1. 'When in Rome, do as the Romans do'? A call for more context sensitive research on boards of directors

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INTRODUCTION

Boards of directors have been the focus of many studies in the last few decades. A convergence to the Anglo-American corporate governance system has long been emphasised within this stream of research and by transnational organisations like the Organisation for Economic Co-operation and Development (OECD; Clarke, 2017). The convergent system has dominating features such as 'outsider' control of management by investors, a focus on shareholders as the main beneficiary of business returns and calls for independent directors that can monitor managerial behaviour and firm performance (e.g., Thomsen, 2003; Toms and Wright, 2005; Goergen et al., 2008).

However, in recent years we are witnessing a growing number of studies that investigate the particularities of the context and its consequences for boards of directors. For example, rising concerns about climate change and corporate social responsibility (CSR) in many parts of the world affect conceptions and expectations about the social contract of corporations and to whom board members are responsible (e.g., Mackenzie, 2007; Prado-Lorenzo and Garcia-Sanchez, 2010; Michelon and Parbonetti, 2012).

Moreover, contemporary issues such as economic protectionism, social turmoil and political instability in many countries across the world lead to strategic uncertainties and operational risks that companies and their boards must deal with (e.g., Ellstrand et al., 2002; Hillman, 2005; Kolb and Schwartz, 2009). In a recent study, Useem (2015) points to the rising complexity in company decisions since the millennium, which resulted in the reinforcement of governing boards to serve as partners in those decisions with the company top management team. This in turn shifts the emphasis from monitoring to a focus on company background and on how boards are organised and can collaborate with the executives. Therefore, an active attention on the changing dynamics of the boards is needed. Adding to this, the ongoing digital transformation of society is gradually spreading across industries, with a significant impact on workforce automation, employment relations and the strategising of boards (e.g., Bankewitz et al., 2016). Given these diverging and often conflicting occurrences, corporate governance systems and boards of directors are to be understood within historical, spatial, political and societal contexts (Huse, 2018), as these layers concurrently provide boundaries for the actions and behaviours of corporate governance actors and decision makers both inside and outside the boardroom (Aguilera et al., 2008; Yokishawa et al., 2014).

Even if it is generally acknowledged in scholarly research that boards of directors are a context-bound phenomenon, we can observe that the understanding of the role of context in the academic literature on boards in many ways is limited. In part, this has to do with the multidisciplinary and largely fragmented nature of the field, where multiple social science disciplines collectively contribute to the scholarly understanding of boards of directors. For example, management scholars typically publish research on boards of directors in leading management journals based on studies of large public companies operating in multinational environments (Gabrielsson and Huse, 2004; Yar Hamidi and Gabrielsson, 2014). On the other hand, entrepreneurship scholars who are interested in ownership and control in new, small, and growing firms often publish studies of boards of directors in entrepreneurship journals (Gabrielsson, 2017). Adding to this, family business scholars who also have a particular interest in boards of directors tend to publish their studies in family business journals. As such, research on boards of directors has a diverse and fragmented knowledge base that comes from loosely connected academic disciplines, all with their own infrastructures and distinct outlets.

While these specialisations may be highly beneficial for building conversations (e.g., Huff, 1999) about the role and functioning of boards of directors within the domains and contextual boundaries of different academic disciplines, there is also a risk that such specialisations will lead to single context theorising that limits our broader scholarly understanding of boards of directors. In contrast, by explicitly addressing the need of greater sensitivity to context in studies of boards of directors we may jointly contribute to theoretical advancements by amplifying our scholarly capacity to bring out innovative, reflective and critical frameworks for the understanding of this phenomenon. This would also lower the academic myopia implied by the hegemony of the Anglo-American corporate governance system (Clarke, 2017) and the pervasive and uncritical borrowing of Western theoretical perspectives and research methods instead of considering indigenous alternatives (Whetten, 2009).

This handbook provides its audience with relevant and updated works from prominent scholars focusing on various contextual dimensions surrounding boards of directors. In this respect, we emphasise the need to understand boards of directors as a context-bound phenomenon that requires careful attention to many different meanings and interpretations of context (e.g., Griffin, 2007; Welter, 2010). Context can – often simultaneously – be considered in a broad perspective that emphasises the 'who', 'what', 'when', 'where' and 'why' (e.g., Whetten, 1989). It can also refer to more specific variables that empower or limit behaviour and attitudes in particular settings (e.g., Johns, 1991). Following these insights, in the remainder of this chapter we follow Welter (2010, p. 167) in the understanding of context as 'circumstances, conditions, situations, or environments that are external to the respective phenomenon and enable or constrain it'. With this in mind, we will in the next section tackle issues related to addressing context in studies of boards of directors, before presenting the different chapters that constitute the core of this volume.

ADDRESSING CONTEXT SENSITIVITY IN STUDIES OF BOARDS OF DIRECTORS

The convergence to the Anglo-American governance system (Clarke, 2017) has had repercussions in research on corporate governance where board members are often conceptualised as power elites and as means for controlling contextual uncertainties. More deeply, transnational business elites are taking a big stake in the global sphere and spread the idea that 'the rest of the world had little choice but to become increasingly like the West; more democratic, more capitalist, more consumerist' (Ritzer, 2007, p. 4). This belief is reinforced by theories proposing a global capital empire, gradually instituting a 'new universal order' supported by 'transnational practices', which casts off any kind of geographical, economic, political, social, or cultural boundaries or limitations (McMichael, 2000; Sklair, 2000, 2002). Progressively, business efficiency is discussed and modelised as a supreme reality where both the survival and the success of the organisation depend on top decision makers.

Globalisation has positioned boards at the epicentre of socio-economic global decisions, where board members are among the major actors in the corporate world, and beyond. The modern corporation is in this respect the most protected from direct public control, while it is in corporations that most decisions are made (Deetz, 1992). As business elites, board members can thus contribute to the promotion of democratic forms of governance at the institutional level. They can also contribute to the improvement of accountability at the corporate level. In fact, the role business plays in politics via influence over governmental organisations and in delivering public responsibilities (Scherer and Palazzo, 2007) brings board members to the forefront of dealing with both democracy deficit and governance deficit.

However, the world continues to evolve pluralistically and the idea of convergence towards a single most effective type of market economy is fading in this century (e.g., Whitley, 1999). Parallel to the above-discussed convergence, globalisation has also developed around strong local social identities and political structures, sometimes away from international legal regulations. Overall, this is in line with Robertson's (1992) notion of globalism that promotes divergent – as opposed to universal – modernisation. Hence, the variations in business and organisational structures are to be understood in terms of the constitution and control of key resources such as skills, capital and legitimacy, which are all related to corporate governance mechanisms. Therefore, the concept of context can shed light on boards' central role in interconnecting global and local simultaneously.

The understanding of context has progressively evolved towards a more complete picture where the macro political economy level as well as institutional, organisational and individual levels are increasingly taken into account (Clarke, 2017; Aguilera et al., 2008). Contextual forces at play may in this respect derive from forces operating at the macro political economy level, such as detection of global problems. They may also be an outcome of forces at play at the institutional level, such as the way institutions like national governments or the United Nations frame problems and solutions. The organisational level is the dimension where corporations or non-governmental organisations (NGOs) respond to problems and solutions. Finally, corporate members, including board members, constitute the individual level, and they make decisions, by themselves or in teams, that both are influenced by and provide their input to the context. Overall, these multi-level circumstances may concurrently inspire, force, shape or change attitudes and behaviours inside and outside the boardroom, leading to particular board structures, functions and characteristics, as well as outputs.

Thus, the context and its effect necessitate a multi-level, multi-actor analysis in scholarly studies of boards of directors. For example, gender inequality and the participation of women in economic life is a global issue that has involved many transnational organisations and governments (Machold et al., 2013). In this process, policy statements and government regulations in many European countries have imposed gender quotas in boards, which has also led to corporate discussions of gender diversity and fair representation of minority groups, as well as other kinds of equality concerns. However, even though gender inequality is a socio-political issue that has to be resolved within the legal, normative and cognitive institutions in which corporate governance systems are embedded, it will ultimately both influence and be influenced by the process (North, 1990). Board members are in this respect influenced by contextual forces, but they also contribute to these forces by their moulding of business systems, especially through interlocking directorships (Scott, 1991; Useem, 1982) as these networks are able to generate new business practices (Bizjak et al., 2009).

This increasing influence of large companies and their board members necessitates a questioning of responsibilities and accountability of the latter. There has been a recent call (Sikka et al., 2018) in the UK for democratising corporations for long-term success which maintains that 'limited liability for shareholders means unlimited liability for the rest' (p. 8). The overreaching purpose of the firm in terms of what a firm stands for needs further attention by different constituents of the society and the respective boards and executives of the corporations. There is growing demand for change in the legal context surrounding the boards. In Europe, the French bill 'Loi Pacte' and related legislations explain that companies should be directed in alignment with their social interest (*entreprise à mission*), by also considering the social and environmental risks of their actions (Frank Bold, 2018). Similarly, with the 'Accountable Capitalism Act' in the US, a federal charter will compel board members of the very large companies to consider the interests of the stakeholders while directing the company in its best interest. Co-determination of corporate boards, restriction of sale of stock options by board members, and subjecting corporate political expenditures to explicit approval by 75 per cent of its board members and shareholders are among the proposals to be included in the Act (Warren, 2018).

However, the change in the legal context is rather slow-paced and shareholder focus still dominates despite recent attempts to address the interests and relative position of stakeholders. As long as shareholder return and financial performance keep their primacy in discourses, laws and accounting standards surrounding the business system, the attention regarding the stakeholder interest will remain 'voluntary'. The concepts of board accountability and the position of the companies in society need reconsideration, which may bring about a new understanding for the training of and expectations from board members in each context.

The accumulation of different meanings and experiences of concepts could lead to novel understandings and scopes in studies of boards of directors. In fact, boards are influenced by and interact with the formal (e.g., legal origin) and informal institutions (e.g., culture) embedded in national and/or regional business systems (Zattoni et al., 2017; Hearn, 2015; Kim and Ozdemir, 2014). Furthermore, the concept of board capital, understood as the sum of human and social capital of the board members (Hillman and Dalziel, 2003), is also a reflection of the context in which boards are embedded. As such, the education, experience and networks of board members will shape their attitudes and actions, which ultimately constrain and shape board behaviour. While Whitley (1999) emphasises the impact of the national context and business systems in moulding governance forms, Yokishawa et al. (2014) criticise the traditional governance models that often are embedded in the national context. They emphasise the interdependencies of corporate governance practices in a configurational approach and focus on multi-level interdependencies between different governance mechanisms at different levels and stages that shape board behaviours.

This is even clearer when it comes to dealing with complex objects such as culture. For example, Hofstede's (1980) simplistic but widely used approaches to culture through specific and separated dimensions offer some conclusions. As such, board members with high uncertainty avoidance scores in high power distance communities may find it particularly hard to challenge the chairperson, while high collectivism may bring about principal–steward relationships in boards. However, Hostede's essentialism takes away the framework of meaning that managers develop to make sense of their world and actions. In this respect, d'Iribarne's conceptualisation of culture (1989, 2009) could better help scholars in comprehending the importance of context sensitivity in studies of boards of directors. He maintains that each culture conveys its own tacit conception of social relations, so that, for example, the understanding of reporting and its impact cannot be the same for board behaviour in Anglo-American contexts and in European ones. Nowadays, and with the emergence of symbolic spaces (interchanging the real and the virtual dimensions), scholars are facing greater challenges as they have to consider intercultural meanings of social objects.

In addition, critical perspectives like Bourdieu's theory of practice or interpretivist perspectives like institutionalism can be useful angles to increase context sensitivity in research on boards of directors. In a more critical approach where capitalism is becoming 'smooth and de-territorialised' (Deleuze and Guattari, 1972), the particular power structures and domination patterns will also shape board duties, functioning, dynamics and outputs. As Holland (2010, p. 43) stated: 'with capitalism, society can finally become self-critical'. In this respect, a Deleuzian analysis can consider boards of directors as part of the continuous flows of people, words, information, genetic, signs and matter. Scholars can in this respect study how board members 'decode' (e.g., Deleuze and Guattari, 1972) social objects like performance, mission, profit, power and so on. The decoding process frees the objects from their conventional uses or from what Foucault calls their 'symbolic order'. For example, masculinity could be freed from the strength and domination 'code' and thus bring another understanding to the power mechanism within boards. It is a creative movement, not destructive, where a defined territory is freed from old definitions allowing its evolvement. It is a call for more innovative conceptual tools to make our context sensitive theorising alive, engaging and persistent. Sometimes reality moves faster than theory, even though the two of them interact.

Context sensitivity is not only about addressing the particular empirical (multi-level) contexts within which boards operate, but also the theoretical lens we use to understand the context (Whetten, 2009). For a long time, the dominant way boards were contextualised was within legal/regulatory boundaries and frameworks (van Ees et al., 2009), and this conception energised the application and development of agency theory, which soon became hegemonic in the academic literature. The agency theory perspective, with all its merits and limitations (e.g., Gabrielsson and Huse, 2010), has in this respect also conditioned the way context has been analysed and discussed vis-à-vis other theories, such as stewardship, resource dependence or managerial hegemony theories (Huse, 2007). In this respect, contextualising theory means opening up to anthropological lenses and historicised perspectives, but also to philosophy; with the power of thinking our society can unveil uncertainty and insecurity. In a world where people feel free (only) when they can consume, buying anything they want or can afford, boards can play a central role in redefining the concept of responsibility where individuals have to consider the full (global) consequences of their consumption. A critical question, however, is how we can use context sensitive theorising without rethinking and reframing some of the central – even taken-for-granted – analytical and theoretical rubrics of contemporary society, such as control, diversity, power, sustainability, regulation, imperialism, values and identity. This is indeed a challenge that we have to take account of in our scholarly efforts, including the ones covering boards.

THE CHAPTERS IN THIS VOLUME

The chapters in this volume provide a unique collection of original research addressing the circumstances, conditions, situations or environments surrounding boards of directors. The chapters span a wide range of themes, to advance our scholarly understanding of boards of directors as a context-bound phenomenon. In this vein, we have encouraged all contributing scholars to provide context-rich descriptions and analyses across a variety of themes discussed in different chapters.

The rest of the book is divided into three main parts. Part I contains chapters that explore what is happening inside the boards, namely their internal context. Specifically, a first set of chapters presents original factors affecting board behaviour with regard to their performance. In Chapter 2, Veltrop and Molleman underline that boards of directors are social groups and, like any other social entity, intra-group informal differences shape patterns of intra-group participation and influence among board members. They argue that board informal hierarchy is likely to shape how boards carry out their fiduciary duties. They define an informal hierarchy as a rank ordering of individuals based on the amount of prominence, respect and influence that is awarded to each of them by others.

In Chapter 3, Morais, Kakabadse and Kakabadse explore the chair's role in harnessing the capabilities of the board in order to deal with strategic tensions. The chair's critical role as leader establishes the degree of board involvement in strategy, aiming for an involvement that is both challenging and supportive of the executive and which is best described as interactive strategising. The study draws on 30 in-depth exploratory interviews with chairs and CEOs and finds that chairs have a wide range of choices at their disposal in the pursuit of surfacing and handling strategic tensions in the board.

In Chapter 4, Ogunseyin, Farquhar and Machold use a behavioural perspective to examine the conditions in the boardroom that facilitate or hinder the presence of trust. They build a model explaining the hypothesised relationships between trust and its determinants (cognitive conflict, communication efficacy, the perception of board members' competence, affective conflict, and familiarity), while also considering the moderating effects of board-meeting frequency and board tenure. They find that the perception of board members' competence and familiarity are positively related to trust, whereas affective conflict is negatively related.

In Chapter 5, Pousset goes further and digs into board power, especially through the emotional lenses. She builds a conceptual model to discuss how the presence of narcissism in the boardroom may provoke altered power relations between the CEO and board members, and thereby influence board performance. She implies that both the CEO and the board may be characterised by either constructive or destructive narcissism and proposes a matrix explaining board functioning based on different combinations of various narcissism types of the CEO and the board members.

In Chapter 6, Zattoni and Pugliese discuss the growing interest towards 'opening the black box' of board dynamics and synthesise several relevant ongoing research projects. They explain how studies relying on theoretical approaches and frameworks borrowed from other disciplines (e.g., social psychology, small group dynamics), rich qualitative and mixed methods, and new and unexplored research settings are promising as they shed light on some of the key mechanisms surrounding board of directors' processes and effectiveness.

A second sub-part is specifically related to what is happening in and around boards in family firms. In Chapter 7, Pittino and Visintin analyse the behaviour of family board members in the relationship with non-family managers, focusing on the influence of board composition on the CEO replacement decision. They compare family and non-family controlled companies and explore the differences among family firms with respect to board-level attributes, namely family representation and ownership dispersion among board members. The results suggest that family board members behave distinctively.

In Chapter 8, Cirillo and Mussolino explore the ambiguity of the family firm concept impeding homogeneous and generalisable findings about family involvement in firm governance affecting the board of directors. They discuss the main issues related to boards of directors in the context of family firms: composition, relationship between boards of directors independence and performance, association between composition and strategic outcomes, effect of the CEO's family ties and CEO duality, combined effects of CEO characteristics and, finally, relationship between the board and CEO characteristics and non-financial outputs.

Part II questions the links boards can have with the 'outside' as well as the local understanding of global requirements. A first group of chapters interrogates the concept of independence. In Chapter 9, Wells, Moyeen and Ingley raise interesting questions about national and institutional differences, and whether these are reflected in divergent understanding and expectations of the role, in the appointment and participation of independent board members, and if there could be alternative rationales for their appointment. Comparing Australia and Bangladesh, they find that requirements and guidelines for the appointment of independent board members tend to be in reaction to specific issues and ideologies.

In Chapter 10, Collin and Smith point out the vagueness of the concept of independence and propose a four-dimensional concept of independence through two human conditions: opportunism and bounded rationality. With this conception they suggest a praxis hypothesis, claiming that there is a will, of the individuals and of the dominant coalition of the firm, using the four dimensions of independence when selecting board members and board committees, and influencing members of the board, that creates the managed independent board member.

The second group of chapters in this second part reflects on boards in different situations of interconnection with the external world. In Chapter 11, Cikaliuk, Eraković, Jackson, Noonan and Watson situate their debate within the emerging importance of stakeholders' interests and influence on corporate governance in modern corporations.

They emphasise the board's engagement with stakeholders and recognise that in different systems of corporate governance the level of stakeholders' engagement varies. In stakeholder-based systems, such as those found in Continental Europe and Japan, stakeholders other than shareholders have the right to influence corporate activities.

In Chapter 12, Meineke, Hellerstedt and Nordqvist contribute to a better understanding of the role and work of the chairperson given the changing expectations and demands that is put on this prominent position in the corporate governance system. They investigate and describe how the chairperson's role and work is depicted in a number of leading business press outlets – financial newspapers and magazines from USA, UK and Germany. The analysis shows that while the traditional role of the chairperson, as portrayed by the media, used to be a passive one, limited to presiding board meetings and liaising with committees, today the business press describes a different view of the chairperson.

In Chapter 13, Üsdiken and Yildirim-Öktem study business groups as a distinct organisational form of family firms. They examine board composition in hierarchy-type (or hierarchical) business groups with concentrated family ownership in the state-dependent context of Turkey. Overall, they argue that within such groups board member overlaps need to be conceived as 'multiple board memberships' rather than 'interlocking directorships'. Their study adds to views that have been sceptical about the usefulness of US-based theoretical approaches in accounting for multiple memberships within business groups operating in late-industrialising countries.

In Chapter 14, Goldeng, Rigolini and Gabaldon aim to understand the effects of a mandatory regulation on companies beyond their target in Norway – the very first country that introduced a mandatory gender quota on boards. They investigate whether the introduction of the gender quota regulation in Norway changed companies' behaviours towards women and other types of diversities, such as age, nationality and the number of board memberships. However, so far it seems like the effect of the gender quota legislation beyond the boards and on companies not covered by the regulation has been limited.

Part III takes the reader outside of the boards to better understand the impact of national and/or global features on them. Authors focus their attention on different environments in which a board develops or operates. Environments are not necessarily countries or regions, but can, for example, embrace technologies, nature or concepts. This part is also divided into two sub-parts. The national contexts' influence is depicted in the first collection of chapters. In Chapter 15, Geletkanycz and Boyd take us to the US. They shed light on the dynamic main characteristic of boards and call for the continuous change and evolution of scholars' approaches. Their survey contemporaneously affords an opportunity to assess the degree to which the 'good governance' branding of recent reforms is empirically supported. Their work is an invitation to reflect upon the governance reform movement's 21st century inroads and its effects on the profiles and functioning of corporate boards.

In Chapter 16, Kavadis and Castañer present the evolution of the French institutional context within a changing global economic landscape since the 1990s. They reflect on its effects for the governance of domestic-based corporations, in particular as regards the composition and roles of the board of directors. Literature has described the French model as a context moving towards hybridisation: between the liberal market system of political economy and governance, and its traditional political economic and governance features. The two authors present some evidence to better understand this new emerging model and, more broadly, institutional change in corporate board governance and strategy in the context of globalisation.

In Chapter 17, Seny Kan explores what aspects of African organisations' boards of directors are being studied and elaborates on the lessons to be learned from those studies. He mainly finds that research on boards of directors in African organisations is overwhelmingly dominated by the board demography-output approach while general literature on boards of directors has experienced a shift from the board demography-output approach towards both the board dynamics-output approach and the multi-level governance perspective.

In Chapter 18, Steger and Jahn explore German supervisory board tasks and roles. A survey among 116 German joint-stock companies reveals that the control role is rated as more important than the service and strategy roles and respondents are more satisfied with their board's control role performance (compared to service and strategy role performance). Yet, it is satisfaction with the strategy role that is most strongly associated with perceived overall board task performance. Further analyses reveal differences between small and large boards, as well as those with and without parity-based co-determination.

Finally, the last chapters describe global features and trends affecting boards of directors. In Chapter 19, Clarke highlights that climate change represents as great a threat to business continuity and survival as it does to the survival of the environment. He claims the urgent need for a re-conceptualisation of corporate social and environmental responsibility (CSER). This re-conceptualisation of CSER demands the exercise of a new *zeitgeist* of integrated governance where climate risks are fully recognised, and the necessary strategies and risk management are introduced, guided by appropriate measures and targets. He shows how climate change impacts upon the interpretation of board members' duties.

In Chapter 20, Baines, Grinevich and Karatas-Ozkan reflects on how digitalisation is transforming society and business practices. Yet, very little academic research has been undertaken on how digitalisation could affect the development of corporate governance in general, and the role of boards in particular. This chapter appraises current literature and research on digitalisation. It considers how boards can make an effective contribution to their organisations in the context of the increasing convergence of digitalisation and organisational governance, and how changing technologies are likely to impact boards' role and processes.

In Chapter 21, Yar Hamidi discusses the general understanding in relation to value and value creation and compares it with the practitioner perspective. His study reveals that, independent of the context of the board, there will be various definitions and perceptions of value and consequently of value creation in firms. In addition to a literature review of recent research on the governance of small and medium-sized enterprises (SMEs) with a focus on value and value creation, results from interviews with board directors on SME boards are presented. There seems to be a disproportionate focus on financial performance and the structural aspects of boards in corporate governance research, which is not supported by the practitioners' perspective.

In Chapter 22, Rigolini, Gabrielsson, Izquierdo Barriuso and Huse reflect on the ongoing megatrend of digitalisation in relation to boards of directors. They define and discuss the digital transformation and its consequences for societies and corporations, as well as how corporations cope with digitalisation inside and outside the boardroom.

Furthermore, they examine and discuss accountabilities and competencies for boards and board members in the digital era. Their chapter concludes with an analysis of the different layers where digitalisation and the digital transformation of society may influence boards and governance.

To conclude, the different contributions in this volume clearly show the complexity and multiplicity of contexts in which boards work and operate, and they also indicate how board members interact with and influence their contexts. These studies encourage us to promote board accountability, question the relative position of the companies in society and reconsider governance from a multiple context, multi-actor perspective. *What a firm stands for* is the focal question that has to be reassessed by the boards, executives, businesses, scholars and society. Consequently, it is imperative to understand how and which contextual forces shape board missions.

In this respect, we believe that the volume can contribute to our emphasis on the importance of context-rich descriptions and analyses and provide inspiration for greater sensitivity to context in future studies of boards of directors. As such, it is our hope that this edited volume will find a wide audience of both researchers and practitioners interested in the manifold dimensions and facets of context surrounding boards of directors.

NOTE

* Our names appear in alphabetical order on this chapter as well as on the edited volume to reflect joint work and equal authorship.

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