'leadership team' cluster presents an intriguing series of relationships between governance and leadership. In places, leadership and governance are the antithesis of each other: 'it almost feels like it's

TABLE 5. DISCOURSES OF BOUNDED INNOVATION

'I think it would be worth understanding what governance structures have enabled what innovation. I can tell you now – you've asked me to be pretty brutally honest – I would say that our governance structure, and the association that we have around it at the moment would be stifling the crap out of innovation. However, I'm sure it's not intended that way'.
 'Sometimes I worry ... how they've got time to think about strategic and innovative ideas when they must be just trying to get through this meeting and go off to the next meeting ... [Has] time actually been given to the strategic direction of the organization in an innovative way?'
 'No, governance isn't to create ideas. It's to create the environment that allows ideas. There's a distinction between management and governance'.
 'I think [innovative governance] is almost a contradiction in terms, you know? Innovative leadership, again well maybe'.

completely opposite', 'governance is the boring bit; leadership is the fun bit', at times they are different but complementary (albeit with leadership occupying a superior position, such as a 'landscape', 'bubble', 'framework' or 'king' position, or are conflated: 'governance is leadership as well'. Here too, there is an idealized and deferred aspect denoted by opposites where leadership is 'bolder', 'bigger', 'fun' and governance is 'normal', 'incremental' and 'boring'; accompanied by a sense that leadership has been eroded ('boards have been overtaken by the same sorts of things I was talking about that paralysed our leadership') and at threat from the emphasis on compliance and 'ticking the boxes'.

Unintended consequences: bounded innovation

The concluding quotations embody a discourse (the tenth) that is an unintended consequence of the relationships between the three discourses of conformance, deliberation and enterprise. Representative quotes from our participants are provided in Table 5.

Bounded innovation refers to an oppositional stance to its subject of innovation and can be seen as an unintended ('I'm sure it is not intended that way') consequence of other discourses. Talk of governance and innovation is complex, paradoxical and unresolved. When innovation is juxtaposed against the conformance discourse the latter is dominant ('our governance structure, and the association that we have around it at the moment would be stifling the crap out of innovation') and indeed the juxtaposition is declared by one participant to be an oxymoron ('I think [innovative governance] is almost a contradiction in terms'). Participants question how governance could be innovative ('how they've got time to think about strategic and innovative ideas when they must be just trying to get through this meeting'), or acknowledge, model or support innovation ('I think it would be worth understanding what governance structures have enabled what innovation').

DISCUSSION: THE NONRESOLUTION OF PARADOX

Research Question: How do these mind-sets affect board members' identification and resolution of the inherent paradoxes of board roles?

These discourses, we suggest, represent directors' mind-sets that inevitably shape how they exercise governance. Their influence is probably modified at group (board) level, but may be magnified, in 'group-think' (Janis, 1982), by consensus. For those with multiple directorships, mind-sets shaped in one board may be carried over to others.

The discourse of conformance was dominant, and the directors themselves noted a conflict between it and their wish to be involved in leadership and strategy-making, and felt tension as a result. The paradox was about feeling compelled, in the conformance mode, to act 'over' management through surveillance, inspection and control of boundaries, versus wishing to act collaboratively 'with' management, in the enterprise mode, as fellow members of a strategy unit or leadership team. The tension and frustration of the directors was made

most explicit in the bounded innovation discourse, where the recognition that governance was ‘stifling the crap out of innovation’ was palpable in many directors. Our data suggested to us that most participants clearly identified the paradoxes but did not know how to resolve them. Although they tended to see conformance as a routinized ‘chore’, it apparently compromised any potential role they might see for themselves in strategy, innovation or leadership: the paradox was recognized but apparently not resolved.

Knowing the causes of such paradoxes going unresolved might help us to find solutions. Our findings do not enable us to identify causes with certainty, but we were struck with the way the conformance discourse echoed, albeit in colloquial language, the contextualizing institutional logics, outlined in the introduction to this paper, that frame policy and practice in board governance, and that are in essence expressions of agency theory. In addition, the relatively homogeneous, ‘clubby’ social network of New Zealand directors that we noted earlier may encourage ‘group-think’ around such a view.

Board mind-sets are likely to have been perpetuated over time, passed on from institutions to boards and from board members to their colleagues and successors, in a process that freezes and perpetuates both discourse and decision making. Recent research indicates that this mind-set is common in other Anglo-Saxon corporate governance settings (Garratt, 2007; Chambers & Cornforth, 2010). This may in turn limit the appointment and development of directors who favour creativity over control, and therefore may ‘hard-wire’ conformance mind-sets into boards in complex environments where a wider diversity of perspectives is needed.

In addition, new contextualizing events can exert influence. At the time of the Global Financial Crisis 2007–2008, many New Zealand corporations in the financial sector, like those in other countries, collapsed, resulting in high-profile court cases. The rulings on these cases and subsequent governance reforms brought a more stringent regulatory environment, fostering a more cautious collective mind-set with an emphasis on compliance, not just among finance companies but also across corporate boards in New Zealand. Yet, other societal narratives push boards to pursue enterprise, strategy and leadership in their organizations: hence the polarized conceptions and unresolved tensions that lead to the difficulty expressed by the directors in our study.

We conclude that the key board objectives of strict adherence to regulation, control over management and the short-term welfare of shareholders, are to the potential detriment of strategy, innovation and performance, and the long-term goal of value creation. Whereas managers faced with creative challenges default from leadership to management (Carroll & Levy, 2008), directors apparently default from strategy to conformance. Avoiding risk and protecting the *status quo* may provide stability but may also stultify, and the potential of directors to contribute to strategy, innovation and leadership may be wasted.

Knowing the causes of such paradoxes going unresolved might help us to find solutions. Our findings unfortunately do not enable us to identify causes with certainty, but we were struck with the way the conformance discourse echoed, albeit in colloquial language, the institutional logics that frame policy and practice in board governance, and that are in essence expressions of agency theory.

Board mind-sets have perhaps been perpetuated over time, passed on from institutions to boards and from board members to their colleagues and successors, in a process that solidifies a static format for both discourse and decision making. This may in turn limit practices of appointment and development of directors that favour control over creativity, and therefore may ‘hard-wire’ these mind-sets into boards in complex environments where a wider diversity of perspectives is needed. Corporate governance architecture, we suggest, being essentially unchanged since the beginning of the industrial revolution (Kiel & Nicholson, 2003), has not evolved sufficiently to fully support new, more innovative, mind-sets.

RECOMMENDATIONS

We believe our study has implications for both academic research and governance practice. The lacuna that stimulated our research – lack of ‘black box’ studies – should not exist. Academics should base their

recommendations on what board members should think and how boards should work on research on what members *do* think and how boards *do* work. Our findings raise questions for other researchers. Can our finding that board members' discourses of conformance tend to limit and stifle those of enterprise be replicated in other jurisdictions using other methodologies? Do different types of board (e.g., private enterprise vs. public sector), or different types of director (e.g., external vs. internal), generate different types of discourse?

Further studies of both directors' attitudes and board processes are needed, particularly studies such as that of Pugliese, Nicholson, and Bezemer (2015) that penetrate the 'inner sanctum' of the boardroom, and study discourses in action.

Boards likewise need to ask basic questions about what their roles are, how well they currently discharge them, and what they can do to improve. More specifically, they need to find ways, perhaps with expert assistance, of

- listening to their own discourse, and discussing their own mind-sets and processes;
- defining their roles;
- learning to resolve paradoxes by acknowledging and discussing them and by shifting consciously between roles;
- valuing their own human capital and its potential to contribute to strategy and innovation;
- being open to filling appointments with creative new directors;
- working more collaboratively with the executive team.

One way of facilitating and embracing all the above suggestions might be to develop, in boards, the useful concept of *generativity* (Chait, Ryan, & Taylor, 2004), which emphasizes *modes* rather than tasks of governance. Chait, Ryan, and Taylor identify three governance modes: the fiduciary mode (concerned with stewardship, conformance and control), the strategic mode (concerned with working collaboratively with management to develop strategy) and the generative mode (concerned with leading through problem framing, sense-making and confronting challenges by means of different perspectives). A generative process in board meetings and other interactions would change the mind-sets, including the *shared* mind-sets, of team members. *Dialogic creation* is a generative process that brings about the gradual construction of something new through group dialogue in which status differences are neutralized and learning is emphasized. Such a process can contribute to development of new resources and opportunities, leading to virtuous cycles of transformation (Carmeli, Jones, & Binyamin, 2015). As a board does more work in the generative mode, value creation may increase (Chait, Ryan, & Taylor, 2004). However, thinking does not make it so: the discourses revealed in our data indicate major obstacles of mind-set that must first be overcome.

LIMITATIONS AND APPLICABILITY

Our study has limitations. First, it was confined to New Zealand organizations, though systems and codes of governance essentially based on agency theory are standard in the United States and United Kingdom and are internationally influential. Second, although we believe our examination of what was going on in the 'black box' of directors' minds and experiences was worthwhile in its own right, we did not go inside the 'black box' of the boardroom and its interactions, so those remain largely unstudied. Third, the breadth of our sample was both an advantage and a disadvantage. Our method 'diluted' business organizations with not-for-profits and other types: yet, as previously mentioned, we did not notice any intertype differences, nor did our participants, many of whom held multiple directorships in contrasted types of organization, indicate any. This suggests that our findings may apply to various types of organization, with the key paradoxes we identify being potentially universal.

CONCLUSION

Wisdom from over 2,000 years ago (paraphrasing Plato) cautioned that ‘What is honoured is cultivated and that which is not honoured is neglected’. Directors, and those responsible for directors’ appointments and development, need to reflect seriously on what they honour, because if they do not, it is the honouring of conformance over deliberation and enterprise that will continue to be cultivated. Leading the organization by reframing, re-orientating and balancing the conformance discourse and mind-set with the deliberative and enterprise mind-sets, and using the generative mode to create and champion a vibrant environment for strategy-making and innovation will, we believe, enable boards to make the strategic contribution that creates real stakeholder value.

ACKNOWLEDGEMENTS

The authors would like to thank the New Zealand Leadership Institute and its CE Lester Levy for their ongoing support of this research and their active involvement in the data collection and thinking behind this project.

References

- Alvesson, M., & Kärreman, D. (2007). Constructing mystery: Empirical matters in theory development. *Academy of Management Review*, 32, 1265–1281.
- Alvesson, M., & Kärreman, D. (2011). Decolonializing discourse: Critical reflections on organizational discourse analysis. *Human Relations*, 64, 1121–1146.
- Aubert, B. A., Kishore, R., & Iriyama, A. (2015). Exploring and managing the ‘innovation through outsourcing’ paradox. *The Journal of Strategic Information Systems*, 24, 255–269.
- Blackburn, S. (1998). *Ruling passions: A theory of practical reasoning*. Oxford: Clarendon Press.
- Brennan, N. M., & Kirwan, C. E. (2015). Audit committees: Practices, practitioners and praxis of governance. *Accounting, Auditing & Accountability Journal*, 28, 466–493.
- Carmeli, A., Jones, C. D., & Binyamin, G. (2015). The power of caring and generativity in building strategic adaptability. *Journal of Occupational and Organizational Psychology*, 89, 46–72.
- Carroll, B., & Levy, L. (2008). Defaulting to management: Leadership defined by what it is not. *Organization*, 15(1), 75–96.
- Chait, R. P., Ryan, W. P., & Taylor, B. E. (2004). *Governance as leadership: Reframing the work of nonprofit boards*. Hoboken, New Jersey: Wiley.
- Chambers, N., & Cornforth, C. (2010). The role of corporate governance and boards in organisational performance. In K. Walshe, G. Harvey, & P. Jas (Eds.), *Connecting knowledge and performance in public services*. Cambridge: Cambridge University Press.
- Clarke, T. (2007). *International corporate governance: A comparative approach*. London: Routledge.
- Dalton, C. (2007). Queen bees: All sting, no honey. *Business Horizons*, 50, 3349–3352.
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20, 65–91.
- Fama, E. F., & Jensen, M. (1983). Separation of ownership and control. *The Journal of Law and Economics*, 26, 301–325.
- Filatovchev, I., & Nakajima, C. (2014). Corporate governance, responsible managerial behavior, and corporate social responsibility: Organizational efficiency versus organizational legitimacy? *Academy of Management Perspectives*, 28, 289–306.
- Finkelstein, S., & Hambrick, D. C. (1996). *Strategic leadership: Top executives and their effects on organizations*. St. Paul, MN: South-Western.
- Garratt, B. (2007). Directors and their homework: Developing strategic thought. *International Journal of Business Governance and Ethics*, 3, 150–162.
- Gollwitzer, P. M., Heckhausen, H., & Steller, B. (1990). Deliberative and implemental mind-sets: Cognitive tuning towards congruous thoughts and information. *Journal of Personality and Social Psychology*, 59, 1119–1127.
- Hartel, C. E. J. (2014). Advancing organizational behavior through context considerations. *Journal of Management and Organization*, 20, 415–416.

- Hendry, K., & Kiel, G. C. (2004). The role of the board in firm strategy: Integrating agency and organisational control perspectives. *Corporate Governance*, 12, 500–520.
- Higgs, C. (2003). *Review of the role and effectiveness of non-executive directors*. London: Department of Trade and Industry. Retrieved April 4, 2017, from <http://www.ecgi.org/codes/documents/higgsreport.pdf>.
- Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review*, 28, 383–396.
- Institute of Directors in New Zealand (2012). *Four pillars of governance best practice*. Wellington: Institute of Directors in New Zealand.
- Janis, I. L. (1982). *Groupthink. Psychological studies of policy decisions and fiascoes*. Boston, MA: Wadsworth.
- Johns, G. (2006). The essential impact of context on organizational behavior. *Academy of Management Review*, 31, 386–408.
- Kerr, J. L., & Werther, E. B. (2008). The next frontier in corporate governance: Engaging the board in strategy. *Organizational Dynamics*, 37, 112–124.
- Kiel, G., & Nicholson, G. (2003). *Boards that work: A new guide for directors*. Sydney: McGraw-Hill.
- Lane, P. J., Cannella, A. A., & Lubatkin, M. H. (1998). Agency problems as antecedents to unrelated mergers and diversification: Amihud and Lev reconsidered. *Strategic Management Journal*, 19, 555–578.
- Lemke, J. L. (1995). *Textual politics: Discourse and social dynamics*. London: Taylor & Francis.
- Marshak, R. J., & Grant, D. (2008). Organizational discourse and new organization development practices. *British Journal of Management*, 19(S1), S7–S19.
- McKinsey & Company (2013). Improving board governance: McKinsey Global Survey results. Retrieved April 4, 2017, from <http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/improving-board-governance-mckinsey-global-survey-results>.
- McNulty, T., Zattoni, A., & Douglas, T. (2013). Developing corporate governance research through qualitative methods: A review of previous studies. *Corporate Governance: An International Review*, 21, 183–198.
- Mumby, D. K. (2011). What's cooking in organizational discourse studies? A response to Alvesson and Kärreman. *Human Relations*, 64, 1147–1161.
- Newton, T., Deetz, S., & Reed, M. (2011). Responses to social constructionism and critical realism in organization studies. *Organization Studies*, 32, 7–26.
- OECD (2004). *Using the OECD principles of corporate governance: A boardroom perspective*. Paris: OECD. Retrieved April 4, 2017, from <http://www.oecd.org/dataoecd/20/60/40823806.pdf>.
- Page, M., & Spira, L. (2016). Corporate governance as custodianship of the business model. *Journal of Management and Governance*, 20, 213–228.
- Pugliese, A., Nicholson, G., & Bezemer, P.-J. (2015). An observational analysis of the impact of board dynamics and directors participation on perceived board effectiveness. *British Journal of Management*, 26, 1–25.
- Pye, A. (2002). The changing power of 'explanations': Directors, academics and their sensemaking from 1989 to 2000. *Journal of Management Studies*, 39, 907–925.
- Solomon, J. (2013). *Corporate governance and accountability*. 4th ed, London: John Wiley & Sons.
- Soltwisch, B. W. (2015). The paradox of organizational rigidity: A contingency model for information processing during times of opportunity and threat. *Journal of Leadership & Organizational Studies*, 22, 395–403.
- Stein, J. (2011). *Engaging with strategy after the financial crisis*. Retrieved April 4, 2017, from <http://www.kslaw.com/News-and-Insights/Lead-Director-Network/Publications>.
- Sundaramurthy, C., & Lewis, M. (2003). Control and collaboration: Paradoxes of governance. *Academy of Management Review*, 28, 397–415.
- Tahir, R. (2017). Women on corporate boards: The New Zealand perspective. In R. Bentarni, & M. Sparer (Eds.), *Leadership, innovation and entrepreneurship as driving forces of the global economy* (pp. 473–483). Switzerland: Springer International Publishing.
- Tricker, B. (2008). Corporate governance – convergence? Paper for the Chartered Secretaries International Conference, Shanghai, China. Retrieved April 4, 2017, from http://www.bobtricker.co.uk/assets/bob-tricker—corporate-governance—convergence_.pdf.
- Van der Walt, N., & Ingley, C. (2003). Board dynamics and the influence of professional background, gender and ethnic diversity of directors. *Corporate Governance: An International Review*, 11, 218–234.

- Westphal, J. D. (1999). Collaboration in the boardroom: Behavioral and performance consequences of CEO-board social ties. *Academy of Management Journal*, 42, 7–24.
- Westphal, J. D., & Zajac, E. J. (2013). A behavioral theory of corporate governance: Explicating the mechanisms of socially situated and socially constituted agency. *The Academy of Management Annals*, 7, 607–661.
- Zattoni, A., Douglas, T., & Judge, W. (2013). Developing corporate governance theory through qualitative research. *Corporate Governance: An International Review*, 21, 119–122.

About the Authors



Brigid Carroll is an Associate Professor in the Department of Management and International Business, and Research Director of the New Zealand Leadership Institute both at the University of Auckland. Her research interests closely focus on identity, discourse and power in leadership and the development of leadership practice. She is also involved in the design and delivery of leadership development interventions and programmes in organizations across New Zealand.



Coral Ingley is an Associate Professor, Management at Auckland University of Technology, New Zealand. Her research focusses on various aspects of corporate governance. Her particular focus is on boards of directors, their leadership role and the strategic dimension of governance. Topics in her recent scholarly journal and book publications include board focus on risk management, boards and corporate sustainability, board role portfolios in transitioning SMEs, and the concept of board configurations in small private and family firms in France and Tunisia.



Kerr Inkson is an Emeritus Professor at The University of Auckland Business School. His main research areas in his 50-year career have been organization structure, motivation and job satisfaction, managerial performance, career studies and expatriation. Since 1967 he has published 20 books, 50 book chapters and 75 refereed journal articles. Kerr retired in 2012, but continues some research, writing and editing in management studies, and coaches writing skills. He is a Life Fellow of the Australian and New Zealand Academy of Management.