THE NATURE AND INFLUENCE OF INFORMATION QUALITY AND INFORMATION ASYMMETRY ON DECISION-MAKING BY UK CORPORATE BOARDS OF DIRECTORS

by

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Abstract

This thesis is about decision-making by a corporation's board of directors - the core function of corporate governance.

Under UK corporate governance control frameworks, corporate boards accept collective responsibility for the quality of decision-making processes and the consequences.

This thesis develops a conceptual framework that provides a nuanced definition and typology of the functions of corporate governance, and an inter-related typology of the information used in corporate governance decision-making.

Using this conceptual framework and typology, this thesis explores the use of information in its role as the key resource for corporate board decision-making.

Through quantitative and qualitative research, it is demonstrated that the purpose and quality of a director's information, and its use in decision-making and consequential risk-taking, is individual and variable to each director, despite the assumption of collective endeavours inherent in contemporary control frameworks.

This thesis also demonstrates that, in general, non-executive directors accept and utilise lower quality information than the information accepted and utilised by executive directors. Therefore non-executive directors make lower quality, riskier decisions which are not sufficiently mitigated by the corporation.

Based on the research undertaken, this thesis introduces a new theory of how corporate executive director agency works in practice.

Key words: Information quality, information asymmetry, agency, corporate governance, risk-taking, decision-making, corporate boards of directors, board performance.

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PREFACE

P.1 Introduction

Corporate governance is about decision-making (Bezemer, Nicholson, and Pugliese, 2018). Decision-making is excluding or including options for a course of action based on an assessment of available information about such options, and their potential consequences (March, 1994). The decision-makers select an option they believe best suits their needs and their contingent environment (Crow, Lockhart and Lewis, 2013). Decision-making is most appropriately viewed as a process, not an event.

Information is the key variable resource used by decision-makers (March, 1994). When used in complex contingent environments such as those experienced within corporate governance, information is very unlikely to be perfect in its qualities indeed it is rarely so (Lima, Costa, Cruz, Cruz and Nevis, 2011). At the outset, these information qualities are broadly characterised in this thesis as;

Presentation – the look, feel, format, and structure of the information

Accessibility – the ease of which users obtain, store, and re-access the information

Scope – the extent to which the information covers the factors relevant to the information

Accuracy – the factual quality of the information

Timeliness – the extent to which the information reflects the current status of the factors to which it relates

Other definitions of information qualities will be explored further in Chapter Two. It is reasonable to assume that the more commercial and entrepreneurial the situation in which a decision is being made, the less perfect the information becomes as the variability of the inputs, processes, and potential consequences increases. This is particularly the case when potential consequences play out far into the future, or when significant market uncertainty is a feature.

In the context of a corporation's board, information is typically asymmetrical in that it is not fully and evenly distributed amongst the directors of the corporation. The starting point of this asymmetry is the variability in individual director's experience, skills, knowledge, and cognitive abilities, amongst other factors. Add in an individual director's availability of time, proximity, character, and professionalism, and there are fertile conditions for information asymmetries.

As individuals, and as actors in decision-making, directors are likely to expect, tolerate, exploit, and at times, create information asymmetries (Lightfoot and Wisniewski, 2014). When a director is on the right side of an information asymmetry, believing their information to have higher qualities, it works in their favour since, provided they effectively exploit the asymmetry, they will have an opportunity to better promote their preferences or negotiate better terms for a transaction involving a counter-party they perceive to have inferior quality information. This may well include other directors on the same corporate board.

As well as measurable information qualities, (defined previously here as presentation, accessibility, scope, accuracy, and timeliness), that directors have available to them, other differences between information users emerge, including their motivations. Here, timely recognition and actions to fully and rationally exploit

information quality, including where an information asymmetry exists, cannot be assumed since the decision process and individual directors' motivations can vary because they are not typically rewarded in the same way, at the same time, or to the same personal extent. In addition to this market-based view of information and its exploitation, information asymmetry can exist through a lack of compatibility between the decision process participants. These incompatibilities can be derived from culture, gender, comparative or absolute economic strength or weakness, and status. As a consequence of both motivation and compatibility, when decision process participants believe their information qualities are less than those of a counter-party or other participant, they may act to lessen the information asymmetry by; increasing the qualities of their information, minimising the adverse impact of the information asymmetry by adopting tactics such as those that disguise the information asymmetry, seeking alternative options, or by withdrawing from the decision-making partially or entirely (Akerloff, 1970).

What an individual does within a corporate governance environment will vary but may depend on both their contemporary internal motivations relating to the decision-making in-hand and also their more deep-rooted personal motivations derived from their character and culture. The extent to which an individual acts as part of a group, the corporation's board in this context, is dependent on the group's dynamics and the effectiveness of the prevailing control frameworks in counteracting, and moderating a director's personal motivations. These frameworks formulate and regulate the roles of the board chairperson and other officers of the corporation (Kakabadse and Kakabadse, 2008, Bezemer *et al*., 2018). Consequently, at the outset, the quality of corporate governance would seem to be an interaction between individual and group motivations and

behaviours, with information quality being a central influencing factor in the process and outcome.

P.2 Motivations for undertaking this thesis – question marks over corporate governance

In many ways, it could be argued that corporate governance, as a distinct practice and role, is failing across multiple corporate measures and against wider external social criteria. As explored in greater detail in Chapter Two, these apparent failings could be expressed through the lack of a clear and sustained link between generalised views of corporate governance and corporate performance (Le Blanc and Gillies, 2005; McNulty, Florackis and Ormrod, 2012; Mueller, 2014). It could be expressed through the lack of data to associate a preferred defined configuration of corporate board structure, composition, and leadership model to board and corporate performance (Elsayed, 2011; McNulty *et al.,* 2012). Overall, corporate governance failure can be expressed through the association of the failure and underperformance of corporations that did conform to proscribed "best practice" as defined and championed by various corporate governance control frameworks, (a recent example of which is Carillion plc).

Given the question marks over the form, structure, and intended benefit of corporate boards, the highest level general question being inferred in this thesis is, in some ways, *what are corporate boards for if they are not reliably able to point to a compelling and sustained evidence base for their role in minimising corporate risk and in maximising corporate reward?.* This is a very broad question to ask in a

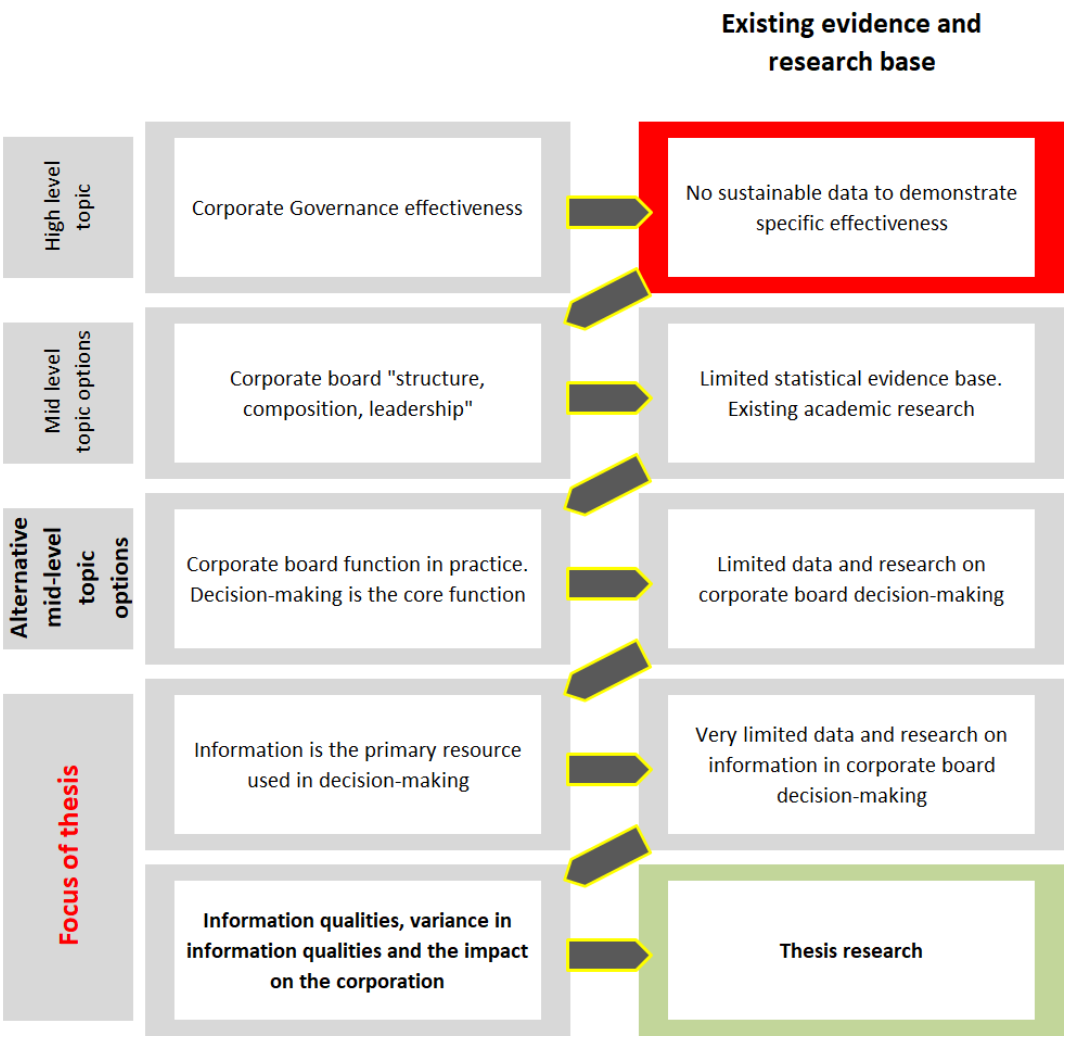
thesis because it is one with significant complexity crossing multiple areas of research and academic disciplines. Therefore, in this thesis, signifying questions and answers are sought to act in the role of adding to the understanding of the topic, and to use to reliably point towards credible conclusions. Figure 1 illustrates the process of abstraction of the specific questions and problems that were researched for this thesis. The process of abstraction started with a conventional view of corporate governance and then contrasted this with the evidence base to demonstrate its effectiveness. As noted previously, the evidence base of corporate board effectiveness is limited. Therefore a deviation from conventional thinking on corporate governance quickly arises and leads to the thesis research questions and outputs.

P.3 A specific problem worth looking at

Information asymmetry is an omnipresent factor in decision-making. In our personal lives, the impacts and outcomes of our management of information asymmetries are largely borne individually over time, or carried by a limited family unit. In the context of a corporate board, the impacts and outcomes of information asymmetries are borne by the corporation at multiple levels, including specific implications for the board of directors. In most instances, including theoretically all those that occur within the legal operation of a corporation, the board of directors has collective responsibility for the impacts and outcome of the decisions the corporate board makes. The corporation's current board also adopts the impacts and outcomes for the previous decisions made by preceding boards and directors. This implies that individuals on a corporation's board of directors take

responsibility for how other individuals - their fellow directors, (current and past) – carry out their duties, including decision-making in contexts where information asymmetries exist.

Figure 1. Process of thesis topic abstraction (author's own model)



Where boards of directors are equipped with information to meet their known requirements, using familiar information, such as management accounts and pre-formatted governance reports, information asymmetries are more readily recognised and subsequently minimised in terms of their dimensions and scope

and in their impacts and outcomes. Where boards of directors are exposed to new information which is acquired, processed, and presented for newly emerged, emerging, or *ad hoc* purposes, the situation seems different. Here, information asymmetries are more common but harder to recognise and subsequently manage because participants are less familiar with the extent and complexity of the situation the information applies to and so are less able to assess any gaps. Where boards of directors use existing information they have accumulated outside the board decision-making process, information asymmetries are further obscured so their mitigation and management are a greater challenge still. In complex corporate board decision-making, all three information configurations are likely to co-exist and be mixed to a lesser or greater extent within each decision-making process. Information is embedded in a complex but imperfect description of decision-making (Lima *et al*, 2011).

It is often assumed in typical discourse that a corporation's directors collectively rely on each other to diligently mitigate and manage their own information asymmetries because they are aware of the scope and impact of such information asymmetries and of the collective benefits of resolving information asymmetries. This assumption is a cornerstone of the prevailing corporate governance control frameworks which feature joint and several liabilities for all directors. The extent to which this diligence is practiced is a research focus of this thesis. The degree of trust a corporation director places in other directors and on the corporation's control frameworks would seem to be significant given the collective responsibility for decision outcomes, and the apparent risk of adverse outcomes. Even if all corporate directors do indeed diligently mitigate and manage their own information asymmetries, it would on the face of it seem unlikely that all

directors would fully mitigate and manage all information asymmetries to a point where any potential impact and outcome is negligible. This would require corporate directors to be aware of all of the information asymmetries in a particular context, including the “unknown unknowns” and those that are for some reason, kept from them – intentionally or otherwise. It may, in the extreme, require some form of certification or testing to ensure that a corporation director’s knowledge of a particular context is sufficient in its scope and quality. This seems unlikely.

As a consequence, a dynamic arises where a group of corporate directors are making decisions with consequences that are borne collectively but do so knowing that as individuals they have information that differs in its qualities. This implies that they are making different assessments of the risks involved, or that they assess the risk to be limited in impact to themselves personally.

P.4 What are the aims of this thesis?

The aims of this thesis are described in detail in Chapter One - Introduction. However, an overarching aim is to crack open a corner of the “black box” (Le Blanc and Gillies, 2005; Aguilera, Judge and Terjesen, 2018; Bezemer *et al.*, 2018) of corporate governance as practiced in the boardrooms of large UK corporations. Although such corporations are the primary focus group, the thesis aims to be useful for a wide range of participants in the general field of corporate governance, and also where executive / non-executive board and similar leadership structures exist, such as in major projects and programmes, major institutions, and other large organisations.

P.5 Why does the “black box” of corporate governance exist?

P.5.1 Unwillingness of participants to discuss information asymmetries

In the context of corporations used in this thesis, corporate directors become corporate directors by being professionally successful as managers and then raising up through the ranks. Within most corporate hierarchies, the “director” designation and status is the highest within the corporation and, consequently, typically provides the highest rewards for post-holders performing a management role. The tangible rewards and benefits for being a director include enhanced remuneration and better terms and conditions including job security through longer notice of contract termination periods. Intangible rewards and benefits include an enhanced professional and social status, greater public profile, and improved career opportunities. Performing an executive director role can also be a gateway to non-executive director positions, either whilst working as an executive director within another company, after retirement, or as part of a portfolio career. The benefits of a particular director position will typically vary depending on the market’s valuation of an individual’s skills and experience, and the scale of the corporation. Consequently, there is a benefit to corporate directors in minimising factors that would reduce the value of their skills and experience, (as there is in the general working population). If a director admitted to being ill-equipped to perform their duties, such as being on the wrong side of information asymmetries,

or at least being perceived to have been, this would have the effect of reducing their value in the market for the corporate director services they could provide. In addition, to avoid being seen to be on the wrong side of an information asymmetry, it would seem likely that a director would also act to preserve the market value of being on the right side of an information asymmetry by avoiding reducing the amount of information they held over others in the same market, including fellow directors on the same corporate boards. This dynamic is played out in adverts for the recruitment of both executive and non-executive directors where the desirability of "networks" is noted. A director that actively spread their "network" would level information and so diminish their comparative value in the market for directors. So for individuals at least, networks of directors are fine, as long as they create opportunities to exploit beneficial information asymmetries.

P.5.2 Confidentiality – real or otherwise

Within corporate board meetings, there is an assumption and practice of confidentiality, particularly when disclosing board meeting actions to external parties. This arises from legal restrictions on, for example, the discussion of market sensitive information. Confidentiality issues may also arise from contractual and ethical restrictions, such as those preventing the disclosure of commercially sensitive information. There is no legal requirement to minute everything that is said in a board meeting, although arguably, this could be good practice. There is a legal requirement to minute *"all proceedings at meetings of its directors"* as stated in the Companies Act 2006, Section 248 (House of Commons, 2006). The act uses the term proceedings – i.e. the actions and events – not the deliberations that surrounded the proceeding or the processes that led to the

actions and events. There is a legal requirement to record technical details about a board meeting, such as when, where, the attendance, and whether a quorum requirement was met. There is also a legal requirement to record decisions taken at board meetings as part of the record of the proceedings of the meeting. This leaves a significant void in the record as there is no requirement to record the contribution made by each director or attendee, or the deliberations of the board. Whilst a narrative could be constructed from supporting documents, this is a secondary evidence trail. For example, familiar information, which is typically pre-formatted, could be submitted on a regular basis by the finance director. This could safely be described as a person specific contribution in that it contains information that the finance director has validated and provides to the board as part of the finance director's contracted executive role. However, this is not the case with a non-executive director's contribution to a board meeting which are often very limited because non-executive directors have no operational or managerial role. Moreover, non-executive director contributions are unlikely to be proactive in nature. Instead, these contributions are likely to be reactive, made after a non-executive director has reviewed and questioned information, be it in a familiar or new format. Consequently, contributions made to board discussions are often *ad hoc* and so problematic to record, abridge, code, classify, and research. In any case, it is not possible to record the existence of an unknown thing, in this case the lack of information leading to an information asymmetry, which may only be apparent if declared by a participant or uncovered subsequently, for example in the event of a significant adverse outcome prompting an enquiry. It has been claimed that these adverse conditions could be unfixable (Tian, 2014). Moreover

many aspects and mechanisms of information asymmetry in practice appear hard to research and explain (Abdel-Rahim and Stevens, 2018).

We are therefore left with a commonplace scenario where information asymmetries exist in a regulatory environment that facilitates the information asymmetry by not requiring full disclosure. Furthermore, despite the potential benefits to the board of directors and the corporation, it is not in the interest of the directors to admit to adverse information asymmetries as it may expose the corporation and individuals to stakeholder actions to compensate stakeholders for poor performance that is arguably the outcome of unmitigated or undiscovered information asymmetries.

It should be noted at this point that, due to the dominance of the “black box” view of corporate governance research, a subjectivist viewpoint was adopted in the early stages of this research (Hatch, 1997). This viewpoint created the need to design research that allowed research participants to discuss aspects of their behaviour as corporate directors that was not typically researched but would give two outcomes – quantitative data that clearly indicated information quality variances across boards of directors that could be associated with distinct reasons for such a variance, and specific next stage questions for qualitative research to enrich the quantitative data. This two stage research process was intended to deliver both a statistical foundation and nuanced insight.

P.6 Who might benefit from a solution to this problem?

P.6.1 Practitioners

The objective of this thesis is to explore conditions that promote better decision-making. This implies that the primary beneficiaries will be those that make decisions using an improved process, i.e. directors. However, as recognised in the thesis title, the decision-making processes in the context being researched relate to the board and so are collective across the board of directors and the corporation.

P.6.2 Owners and investors

A secondary group of beneficiaries could be formed around investors and providers of debt and other providers of at risk resources to corporations. This group of beneficiaries presently relies on lagging indicators to price the resources they provide to a corporation. These lagging indicators include; historic profits, historic top-line margins, historic returns on capital, dividends, growth, and dividend cover. The decisions made by the board, which led to executive actions, are manifest by their consequences, not by the processes that were undertaken during the decision's making. This means that the decision and its consequences are often disassociated from one another. The quality of the implementation by executive directors and managers plays a part; the external market place and competitor actions will also have complex effects. Other calls on the corporation's resources, which emerge after the board decision, will also influence the consequences. These factors relate to risk and risk assessments undertaken, or not, during the decision-making process. These factors are obscured from timely scrutiny by investors and providers of credit. For investors, particularly equity investors in public companies, these indicators are very often external in that they reference publicly available information.

P.6.3 Regulators

As will be explored later in greater detail in Chapter Two, it is not unreasonable to note that corporate governance, in the UK at least, is having a difficult period. Indeed, to some extent it is presently soul searching. The 2018 examination by the House of Commons Business, Energy and Industrial Strategy and Work and Pensions Committees in to the demise of Carillion plc has placed a wide range of corporate governance actors, processes, and frameworks under a spotlight. Alarmingly the report into Carillion plc noted that the UK's corporate governance control frameworks - the

"internal and external checks and balances"……"these all failed"

These control frameworks included the threat of legal action against the directors personally as well as against the corporation. Given the level of oversight into its activities, it could reasonably be concluded that with the right conditions and participants, if it can happen at Carillion plc, it could happen anywhere.

Therefore, a third group of beneficiaries could be formed around regulators of corporations and their boards of directors. A recent example of such a regulator would be The Pension Regulator during its dealings relating to the BHS plc corporate failure. At present, actions taken by regulators appear to be reactive or even culturally reflexive (Veldmen and Willmot, 2016). In many respects this is appropriate as markets, risks, and structures that require some form of regulation, emerge as commercial environments change over time. This is reflected in a time line of events and corresponding regulation which is explored later in this thesis in Chapter Two. The role of regulators is not always to be proactive. It is to be informed, contemporary, and timely in whatever actions they do take. Centred

around the role of information quality, this thesis could form the basis for a view of regulatory frameworks that relate to the way corporate boards select members, induct members, manage information, discuss and process decisions, manage implementation, and monitor consequences. Indeed research indicates that variable information quality as externally disclosed is a feature of corporations (Xing and Yan, 2019).

As previously mentioned, corporate governance is enduring a difficult period in the UK. When tested by the stresses of competitive forces or poor corporate management, or both, corporate governance, as specified by external control frameworks, is often found wanting. This has led to a situation where the whole topic and practice is starting to be pushed away by those charged with its theoretical conceptualisation and its practical proscription. As each high-profile corporate governance failure plays out in the press and in enquiries, the reaction is collective head-scratching as to how socially and financially impactful failures go on occurring. Outright criminality is typically not the issue. What is the issue, is an amalgam of laxness, grey areas of roles and responsibilities, weaknesses in frameworks, gaps, and a simplistic view of what is a complex problem.

CHAPTER ONE – THESIS FOUNDATION

1.1 Chapter introduction

This thesis explores the nature and effects of information quality on decision-making and risk-taking by corporate boards of directors. In this exploration, this thesis concentrates on imbalances and differences in the quality of information experienced and utilised by members of groups where the consequences, and associated risks inherent in the group's actions, including decision-making, are shared equally amongst the members. This is the case with the shared liabilities experienced by directors of corporations. The context of study is primarily the boards of directors of mid to large UK corporations with unitary boards of directors comprised of executive and non-executive directors. Therefore, a broad topic of this thesis is that of corporate governance.

Although the legal entity of a corporation is common to businesses of a much smaller scale, corporations are viewed commonly as a specific model of organization; typically a large, profit-seeking business constituted using recognised, common control frameworks which are both internally and externally regulated. This typical organizational model creates a requirement, on the part of the corporation, to control its activities, manage its assets, and maintain its relationships in ways specifically relevant to this organizational model. The corporation's control frameworks include an expectation that a corporation has a board of directors which is constituted, structured, and empowered in a certain way (although, it should be noted, there is no legal requirement to do so within the UK). Consequently, in this thesis and in the operating context it discusses,

“corporation” is not a general descriptor interchangeable with “firm” or “business”. As will be explored in further detail in Chapter Two – Literature Review Defining Corporations section, in most cases, corporations are the steady-state, legally defined entity at or towards the end of a maturation and institutionalisation process with development stages that may include; an entrepreneurial idea, a formal constitution, an operational start-up, growth phases, external capital raising events, perhaps acquiring other businesses or divesting of operating assets, diversifying the shareholder base, perhaps becoming a public company, and inevitably gaining, as it matures, an increasingly wide set of stakeholders, including statutory regulators. Since these stages of the corporation’s development bring with them increasing complexity, diversity, and risk, they shape the corporation’s governance.

1.2 Overall aim of this thesis

The overall aim of this thesis is to increase the understanding of the conditions, processes, actions, and resources that influence decision-making by corporate boards of directors. Following a review of the extant literature, this overall aim has been achieved through:

- hypothesis development,
- mixed method research to validate the hypothesis,
- development of a new theory to explain how decision-making in the context of this thesis happens in a way that increases the agency of executive directors and general risk to the corporation.

1.3 Objectives of this thesis – moving on from the "what" to the "how"

In order to achieve the overall aim of this thesis, it was necessary to reliably demonstrate specific features of conditions, processes, actions, and resources at work within the boardroom. This specificity was needed in order to avoid the thesis adding to the general research on boards which, as will be explored further, is often inconclusive, difficult to replicate, and oversimplified in order to make up for the lack of granularity.

Therefore, the objectives of this thesis are to isolate a universal factor in decision-making – information – and to explore its use and influence in decision-making. As information is ubiquitous in decision-making and is used by all decision-makers in all decisions, the research undertaken for this thesis has been able to move forward from generalisations and on to specific and reliable research outputs. Having isolated information and its role, this thesis uses this factor to achieve a further objective in pursuit of the overall thesis aim by exploring in greater detail, the control, use and misuse of information by decision participants. This objective is achieved within the context of a new way of explaining the functions of corporate governance developed for this thesis which is explored in the section 1.6 of this chapter.

1.4 Research questions – the "how"

The generalised research questions ask broad questions:

- Do asymmetries of information exist amongst participants within corporate boards and, if so, what are their prevalence, cause, and nature?
- What is the influence of asymmetrical information's on risk-taking behaviour by individuals within corporate boards?

Figure 2. Transition from the "what" to the "how" of the topic

Overall aim		Increase the understanding of the conditions, processes, actions, and resources that influence decision-making by corporate boards of directors.
Objectives	**What ?**	Demonstrate specific features of the conditions, processes, actions, and resources at work within the boardroom.
		Demonstrate divergence in the conditions and behaviours of two specific populations of actors within the boardroom.
	to	
Research Questions	**How ?**	How is information quality understood by different actors in the corporate boards decision-making process ?
		How does information quality relate to information asymmetry ?
		How do information quality and information asymmetry influence decision-making ?
Adds to the knowledge of		The nature and influence of information quality and information asymmetry on decision-making by UK corporate boards of directors.

In order to provide the granularity needed, specific research questions are shown in summary Figure 2 as a transition from the “what” to the “how” to the added knowledge encapsulated in the thesis title. This transition is explored further in both the literature review in Chapter Two and in Chapter Four on research design and methodology.

This thesis has a central hypothesis with two supporting hypothesis condition assumptions. The central hypothesis is that the two main conditional typologies (relating to corporate governance type and information type) provide the conditions for increasingly impactful information asymmetries that benefit executive directors and create conditions of greater risk for the corporation.

This thesis has two hypotheses condition assumptions that are tested through the research undertaken. The first hypothesis condition assumption is that corporate boards of directors do not act as single coordinated group when making decisions. The second hypothesis condition assumption is that corporate governance control frameworks do not adequately control the actions of directors. This thesis aims to provide specific rather than generalised outputs. As a consequence, the first hypothesis condition assumption is demonstrated by contrasting two the conditions and behaviours of two distinct populations within corporate boards of directors. The first hypothesis condition assumption provided the scope to establish descriptions of propositions of the prevalent conditions and behaviours. The second hypothesis condition assumption is demonstrated by exploring the conditions and behaviours of the two populations in relation to the intended influence of the conditions and behaviours implied or stated by corporate governance control frameworks. The second hypothesis condition assumption provided the scope for the specific research outputs.

1.5 Research background

In many respects, corporate governance is a straightforward activity with an established definition in law. The UK's Companies Act 2006, Section 172 (House of Commons, 2006), states that:

> *"A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members (shareholders) as a whole, and in doing so have regard (amongst other matters) to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company."*

To simplify the legal definition, a director of a corporation is required to act in a fair and balanced way with regard to the broad interests of the shareholders and the corporation's wider stakeholders, and in relation to a span of time-frames including the long-term. What this means in practice depends upon the prevailing and anticipated circumstances, not just within the corporation but also within wide and complex commercial and social contexts. Because of the application of the law in practice, very quickly, the waters get muddied. The UK Corporate Governance Code 2016 (Financial Reporting Council, 2016) states that:

> *"The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company."*

Already, there is an apparent dilution of aspiration from “must act” in the Companies Act 2006 to the softer, vaguer and altogether more accommodating “can deliver” in the UK Corporate Governance Code. In practice, there is a drifting apart of the fulfilment of the legal requirements of being a director of a corporation and adherence or conformity to a code that is intended to foster good governance of the corporation.

Basic administrative corporate governance is, in the main, legally defined within generic control frameworks external to the corporation. Essentially this means ensuring that the corporation conforms to the legal requirements of being legally incorporated, paying tax, selling safe and legal products, and employing people on statutory terms and conditions amongst many other functions. Beyond that, corporate governance which aims to promote the corporation’s commercial success alongside legal compliance is much less well defined, as will be explored in Chapter Two.

Good corporate governance, well performed, relies upon directors doing the right thing all the time, both individually and collectively. The “right thing” is complex, multifaceted, and of variable construction built with reference to internal, external, regulatory, societal, institutional, and numerous other frameworks broadly forming “welfare capitalism” (Chizema and Buck, 2006). Inevitably, these frameworks require those employed to perform corporate governance that encompasses and balances the needs of multiple constituencies. In highly matured markets such as the U.K., it is no longer practical that corporations are run as old-school profit maximisers as defined by “stockholder capitalism” (Chizema and Buck, 2006). By default, technical corporate governance control frameworks move the corporation towards welfare capitalist model. For example,

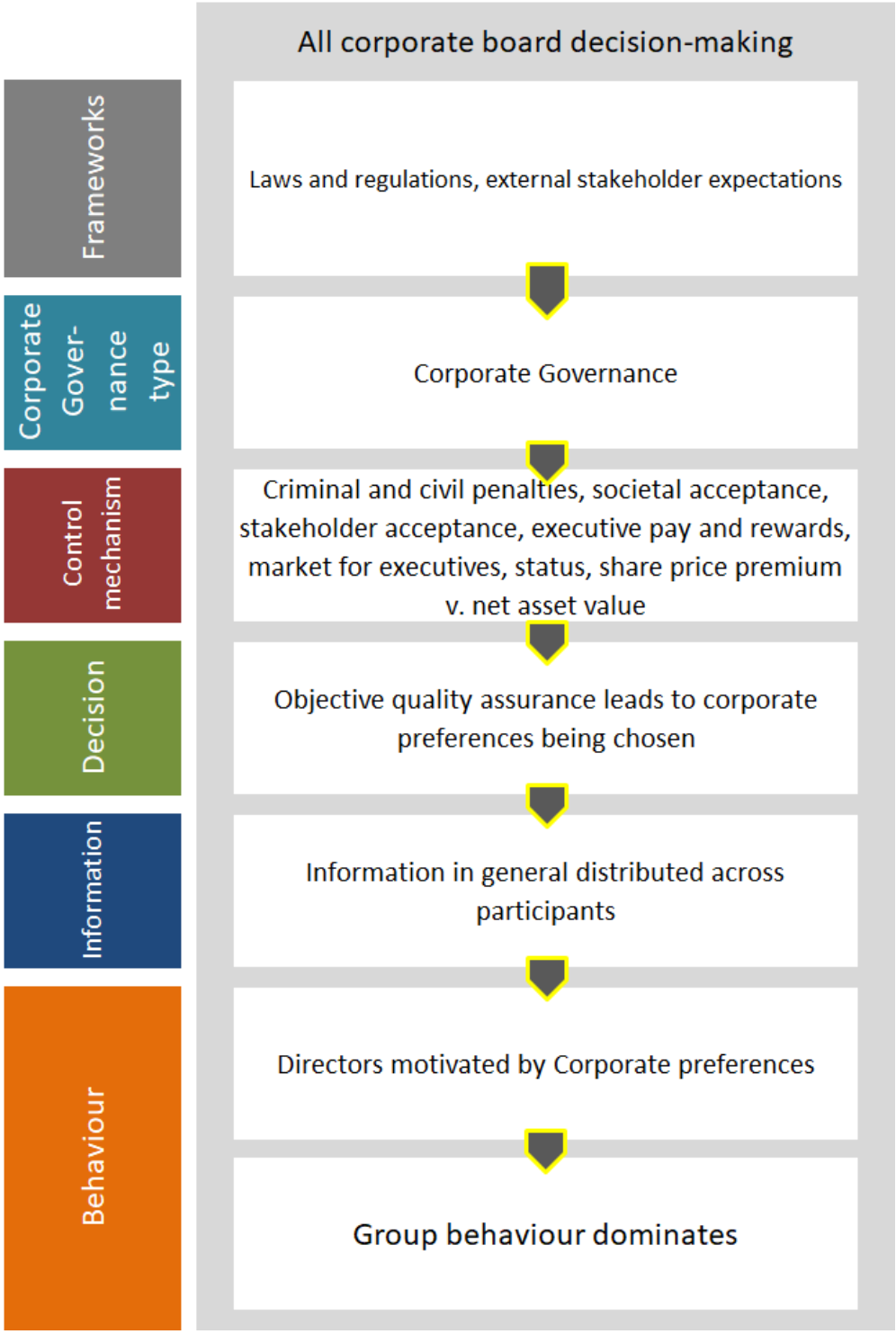
corporations have, by law, to pay the minimum wage and auto-enrol eligible employees in to a pension scheme. Many corporations go further with living wage commitments and higher levels of pensions and other non-statutory benefits as they are required to by non-legal external control frameworks such as societal pressure and the job market.

Depending on the location, history, scale, scope, ownership, and capital structure of a corporation, a long and seemingly ever-growing roster of stakeholders will have an interest in the processes and consequences of corporate governance. These stakeholders may range from the obvious and visible, such as shareholders and employees, through customers, creditors, pensioners, and suppliers, to regulators and *de facto* underwriters of corporate outcomes, such as pension safety nets, the state, and ultimately the tax payer.

To this point, we accept a functional and linear view of corporate governance, (largely undertaken through a succession of decision-making processes), as a collective action taken by the corporation's board of directors with corporate preferences, derived from the corporation's aspirations, resources, and needs as the dominant guide. This is also the conditions under which we expect that group behaviours amongst directors are engendered (Fama and Jensen, 1983). This functional and linear view is shown in Figure 3. In Figure 3, the "frameworks" are set externally and are known, or are at least openly available to all participants. The function and form of "corporate governance" is taken as a uniform action with no distinction as to the type of corporate governance action being undertaken. The "decision" is viewed as being predominantly objective and therefore market based, (Stagner, 1969; Dixon, 2003). As a component of the functional and linear view, "information" is assumed to be of the same qualities in

depth, content, and accessibility to all participants. The functional and linear view of corporate governance is challenged in this thesis.

Figure 3. Functional and linear view of corporate governance undertaken through decision-making, (author's own model)



1.6 A conceptual framework exploring two sub-sets of corporate governance

As explored in the previous chapter section, the prevailing view of corporate governance is questionable. This is because the main activity of corporate governance, that of decision-making, is presently typically regarded as being a functional and linear process which is illustrated in Figure 3. Consequently, it is argued in this thesis that in popular discourse, technical analysis, and in academic study, corporate governance tends to be conglomerated into one broad action which, it is hypothesised here, acts to overly simplify the process. Despite corporations being long-standing, stable entities central to the success of western developed economies, academics are still able to state that little is known about how they really work at the highest decision-making level (Le Blanc and Gillies, 2005). As will be explored in this thesis, it is argued that the oversimplification of what corporate governance is in practice has led many theorists, commentators, and regulators to a standstill in terms of how to improve stakeholder outcomes. There is an enduring gap in the extant literature (Stevenson and Radin, 2015).

To move on from this oversimplification it is argued in this thesis that, in practice, corporate governance can be broken down in to two distinct types of activity. The first type is, broadly, ensuring that the corporation being governed "complies". This means that the corporation complies with its legal obligations, its societal obligations, that it systematically protects itself from the risk of non-commercial harm, such as accidents and fraud, and that it minimises the impacts of negative consequences of known commercial risks where the timescale and consequence of the impacts are quantifiable. Commercial risk mitigation could

include, for example, the hedging of significant input costs or ensuring the availability of working capital. These actions can be described in this thesis as a subset of corporate governance as a whole and are labelled here as “technical corporate governance”. Technical corporate governance is, in the main, controlled within a set of external frameworks set by regulators, legislators, and society, with proscribed actions, timetables, and outputs with defined parameters, contents, and formats. If adhered to, the corporation may operate under the radar of many stakeholders year-in-year-out. Routine scrutiny may take place, for example, in relation to the submission of corporate accounts, statements, and tax returns. For corporations, routine scrutiny is matched closely to the known technical requirements of the relevant frameworks. Unless the corporation is engaged in high risk activities, limited proactive scrutiny will take place without the stimulus of an adverse event. In undertaking technical corporate governance, the corporation is subservient and, in the main, passive in relation to the formation of the external frameworks.

Another set of actions are those undertaken to enhance the business performance of the corporation. These actions include those to: facilitate the design and development of new products, allocate resources to invest in capacity, open new channels to market, form strategic commercial partnerships, and market the brands and products of the corporation. At the same time, actions could include those taken to reduce activities and capital allocation when market forces act against the corporation, or on occasions when actions taken with the expectation of a projected positive consequence have not delivered the intended consequences. This second subset of corporate governance is labelled in this thesis as “commercial corporate governance”. This governance subset has been

touched on before in general terms and identified as the main area of persistent risk to corporations (Cutting, 2000). Institutional governance (Kakabadse, Khan, N., and Kakabadse, N., 2016) is akin to technical corporate governance whilst commercial corporate governance is akin to pursuing investor value. This thesis treats the two types of corporate governance as functionally distinct).

In contrast to technical corporate governance, commercial corporate governance is, in both theory and practice, a self-regulating activity - at least at the point at which it is carried out. Ultimately, the market mechanism regulates commercial corporate governance through rewards and penalties for the various outcomes that relate to commercial corporate governance actions. This would hold true for corporations of any size. For the vast majority of corporations – i.e. those without external and or public shareholders - there is limited oversight of commercial corporate governance. Within such corporations, which span a wide range of corporation sizes, there is a close and continuous process of commercial corporate governance occurring, occasionally without the use of the overt organizational structures and frameworks found in publically owned corporations. It is simply the owners, or their appointed agents, undertaking business management actions.

Occasionally, events may occur that require a corporation to act proactively. These events could include a change in a control framework, or the introduction of a new control framework. Events could require a corporation to react to a failure or omission in their compliance regimes, such as an industrial accident, an occurrence of corruption, or other criminal activity within the corporation, by the corporation, on an external party, or perpetrated against the corporation. When these events occur, the external frameworks may require the

corporation to handover, normally temporarily, some functions of technical corporate governance as proscribed courses of action are followed. This may include criminal prosecution, civil lawsuits, *ad hoc* oversight by regulators, and interventions by stakeholders including shareholders. Overall, the objectives of these actions are to stabilise the situation and return the corporation to a compliant state as specified by the external control framework.

For public corporations and large corporations, (the focus of this thesis), whilst many outputs and actions of commercial corporate governance are visible and measurable, insight to the processes that took place to deliver the actions is limited, particularly during the period that the processes of commercial corporate governance were undertaken. What insight there is, often significantly lags the events because the timescales required to report on commercial corporate governance activities, such that they are, are often significantly after the events they relate to. There are exceptions to this for example where disclosure is required concerning actions and events that may require stakeholder approval. Such events could include mergers, acquisitions, disposals, business unit closures, and other actions and events that materially risk stakeholder interests. Increasingly, new product launches that feature technologies and business practices require new, amended, or updated legislation so are signalled to the markets whilst the commercial corporate governance is being enacted. An example of this is the development and testing of autonomous vehicles for use on public roads. Commercial corporate governance in relation to these types of new product category is played out in public because legislation, part of the external control framework, requires societal justification as well as commercial justification.

Whilst executives of public and large corporations often attempt to create positive narratives about commercial corporate governance actions to portray their corporations in a positive way, there is no legal requirement to do so, unlike technical corporate governance actions. Where executives seek to associate commercial corporate governance actions with positive commercial outcomes, they do so in a pool of broad environmental factors such as the markets, economic conditions, and competitor actions. The result is that, for many corporations, there is often a limited provable connection between commercial corporate governance and corporate long-term performance, (Le Blanc and Gillies, 2005; McNulty *et al.*, 2012; Mueller, 2014).

Whilst in post, it is in the interest of a board of directors to champion positive outcomes and to closely associate their own actions with these positive outcomes by creating a narrative of causation. At other times, the same boards of directors will minimize their role in negative outcomes through the disassociation of their commercial corporate governance from such negative outcomes. In these instances, cause is no longer inferred - it is now correlation, coincidence, bad timing, or some other ill fortune. Where insight is provided, for example, through statutory reporting requirements or listed stock exchange filings, the cause-to-correlation-to-coincidence continuum may still feature. This is the circumstance that creates and maintains the “black box” of corporate governance, particularly as it relates to commercial corporate governance. There is no requirement to explain either what happened, or the process involved of the soft governance of board processes (Veldsman, 2012).

The lack of insight, particularly timely insight that goes a long way in forming the “black box”, is legitimate in many instances. Corporations have a right

to exploit some secrecy to create and then maintain competitive advantages. The corporation's plans, inventions, objectives, strategies, weaknesses, and many other features, should be protected from scrutiny as the corporate board seeks to configure resources and formulate actions that best protect the corporation from commercial risks, and to maximise its commercial rewards. Provided this secrecy is not unduly exploited and that, in particularly, one set of stakeholders' interests are not illegitimately positioned above another, then there is limited downside that could be corrected by the corporation being forced to "open up".

Those directly active in corporate governance, the directors, place themselves at risk, or rather have had risk placed upon them by successive external control frameworks. Where action-to-outcome cause can be established, they are exposed to being penalised for performance failure. Additionally, technical corporate governance failure can also be established by the absence of effective actions relating to specific areas of responsibility such as health and safety, bribery and corruption, and reporting in line with statutory requirements.

Directors can act to protect the corporations they govern and, in turn themselves, by exploiting control measures aimed at minimising the risks inherent within the technical corporate governance function. They may contract out some functions to professional service providers, such as auditors. Indeed, for corporations, contracting out some functions is a requirement of the external control framework. They may attempt to distance themselves by instituting internal policies and controls that push risks down into the corporation. They may create organizational structures that attempt to ring-fence risk in lower level entities therefore limiting exposure to higher level entities. They may create ownership structures in jurisdictions that afford more protection to, often, a limited number of

stakeholders. The extent to which actions undertaken to limit risk to the corporation and its directors endure is limited by those who instigate and maintain external control frameworks.

As will be examined in Chapter Two, the evolution of corporations as distinct entities, and the external control frameworks that allow their existence, (particularly as they relate to technical corporate governance), variously play leapfrog and cat-and-mouse with each other. In general, control frameworks in the UK can be regarded as permissive in that they tend to allow actions until they are shown to be generally detrimental. This type of control framework development requires an evidence base that is acceptable to, or at least tolerated by, the dominant stakeholders. Dominance amongst a group of stakeholders may change over time and will often reflect wider prevailing political and social cultures. As examples, the tonality and conduct of the various and numerous parliamentary hearings into the Royal Bank of Scotland taxpayer bailout (House of Commons, 2012) and the BHS plc collapse (House of Commons, 2016) which saw previously feted corporate directors dragged low by enquirers often exploiting popular anger rather than actual infringements of an external control framework. Consequently, UK control frameworks relating to corporate governance mainly focus on technical corporate governance actions as these pertain to decisions and outcomes that are directly supported by a near-to-objective evidence base. Typically, the evidence base is built up over time and results in a technical requirement that is recognised and agreed as being appropriate. For example, frameworks that relate to a corporation's formation as a legally entity and the corporations subsequent administration including frameworks relating to corporate administration, ownership, debts, and tax affairs. These frameworks are ubiquitous, proven to be

effective, and when they require updating, limited opposition is present as the evidence-base is accepted. Other frameworks may depend on the complexity of the business, its scale, and its ownership structure. A large, publically owned corporation will have regulated audits and high levels of statutory reporting, amongst other regulated functions.

Often, these regulations can be viewed as a rolling, evolving reaction to series of negative events played out over time – typically high-profile corporate governance failures. When a corporation is seen to be failing, stakeholders legitimately seek to protect their interests - typically, the larger the corporation, the longer the list of substantial stakeholders. The more abrupt the failure process, the deeper the exposure of stakeholders, caught out by their inability to manage down their risk and exposure before the failure crystallizes in a negative form beyond their direct control. This spiral often creates a political impetus to act. Regulators, often prompted by the media or instructed by politicians, act to regulate more vigorously using the frameworks they already have or may request new or amended frameworks.

The challenge legislators and regulators face lies in pinning down clear reasons to act that are supported by an evidence base. Absent clear and well documented insights into commercial corporate governance actions or inactions that may have led to heightened risks and ultimately to a corporate failure, legislators and regulators often turn to increased technical corporate governance measures. Regulators seem to conclude that more technical corporate governance will reduce risk irrespective of the origins of the risk event that caused the corporate failure. Through this process, and over time, adherence to technical corporate governance requirements becomes *de facto* good corporate

governance overall. As a result, diligent and effective technical corporate governance is assumed to be the prerequisite for good commercial corporate governance. Culturally, this could be the case. It would seem unlikely that an organisation that dutifully adhered to all the requirements for its commercial corporate governance would play fast-and-loose with its technical corporate governance. However, the same cannot be said of the reverse position. At the death, the technical corporate governance of BHS plc was questionable. However, prior to this it was by and large a well run corporation when measured against technical corporate governance criteria. The commercial corporate governance failures of BHS plc would seem to go back years. These were not the focus of the HMG Parliamentary enquiry which instead positioned evidence of technical corporate governance failing as being largely representative of all aspects of corporate governance failure.

As previously discussed, the processes of corporate board decision-making have been under-research in general. This is largely because the environment in which decisions are made, a board meeting in a board room, is shielded from view by the aforementioned legitimate privacy that corporations enjoy, and by the lack of any legal requirements to document or publish much of the decision-making process. These core reasons can be added to by; internal corporate rules, the real and perceived needs for commercial secrecy, and, absent any requirement to do so, a general unwillingness by participants to voluntarily expose themselves, and their actions to external scrutiny. This leaves stakeholders and other interested parties such as academics with a blind spot when seeking to assess the consequences of corporate board decision-making because specific outcomes are not clearly associated to specific decision-making processes that may have led to

them (Tian, 2014). Stakeholders and other interested parties are often left to place decisions to consequences within a coincidence / correlation / causation and outcome matrix with one axis variously being elapsed time / changing conditions / competitor actions, plus many more, and another axis of corporate actions as the result of proactive / reactive decisions and inaction.

1.7 The role and nature of information

Central to the process of decision-making is the information used by directors (Floridi, 2013). Information can be visualised as a wide array spread around the director. Some of the information array is designed to meet the needs of a regular governance function, for example, to monitor the performance of on-going activities or to approve an audit function. This type of information is typically provided by the corporation to its board of directors in a format designed by the corporation to meet known requirements often controlled by external frameworks. Occasionally, new situations will emerge from the contingent environment that requires new information to be provided by the corporation to its board of directors. Other elements of the information array are information sets derived from previous experiences a director may have had or has obtained from sources other than the corporation. Such elements of information can be *ad hoc*, selective, and variable. Across these three information types is a range of inputs, computations, and formats whose compilers will attempt to balance the needs of the users against their ability to produce information of acceptable quality within a suitable timeframe. The way in which a director processes information may vary, as will the ways in which each director triangulates, supplements, and discusses

information (Dixon, 2003). The ways in which directors share and exchange information may also vary (Malenko, 2014). For many reasons explored in this thesis, the variability of information, information cognition, and information distribution are problematic across a set of measures which result in greater risk.

1.8 Research design and methodology - summary

This thesis adopted a mixed method research design as explored in detail in Chapter Four.

A significant challenge in expanding the understanding of decision-making and risk-taking in the context of corporate board of directors is the lack of a general requirement to record and disclose much of the information and participant behaviours that frame and support decision-making and consequential risk-taking. In other words, the behavioural dynamics of the board, and of individual directors, are not easily observable. A characteristic that gives rise to the “black box” of corporate governance (Le Blanc and Gillies, 2005)

Given this stubborn challenge, this thesis sought solutions to this issue by isolating circumstances and behaviours that reliably indicate the existence of relevant variability amongst directors on corporation boards. These variables relate to the quality of information used by directors, and their behaviours when utilising information in decision-making including how directors responded to and coped with information asymmetries. To achieve this aim, discrete and obscured circumstances, conditions, and behaviours needed to be associated with specific types of participants. Whereas a corporate board of directors is legally a single

unit, participants are readily classified as being either an “executive director” (one who has an operational role within the corporations) or a “non-executive director” (one who does not have an operational role within the corporation). This distinction goes beyond an operational role description of directors. It indicates membership of sub-groups, networks, view points, and also reflects other distinct characteristics that are potentially influential in the decision-making process, including information quality. Once demonstrated, the variability in information quality indicates that one group of directors, non-executive directors, takes more risks in their decision-making which undermines the overall quality of the corporation boards decision-making.

A quantitative survey was used to explore characteristics of two groups of directors participating in the survey, (executive and non-executive directors). The survey explored their actions, inactions, and attitudes to aspects of the information they used when decision-making whilst being a member of a corporate board of directors. For example, the survey explored the actions the directors undertook or did not undertake to rectify perceived deficiencies with the quality of their information, and the channels and resources they had available to them to do so. In addition, the survey explored their experiences of decision-making and consequential risk-taking when they suspected information was sub-optimal. Following on from the survey, the research used semi-structured interviews with practitioners to explore some of the survey themes in order to provide rich contextualization and to provide a further basis for the thesis conclusions, initial thoughts on further research, recommendations, and subsequent theory building.

1.9 The structure of this thesis

Following on from the introduction in this chapter, the chapters and content of this thesis are organised as follows. Chapters typically starts with a chapter introduction which outlines the topics and content of the chapter and concludes with a chapter summary which highlights key chapter contents and describes links to the next chapter.

Chapter Two – Literature review

This chapter provides a summary of the literature relating to the corporations as the specific environment of this thesis. The chapter goes on to explore corporate governance in the UK as the control framework for corporations in doing so describing the intended specific behaviours of corporation boards of directors. Their decision-making is then explored with a focus on information as the main resource used.

Chapter Three – Development of propositions and hypothesis

This chapter explores information asymmetry and then goes on to develop propositions.

Chapter Four - Research design and methodology

This chapter describes the research employed in this thesis to close the gaps in the knowledge and to build towards a theoretical basis to move from the “what” to the “how” of the research topic.

Chapter Five – Stage 1 Quantitative survey results

This chapter covers the quantitative research undertaken in this thesis. In this stage of the thesis is it established that there are significant differences in the information qualities utilised by executive and non-executive directors. In addition, it is established that non-executive directors will make decisions based on information they consider as being of lower quality than they would choose. This, in turn, increases the risk to corporations. This chapter is summarised with interim conclusions which were taken forward as the focus of development in the qualitative analysis research described in Chapter Six.

Chapter Six – Stage 2 Qualitative research results

This chapter covers the qualitative research undertaken in this thesis. Conclusions and themes from the quantitative stage formed the basis for semi-structured interviews with practitioners. The interviewees provided colour, context, and nuance to the research in particular in relation to the specific types of governance and information used.

Chapter Seven – Quantitative and qualitative research conclusions

This chapter provides a consolidated summary of the quantitative and qualitative research.

Chapter Eight – Theory Building - How executive agency works in practice

Building on the research undertaken in the thesis and wider literature, this chapter presents a new theory of how executive agency may work in practice within corporations with executive and non-executive directors.

Chapter Nine – Discussion, conclusions, and reflections

This chapter reviews the main research findings and conclusion and goes on to explore limitations, further research prompted by the research conclusions, initial suggestions for new corporate governance control frameworks, and an engagement strategy overview. This final section encompasses some reflections on the thesis research and personal reflections on the topic. In addition, a post script on recent developments is also given as a closing section.

CHAPTER TWO – LITERATURE REVIEW

2.1 Chapter introduction

This chapter explores the extant literature, background, and other salient aspects and commentary of the thesis aims, research objectives, propositions, research questions and hypothesis. In doing so, this chapter explores a broad range of cultural and historic conditions in order to provide a critical basis for the development of this thesis' perspectives on the act of corporate governance, and for an explanation as to why there is a limited extant literature on the detailed processes of corporate governance. Each chapter section ends with a review of relevant gaps in the extant literature and a review of the sections direct relevance to the aims of this thesis. This chapter is structure as follows:

Defining Corporations. This section explores the history and specific characteristics of UK corporations which goes beyond generic descriptions of businesses in general. This is regarded as important as this thesis is ethnographic in nature and so explores specific behaviours in specific environments. Therefore, a detailed explanation of the specific environment is required.

Corporate Governance. This section explores the evolution of UK corporate governance framework including the philosophy of corporate governance. This section centres of the conditions that temper specific behaviours by corporate governance actors.

Corporation Boards of Directors. This section focuses on the purpose, structure and social characteristics that corporate governance is undertaken

within. Aspects such as groups, rewards, social position and identity are explored in order to fully detail both the environment and the behavioural influences relevant to this thesis.

Decision-making. This section explores the literature as it relates to the role and processes of decision-making in general and also in the specific environment of corporate governance. Decision-making is regarded as the primary function of boards of directors. However, the extant literature is in many ways limited to the “what” not the “how” of corporate governance and consequently to decision-making also.

Information. This section describes the limited extant literature relating to the key resource used in decision-making – information.

Summary.

Figure 4 summarises the main gaps in the literature in relation to the research objectives and research questions. This summary section highlights that overall the literature relating to this thesis is generalised and very often theoretical. This means that there are many recognised gaps in the literature. It is beyond the scope of this thesis to fill all the gaps instead the thesis addresses a specific environment and specific behaviour. This is revisited in relation to this thesis in Figure 28.

Figure 4. Gaps in the literature in relation to the research objectives and research questions

	RO 1. Demonstrate specific features of the conditions, processes, actions, and resources at work within the boardroom.	RO 2. Demonstrate divergence in the conditions and behaviours of two specific populations of actors within the boardroom.	RQ 1. How is information quality understood by different actors in the corporate boards decision-making process ?	RQ 2. How does information quality relate to information asymmetry ?	RQ 3. How do information quality and information asymmetry influence decision-making ?
Corporations	Lack of focus on corporations as a specific configuration of business				
Corporate governance	Lack of detail of corporations governance evolution	Lack of detail of corporations governance within the control framework for actors			
Corporation boards of directors	Lack of detail of directors actions in the specific environment	Lack of detail of directors actions in relation to their specific social position			
Decision-making	Lack of detail on specific environment and specific behaviours				
Information	Lack of detail on specific environment and specific behaviours				

2.2.1 Defining Corporations – section introduction

This chapter section is the starting point of the narrative of this thesis since it explores the "host" environment of the behaviours, actions, outcomes, and issues that are the broad scope of this thesis. Corporations are explored at two levels. The first level of exploration is that of a set of simple core characteristics of

entities where, it is argued, corporation-like entities have existed for thousands of years. The relevance, which will be expanded upon, is that these core characteristics give rise to powerful and deep-rooted cultural and social control frameworks within which contemporary corporations act. The second level of exploration is specific to the characteristics of modern corporations within the UK because these characteristics engender control frameworks and operating conditions relevant to this thesis.

2.2.2 A History of UK Corporations

It is not the purpose of this section to explore, in detail, the history of corporations prior to the evolution and setting of the characteristics and frameworks that relate to corporations as we see them today. However, it is worthwhile exploring some of the general conditions that apply to corporations in order to establish an understanding of the cultural and social environment that influences views on, and the operation of, modern corporations.

The literature typically focuses on profit seeking businesses as we popularly recognise them today. Whilst this can be a useful focusing approach, this viewpoint can act to compress and constrain consideration of the cultural and social history of the corporation and therefore excludes the development of important aspects of the control frameworks that are applicable to this thesis. Consequently, this thesis takes an approach that focuses on a wave of regulatory activity in the mid nineteenth century that established, by and large, modern corporations. The literature often focuses on public corporations as these are both more easily researchable and higher profile allowing large but private corporations

to avoid being encompassed by much of the discussion on contemporary corporate governance (Meager, 2017).

A corporate entity can be understood as an artificial construct that has influence and control independent of those that manage it and/or own it. This influence and control is created because the entity has assets and rights ascribed to it by state institutions expressed as laws. The institutionalised ownership of assets and rights, whether by an individual or any other entity, requires two conditions that prevail for periods of time greater than the typical lifespan of the individuals that own the entity. The first prevailing condition is that the owning entity can prove and defend its ownership of its assets and rights through civil means as opposed to martial means. Martial ownership is merely grasping, which is proven, time and time again, to be unsustainable. If necessary, civil rights are sued for within a recognised and controlled state supported framework which allows for; laws and those that practice the law, courts and other venues in which to practice the law, and an effective mechanism for enforcing the outcome of any legal process. The second prevailing condition is that if one entity owns an asset or right, another cannot own the same asset or right. This means scarcity which, assuming a functioning market for the asset type exists, leads to excess value. These two prevailing conditions have existed for thousands of years and have evolved into many functioning variants in diverse economies and states. Today, as it always has, where these prevailing conditions are undermined through weak control frameworks, any excess value soon ebbs away within the market, or the assets are moved to markets where their value can be maintained and then realised.

Independent assets and rights could have been inherited by the present owner, such as through a family estate, noble title, or guild membership. They could be the lands, buildings, and rights of a religious organization. To sustain their assets and rights over time the entity, and therefore its owner, has a task to produce enough surplus of income over outgoings to maintain the productivity and market relevance of the assets and rights. Again, as with ownership, producing a surplus has to be civilly achieved since to do so uncivilly eventually becomes unsustainable, (as with monopolies or “price gouging”). The ability of the entity to produce a surplus is governed by complex cultural and social interplays as will be explored further in Section 3 – Corporate Governance). Over time, these cultural and social interplays crystallise into recognisable frameworks that facilitate, and then balance, civil ownership of assets and rights and the legitimate production of a surplus from that ownership - the origin of corporate governance.

This thesis focuses on larger corporations domiciled in the UK. This section defines these corporations using relevant characteristics and features in order to distinguish them from other business and commercial structures. This process of defining corporations relates directly to the control frameworks corporations operate within and, consequently, their governance.

2.2.3 The purpose of corporations

This thesis is focused on corporate governance in the UK where a shareholder-oriented system of control frameworks and culture prevails. In this context, corporations are typically formed with a specific commercial, profit-seeking purpose in mind which is formally agreed between high level stakeholders internally at the outset of the corporation’s formation, and then moderated

externally as the corporation brings products and services to its target markets. This commercial purpose is reflected in the corporation's internal rules and regulations, which are framed within statutory limitations. The corporation's commercial purpose acts as a guide to managers to pursue enabling actions, form asset allocation strategies, and to chart appropriate operational courses. The corporation's rules, and other control frameworks, such as employment and service contracts, limit the scope of managers in doing what they please once they have secured capital and the authority to deploy it. Over time, the purpose of the corporation may change or become diversified as the corporation grows and / or the market forces change upon it. As this happens, the rules of the corporation would be amended and updated accordingly.

Where a vacuum or vagueness of stated commercial purpose occurs, or a dispute amongst stakeholders arises, implicitly, the overriding purpose of the corporation is to seek a cash surplus from its activities. After taxes are paid, an appropriate part of the cash surplus is passed out of the corporation, typically as dividends, to become new wealth for the shareholders. Absent any other forms of compensation or benefit, ownership of corporations, in whole or in part, is generally considered to be an investment since the inflation adjusted value of accumulated dividends plus the eventual sale value of the share of the corporation is intended to be greater than the shareholder's investment. Consequently, the commercial, profit seeking purpose of the corporation and the investment aims of its shareholders are aligned by default.

2.2.4 Ownership of corporations

The ownership of corporations is established and demonstrated through the ownership of shares in the corporation. In essence, when first issued, sold, and purchased, shares are a receipt that proves a defined portion of a corporation has been acquired by a commensurate subscription having been paid to the corporation. The share's owner is recorded in a register maintained by the corporation. The share is a defined portion of the corporation as a whole, not a share in any specific asset or liability of the corporation. Typically, the subscription paid is an equity investment that comes with primary rights to rewards and influences over the corporation, but with commensurate risks. The number of shares in a corporation is limited by internal agreement which acts to protect investors, absent any agreement to the contrary, from having their portion of the corporation sold again, and therefore diluted, (for example, by more shares being issued and sold). Consequently, the value of the shares is the value of the corporation, real and perceived, divided by the number of shares allowed under the corporation's rules. Typically, the value of a shareholder's investment, and therefore their risk, is the number of shares they own multiplied by the value per share. Each share of a given share type is of the same value and has the same rights. Consequently, actions that influence the value of a share influence all shareholders of the same share, in the same way, in proportion to the number of shares they own.

This form of corporate ownership, and its method for calculating per share value, facilitates liquidity to be introduced in the ownership of corporations because the owners of shares can buy and sell shares in corporations rather than whole corporations or specific assets or liabilities of a corporation. This liquidity first creates, and then opens up, a market for shares to the benefit of a wide range

of people seeking investment funds and returns on funds invested. Markets such as these require timely, accessible, and accurate information with which to assess values and risks. Where there are public exchanges for shares with liquidity, such corporations allow for the pricing of risk in a market for investments as shareholders can exit or enter an investment with limited transactional costs.

2.2.5 Control of corporations

As well as being receipts representing ownership of a portion of a corporation and a right to some economic benefits that go with that ownership, shares carry rights that their owners can exercise to give them a portion of control of the corporation. These rights vary and are typically internally agreed control frameworks stated in a corporation's rules. Although controlling powers to act for the corporation may be passed on to managers, ownership of shares allows shareholders to recall or amend controlling powers. Absent any other rights or shareholder agreement, control is typically exercised on a majority basis. Consequently, the more shares a shareholder owns, the more control they have. Some corporations issue shares with limited or no control rights. In this context and thesis, these shares are regarded as investments because shareholders knowingly give up control normally in return for an improved return or preferential treatment, often in the form of priority access to distributable profits, over ordinary shareholders.

2.2.6 The corporation as a standalone entity

A corporation is legally distinct from its owners. It is owned by its shareholders at arm's length through the issuing and buying of shares. It has its own assets and liabilities, which are not mixed with those of its owners. It has a distinct purpose separate from that of its owners, although they may share common objectives, such as making a profit. Although limited by the law, the market, its resources, and by what shareholders who control the corporation instruct its managers to do, a corporation is a mature and standalone entity.

2.2.7 The directorate function of the corporation

To manage this mature and standalone entity, shareholders appoint directors. The primary role of the director is to manage the corporate entity by making decisions that relate to the use of the corporation's resources in order to achieve its agreed commercial purpose. Directors may have a secondary role as an executive of the corporation. In this role, they act as managers to carry out specific instructions from the board of directors or, in general, to manage the business within agreed boundaries. In performing the director function, all directors, whether they are executives of the corporation or not, legally take on responsibility for the actions and behaviours of the corporation including its adherence to laws. The corporation's assets and liabilities are ring-fenced from those of its directors. Directors are typically rewarded as employees of, or as service providers to, the corporation.

2.2.8 Separation of corporation ownership and corporation control

An important feature of the corporation as defined here, is the separation of ownership and control. As a consequence of growth, scale, age, and capital requirements, at some point many corporations seek to raise capital, create ownership liquidity, or share risk. In doing so the original owners sell shares which introduces multiple new owners who are often diversified from the original owners. A corporation which starts with one or a small numbers of owners, over time, may have dozens, hundreds, or many more. In turn, these owners may own shares in more than one corporation. The corporation will at some point want or need managers, appointed as directors, who are not owners, (at least not to any significant extent). In doing so, ownership and control are separated from each other functionally, physically, and temporally. In addition, rewards and outcomes for owners and directors diverge and risk becoming misaligned, for example, capital growth over time through the retention of profits versus the payment of wages and bonuses to directors and other staff now. The distancing of ownership from control has been a significant feature within UK corporations since the 1930s and became fully established in the 1950s (Cheffins, 2001). At this point the risk of agency (Akerloff, 1970) occurs where directors are able, through their formalised control of corporate resources and the delegation of executive power to them, to configure their roles to best suit themselves and to steer the corporation towards selecting the director's decision preferences. The separation of ownership and control and the risk of agency has been a feature of many of the corporate governance failures that have acted to shape the controlling frameworks for corporations as they stand today. As previously mentioned, these frameworks are

typically reactive with regulators seemingly ignoring the predictions of agency theorists as to the probable outcome of giving directors too much control particularly when they do not have meaningful investments directly at risk if the corporation fails. The challenge of agency is present across large organizations with diverse ownership (Benz and Frey, 2007) suggesting it is an outcome of core human behaviour as much corporate environments. Agency can be carried out in open if the agent can deflect disparate owners from the risk by substituting another form of control framework in place of direct shareholder control (Okhmatovskiy and David, 2012). With many large corporations, there is a temptation and increasingly the methods to disperse functions of the organization to locations where the control framework best suits the organization (Chizema and Buck, 2006).

The converse argument may also be true. If directors are significant shareholders, they may act with too little agency and not take risks or other actions that are necessary so avoiding conflict and short-term pain (Fama and Jensen, 1983; Paniagua, Rivelles and Sapena, 2018).

2.2.9 Limited liability for owners of shares in corporations

Having established purpose, ownership, control, self-determination, maturity, and a directorate function, owners of shares in corporations have a benefit which compensates them for what they give up when letting go of direct control and, in most cases, full ownership of their investment. Owners of shares in corporations are protected from the liabilities of the corporation, in the event of business failure or other economic risks, up to the value of their equity investment.

This is the case for all shareholders and extends to shareholding directors of the corporation, provided they perform their duties as directors within the control frameworks, particularly the law. Non-shareholding directors enjoy the same protections.

The limiting of the risk of loss to the value of the shares owned is balanced by the tempering of the reward. Corporations are taxed as standalone entities. Therefore, owners pay two forms of income tax on the profits their corporation's make – once, (indirectly), within the corporation, and again, directly, if the profits are paid out as dividends. Paying dividends acts to convert corporate assets into personal assets, on which personal income taxation is typically levied. Absent any other agreement, unencumbered assets of the corporation can be seized to pay any corporate debt.

In many respects, the existence of the limited liability corporation, and its inherent ability to shield shareholders from personal responsibility for the debts and liabilities of the corporation, is the first and most powerful dilution of the potential influence of any corporate governance framework in that it gets shareholders off the hook for poor commercial performance, or worse, beyond the loss of the shareholders' equity at least.

Directors take on the risk of the loss of limited liability. In serious cases of poor corporate governance, so poor they become demonstrably negligent, UK law, and that of many other jurisdictions, can act to limit the ability of directors to shield themselves from the liabilities of the corporations they govern. In practice, this is hard to prove and rarely done.

Entities with the characteristics outlined in the this section – owned through shares, with limited liability, with clear separation of ownership and control, professionally managed by directors, mature, and standalone - have existed in the UK since 1856 with the advent of the Joint Stock Companies Act of 1856. This was the keystone parliamentary act in a series of acts that formed the control framework that specifies the characteristics corporations take today. Prior to this time, business owners were not able to reliably create mechanisms to ring-fence their personal assets and activities from their business assets and activities. Until the Joint Stock Companies Act of 1844, the ownership of businesses entities had been largely by means of association. Corporations could have hundreds of members which, without limited liability at that time, made the management of liabilities and the resolution of disputes cumbersome as claimants and litigants would need to sue each member as an individual. The Joint Stock Companies Act of 1844 was introduced to regulate the membership, by way of a register of the company share ownership. The members still had unlimited liability. Those most able to pay, and to be brought to court, bore more risk than others. However, the act established a process whereby the first call on the capital of the company was backed by the company calling upon its shareholders for any unpaid portion of the share subscription cost. This is part of the control framework in place today. Hansard's LXXV (1844) records Mr Gladstone stating a general benefit to companies and society of the act in;

"subjecting them to general inspection, and providing

for their constitution and regulation".

The Limited Liability Act of 1855 capped the liability of shareholders to the amount they had agreed to subscribe. However, shareholders could be held directly liable to creditors for this amount. This broke the process whereby an individual shareholder could be held liable for the liabilities of the whole corporation. The act restricted this benefit to companies with 25 or more members. Hansard's CXXXIX (1855) records that the matter of a limited liability act had been debated in Parliament for over 20 years. The parliamentary debate pointed out that £ 320 million, (c. £ 24 billion at 2018 values), of global infrastructure investment had been made with limited liability for the shareholders via the route of using a private member's bill or "Board of Trade" granted exemption. Both methods of creating limited liability were "objectionable", (Hansard CXXXIX, 1855), in that they created unnecessary steps and barriers for most enterprises. The parliamentary debate also claimed that unlimited liability, in the extreme, was impractical to enforce by most creditors against most debtors.

The Joint Stock Companies Act of 1856 establishes the format of corporations largely as we see them today. For groups of seven or more members, it became an administratively simple process to register and subsequently administer a company. Limited liability is enjoyed by shareholders up to the subscription amount of the shares they owned. The substantial difference today is that the number of members is reduced to one as a minimum and is without limit. According to Hansard CXLI (1856), the act moved quickly through parliamentary stages due to the widespread public support for the unfettering of commercial activities to repair and stimulate the economy at the end of the Crimean War.

The period 1844 – 1856 shows rapid development and maturation after a period of recovery from earlier experiences of impersonal capitalism including asset bubbles and “wild commercial enterprise” (Hansard CXLI, 1856). Social development occurred through the extension of privileges long-held by the Crown and Crown sponsored agencies to common, self-appointed people. Until this time, Parliament, or rather the social class that populated it, often sought to control the benefits of commerce for national and personal benefit. Cultural development occurred through the use of corporate debt, credit, and associated acceptance of risk. Legal development occurred through the consolidation of the existence of entities which had rights and responsibilities of their own. As an early adopter of the modern form of the corporation, as a capital intensive, industrialised economy, and as a trading nation, the UK’s century and half of stable control frameworks has resulted in a robust supporting mechanism of corporate governance stakeholders with vested interests in its wellbeing.

The debates and reasoning behind this period of rapid change exist because of a number of factors. The United Kingdom was at war in the Crimea. Proponents of the Limited Liability Act of 1855 and Joint Stock Companies Act of 1856 argued that reducing restrictions on commerce was in the nation’s interest. Another factor was a natural unwinding of the Bubble Act of 1720 which sought to more tightly control the participation of the general population in commercial investment by restricting the formation of unchartered joint stock companies, i.e. those beyond the control of Parliament. A feature of the events surrounding share “bubbles” of the early eighteenth century was widespread corruption and malpractice within Parliament, the state apparatus, and by directors of companies. This included the

misuse of capital raised from shareholders for one purpose being used for another distinctly different purpose.

2.2.10 The impact of corporations

Although legally no different to “companies” as defined in law, corporations as defined here for the purposes of this thesis are a specific type of commercial entity. Typically, corporations configure, and subsequently manage, their resources to facilitate scale - both operationally and as controllers of assets. Consequently, in developed markets, limited liability corporations, with multiple shares, with exercisable control rights attached to each share, are the dominant entity type for commercial profit seeking entities of scale. They have directors who often have a proportionately small or no shareholding. The corporation’s existence often outlives those who originally set it up. A corporation’s dominant shareholders can come and go because, often, they can buy and sell all or part of their shareholding.

Corporations are the focus of media and political attention when things go wrong. They are a major constituent of the stored wealth of pension investors and so also attract added scrutiny. Consequently, corporations as defined here, are the entity type that has become the focus of much of the development of control frameworks. This is recognised in many of the control frameworks that ratchet up as generic limited companies become larger, more complex and morph into corporations.

2.2.11 Section summary

Corporations balance the needs of society, and owners, and potentially, the agency of directors within control frameworks that, in the UK, can be viewed as being broadly shareholder-oriented as share-holder value is entrenched in the societal view of corporations (Jensen and Meckling, 1976). Society needs owners to have access to risk capital through regulated channels with the capital and risk controlled within a regulated control framework. Owners need to generate returns on their capital with suitable risks, rewards, security, and flexibility. Owners need access to resources to bring products and services to market, on which they can charge a margin leading to profits, on which tax is paid. Directors need to be both protected and controlled to achieve outcomes acceptable to society and owners. Whilst generic companies can do these things, it is argued here that only "corporations" can reliably do it at scale and over time.

2.2.12 Defining corporations - gaps in the extant literature

The literature relating to the history and evolution of corporations is generally well balanced. The gap in the literature is one of focus in that the literature tends to treat corporations as general profit seeking businesses (resulting in a lack of specificity). Although businesses mostly have profit as their primary purpose, this chapter section has described how corporations are distinct from the general population of businesses in the way they are formed and structured.

2.2.13 Defining corporations - relevance to the aims of this thesis

The section has detailed how the evolution of the typical corporation, their ownership through shares, their longevity, and their scale mean that corporations are typically managed by professional managers, i.e. are agents of the owners, with a clear separation between corporate ownership and corporate control.

Moving on from the description of corporations given in this section, the next section explores the governance of modern corporations in the UK from a theoretical and practical point of view and describes how corporate governance can be described as encompassing two distinct type of governance activity aimed at achieving technical or commercial objectives.

2.3.1 Corporate governance section introduction

This chapter section intended to position corporate governance within the context of this thesis and so relates the topic to larger, UK entities which typically have a commercial purpose, i.e. “corporations”. This section takes the definition of the corporation established in the previous section as its reference point. In summary, the corporation is defined here by its characteristics as:

- a commercial, profit seeking business,
- formally constituted,
- with shareholders,
- who have their liability limited to the value of the shares they have bought,
- that is controlled by ordinary shareholder’s votes,

- and is managed by a board of directors,
- who instruct executive directors to enact specific board decisions,
- and who authorise executive directors to carry out other non-specific management tasks within agreed boundaries.

As described in the previous section, these general characteristics have been stable features of large UK corporations since the mid-nineteenth century when a series of acts of the UK parliament formalised and enabled the formation and operation of corporations within a comprehensive and enduring legal framework. Consequently, these core characteristics guide the contents of this section on the governance of such corporations. However, as with defining corporations, it is worthwhile exploring the cultural and social history of corporate governance as, by and large, it is cultural and social aspects that define the end result, even where shareholder-oriented control frameworks prevail, as they do in the UK.

Corporate governance is an artificial construct with a real purpose. It reflects the broad needs and rights of the corporation as a standalone entity, and the needs and rights of a wide range of stakeholders in that corporation and in the corporation's actions. Corporate governance is a set of behaviours, mores, roles, and rules – a framework – intended to act as a control mechanism to regulate the often-conflicting forces influencing the actions of stakeholders (Du Plessis, Hargovan and Harris, 2018). Of particular relevance in this thesis is the role corporate governance is intended to play in regulating the actions of dominant directors. In common with most social control frameworks, corporate governance frameworks vary depending on their host societies because they tend to reflect, emulate, and enhance wider underlying characteristics and personalities of their host (Chizema and Buck, 2006). In common with the development of the legal

framework of the corporation, corporate governance frameworks often trace trends and cycles of prevailing political sentiment in their implementation, and the verve of the regulators. A commonly held view of the UK corporate governance framework is one of stepped progression towards the broad position we experience today (Arcot, Bruno and Faure-Grimaud, 2010). The narrative is that a succession of social events, market events, scandals, and other factors have led us to a higher ground where stakeholders are proportionately protected in relation to their risk. In fact, the multiple balances of power in the corporate governance frameworks have waxed and waned in their influence over the centuries. Consequently, although the base characteristics of corporations have been stable, corporate governance control frameworks have evolved and changed in their focus, sometimes significantly because of high-profile negative events such the Robert Maxwell scandal (Hansard 537, 1992) and, more recently, the collapse of BHS plc (House of Commons, 2016) and Carillion plc (House of Commons, 2018). This waxing and waning has a multinational dimension reflecting the global competition for capital and the attractiveness of permissive jurisdictions. Elements of the US corporate governance framework contained in the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act brought in after the financial crisis are now under scrutiny for being too restrictive and so hampering small banks (Bloomberg, 2018). Although only directly applicable to US banks, any relaxation will, after time, likely be extended to larger US banks and will then influence UK frameworks that relate to comparable UK banks.

As previously discussed, corporate governance frameworks are viewed as being an element of a wider set of controls which also conform to wider societal characteristics. Some of these controls are rooted in specific legislation, such as

laws that relate to health and safety at work, equality, employee welfare, and product quality. These frameworks straddle the internal to external interactions of the corporation through to the actions and behaviours of markets and end-customers. Other elements and controls are social in nature, such as gender balance, where social pressures exert influences on corporations over and above relevant legislation, and ethical investing in sectors such as armament manufacturing and tobacco, where the product is legal but a social framework may exert an influence over some corporate actions. The framework is not black and white – far from it in fact. It is nuanced and variable.

For the most part, corporate governance related behaviours and mores prevail irrespective of enterprise size, scope and purpose. A director's good behaviour is good behaviour irrespective of the size of the organization just as poor risk management is poor risk management. Where variances in corporate governance frameworks exist, these variances often relate to roles and rules that are typically influenced by ownership structures, organizational and business scale, operational and market scope, and the degree to which a corporation has external stakeholders with formal direct or indirect powers. An example is the additional oversight and reporting requirements experienced by corporations with listings on public stock exchanges which are in addition to the core set of oversight and reporting frameworks.

Corporate governance frameworks are shaped by the need to balance societal expectations with the requirements of entrepreneurs, managers, and investors. An ongoing example of this balance is the regulation of so-called "challenger" banks attempting to break into the market for retail financial services in the UK. The societal requirement for prudence and propriety creates an extended corporate

governance control framework that is counter-productive and may result in few start-up “challenger” businesses being formed due to the cost and time to become compliant.

The composite UK corporate governance framework (though not the high profile Financial Reporting Council Code), in the main applies to all corporations, both private and public. Much extant literature applies to listed companies and so describes and categorizes corporate governance features threw this lens. Buck and Shahrim, (2005) describe a market oriented corporate governance system, where an active market for corporate control acts as a mechanism for non-managing shareholders to influence managerial decision-making. This system does not apply to businesses in general since most businesses do not have independent shareholders however this thesis focuses of entities that often do, or who could is they chose to. For all corporations, the market oriented view seems to it simplify the control force equation by ignoring other factors that relate to the value of owning shares. For example, non-managing shareholders may tolerate poor corporate governance if the investment returns are better than alternatives with good corporate governance. The “market oriented” system also assumes that shareholders, particularly non-managing ones, have access to information with which to value corporate governance in practice, as opposed to merely in principal or by using lagging indicators such as annual accounts. It is therefore argued that the “market oriented” system of corporate governance is likely to be inefficient in most cases and ineffective in some cases.

2.3.2 The evolution of the UK corporate governance framework

The societal requirement to perform contracts, trade fairly, honour debts, maintain records for taxation purposes, and to record assets in general - all features and objectives of modern corporate governance frameworks – have long existed in written law. Kings, countries, and common people became bankrupt if their current liabilities became greater than their current assets. Dying didn't help you because your liabilities often became your beneficiary's problem. Weights and measures were formalised in English law in the Acts of the Witenagemot in the 10th Century. Amongst the stated purposes of the Doomsday Book of 1086 A.D was a tally of who owned what, what it was worth, and the potential for these newly assessed, catalogued, and valued assets to produce revenue through taxation. The main driver of this was to rein in the agency being displayed by the Norman barons who had only recently become the owners of the assets in questions. This is corporate governance, as we recognise it today, since it is both a form of control to counter act the agency of a group of managers, the barons, and a clear recognition of a corporate entity over and above the individual, in this case, the inheritable titles and estates of the nobility. Indeed, members of the nobility could and would be executed or otherwise punished for treason and other offences against the crown but their family titles and estates would live on. The Magna Carta of 1215 A.D. is, in effect, a corporate governance framework since it seeks to limit the executive power of a dominant executive – in this case King John. Interestingly, the Magna Carta also covers weights and measures.

"There shall be one measure of wine throughout our whole realm, and one measure of ale and one measure of corn—namely, the London quart"

In the 14th – 16th Centuries, at times the Crown abused its power to create monopolies through letters of patent which were granted in return for money and other privately held returns. Eventually, those excluded from these benefits, such as competing entrepreneurs, and those who paid the price, such as consumers of the commodities covered by the monopoly, would protest to a point where the monopoly was relaxed or broken up entirely. Eventually, the granting of such institutionalised abuses of power was restricted by parliament through the Statute of Monopolies Act of 1624. At the same time a balance occurs within the cultural and social framework because the Crown acted to restrict and break the powers of guilds and super-guilds. For example, Queen Elizabeth 1st acted against the Hanseatic League by expelling it from London in 1597.

The evolution of the UK corporate governance framework significantly predates the corporation as we typically recognise it today and as described in the previous section of this chapter. This pre-dating is not an arcane, incidental oddity. Much of this wider set of controls, of which specific corporate governance is an element, are dominant over, are more widely used, and are more powerful in law, than specific control frameworks that are aimed at those governing UK corporations. When a corporation fails to govern itself adequately, more powerful laws step in to rectify the issues, provide relief to the victims, and punish the transgressors than those typically regarded as being part of the corporate

governance framework. In the UK, for the most part, these frameworks are effective and rapid in getting technical corporate governance back on track. These frameworks include the ability of anyone, including those with access to limited legal resources, to quickly force corporations to perform contracts by using, amongst other channels, Trading Standards Offices, Citizens Advice Bureaus, and the “small claims” court system. Employment tribunals are powerful courts that give wide-ranging relief to employees, and occasionally employers, who have not been treated fairly. The Health and Safety Executive, Food Standards Agency and many others agencies, including Companies House, provide frameworks for proactive and reactive corporate governance functions. Many of these agencies and bodies have pioneered activities that we now take for granted as being part of good corporate governance, such as industrial safety and emissions control. The Equality Act 2010, which corporations often failed to fully act upon, is coming to the fore at present.

In jurisdictions where such control mechanisms do not exist, are weak, are inefficient, or are only available to those with significant resources and or political influence, societal frameworks, including corporate governance, are weak in comparison to jurisdictions where control mechanisms are strong. In short, the frameworks of effective corporate governance are symptomatic of effective wider societal frameworks.

On a continuum of mature, democratic jurisdiction’s corporate governance frameworks with a capitalist / shareholder pole at one end and communitarianist / stakeholder pole at the other, the corporate governance framework in the United Kingdom is often placed with that of the USA being biased in culture and practice towards the benefits of the corporation landing with the capitalist / shareholder. In

comparison to other dominant European economy frameworks, this is in some ways still true today. However, it is argued that the core of the UK corporate governance framework is the product of a pioneering, long-held and strongly communitarian ethos. Exemplars of this are “co-operatives” as overtly commercial and expansive endeavours, which first gained critical mass in the United Kingdom in the late 18th and 19th centuries. At the commercial end of the range of corporate governance actions, the U.K. likes to perceive itself as being akin to the strongly shareholder model of the USA. In reality, now it's more like the communitarian (Kakabadse and Kakadabse, 2008) model of continental Europe.

Significantly, the UK is a consciously mercantile nation and has been so for centuries. This builds a general awareness of corporate governance as a framework and subject of political and social focus. An example is the works of Charles Dickens, who, above all, was a commercial writer aiming at a wide audience, and whose references and frameworks were distinctly populist. In “Bleak House”, 1852-1853, Dickens satirised the workings of the Court of Chancery, through the civil case of “Jarndyce and Jarndyce”. Dickens could only use such themes because they were commonly recognised by the reader of popular literature.

Workers rights to association, worker and general education, health and safety, the provision of holidays, control of working hours, and many other progressive frameworks were not only adopted in the UK, but done so with widespread support, including by capitalists, often as the champions. The characterisation of the UK’s corporate governance framework as having a capitalist / shareholder bias is possible because we take its communitarian foundation as a given (Kakababse and Kakabadse, 2009). This may explain why

overly laissez faire corporate governance framework proposals find stony ground in the United Kingdom. It is argued that this condition is distinct from being stifling and overly intrusive even if it is at times when taken to the point of ridicule as in "Little Dorrit", 1855 – 1857. Dickens uses the seeming perversity of debtors' prisons as the central theme and creates the institution of the "Circumlocution Office" to symbolise sclerotic administration processes that seem stacked against the little man. UK corporate governance is "pedantic" but is also comprehensive and very well established, as least as far as technical corporate governance is concerned.

2.3.3 Specific, recognisable, corporate governance frameworks, in the UK and elsewhere, are late to the party.

There is a remarkably long gap between the emergence of the modern corporation, as defined in this section, and the development of associated and recognisable corporate governance frameworks whose specific purpose it is to promote the corporation, rather than to curtail any wayward behaviour by the directors of corporations. This is not because all was well with corporate governance in the period 1856 to around 1990, when action on corporate governance frameworks gathered wider public recognition with the commissioning of work such as the Cadbury Report which was published in 1992 (Committee on the Financial Aspects of Corporate Governance, 1992). The committee's chairman, Adrian Cadbury, noted in the report's introduction;

"….the continuing concern about standards of financial reporting and accountability, heightened by BCCI, Maxwell and the controversy over directors' pay, which has kept corporate governance in the public eye.

Unexpected though this attention may have been, it reflects a climate of opinion which accepts that changes are needed and it presents an opportunity to raise standards of which we should take full advantage".

Nor was it because the risk of poor corporate governance has only recently emerged. During the period 1856 to date, there has been a succession of acts of parliament, as well as formal and informal social frameworks that have intended to improve corporate governance as their primary or secondary objective.

Although outside the timeframe for modern corporations as defined in this thesis, the Reform Act of 1832 sought to improve representation of stakeholders and to curb institutionalised abuses of power which were widespread at the time. This act came in the midst of a succession of acts and social movements relating to corporate governance covering the employment of children, apprentices, "truck" wage systems, working hours amongst many others. These acts of parliament sought to extend statutory rights and obligations into employment contracts, largely for the benefit of employees. These statutory frameworks also acted to bring technical corporate governance up to the same level of the rights enjoyed by owners of businesses, such as property rights and the enforceability of contracts. A glance at the contents page of almost any volume of Hansard published in the nineteenth century shows the ongoing work undertaken to improve wide-ranging

aspects of technical corporate governance. This is the bedrock of corporate governance in the UK. This is, in the main, what occupies the time of directors of corporations.

The debate carries on, adapts and evolves. So called “platform” business models, such as “Deliveroo” and “Uber”, are going through truncated maturation processes as social frameworks, employment laws, and other frameworks adjust and update themselves to new business models. In some cases, platform businesses are now finding out that societal frameworks have local limits. What is acceptable in one jurisdiction is not in another. The use of “zero hours” contracts is another current example. The Finance Act of 2015 introduced a diverted profits tax to curtail abusive actions by corporations. These acts of parliament and societal frameworks are not typical viewed as “corporate governance”. However, they are emblematic of the control that is needed to counteract the excesses of entrepreneurs in their pursuit of profits for shareholders, and to ensure that tax and other social contributions are as fairly spread as is practical.

It should be noted that the workload of corporate governance frameworks is heavily skewed towards aspects of technical corporate governance. It would seem from the lack of legislation relating specifically to commercial corporate governance that one of three scenarios has evolved. The first scenario is that all is well with commercial corporate governance. This is not the case because businesses can and do fail and investors and other stakeholders can and do experience long-term underperformance. The second scenario is that it is simply harder to indentify behaviours and characteristics that engender better commercial performance and to then codify these behaviours and characteristics within control frameworks that deliver the intended outcome. By definition, in mature markets

with low growth, not all corporations can do well all the time. When one corporation achieves above average growth, another gives up some growth or even shrinks. However, despite an apparent inability to isolate commercial corporate governance and then control it, the closeness of the actions of technical corporate governance and commercial corporate governance are evident when there is a failure in one or the other. Technical corporate governance failures by BP PLC in managing the process risk at their operations in the Macondo Prospect and at Volkwagen Group AG in relation to the “Dieselgate” scandal will have lasting impacts on the options and outcomes for commercial corporate governance performance for decades. Equally, poor commercial corporate governance at BHS plc is manifest in later technical corporate governance failures. The third scenario is that corporations and their boards actively avoid attempts to expose their behaviours and actions to the constraints of more stringent control frameworks.

The general stance and approach taken by regulators over the centuries that the UK technical corporate governance framework has been recognisable is largely reactionary. This is a context common to much UK regulation. The UK technical corporate governance framework is predominantly “civil” in nature in that it relies mainly on civil controls as if transgressions are essentially contractual performance issues. Consequently, penalties for more serious transgressions start at a low base and are rarely significant in comparison to other “white collar” offences. Occasionally, the reactionary nature of UK technical corporate governance allows for a significant degree of flexibility and, on occasion, too much latitude on the part of corporations. Corporations can defer or stretch the timeframe for the implementation of many technical corporate governance

compliance actions on the basis that the penalty is low or that society at large is not demanding action.

2.3.4 Corporate governance philosophy

The previous sections of this chapter have described the practitioner's environment that overarches corporate governance in the UK, and dictates the internal and external control frameworks that boards of directors, regulators, and other stakeholders operate within. This chapter's next section provides a philosophical viewpoint to explore how the UK and other similar jurisdictions arrived at this point and explores reasons as to why the current control frameworks have endured when they seem, in many ways, to not work efficiently or have fallen behind moves to rebalance the focus of corporate endeavours towards more balanced and socially minded outcomes. In keeping with the general viewpoint of this thesis, the practical over-rides the philosophical.

Shareholder value is entrenched as the dominant principle of corporate governance (Jensen and Meckling, 1976). This dominance has its roots in a dogmatic viewpoint that assumes, with some justification, that it is inevitable that anyone who has control over resources that belong to someone else will, in some way, and to a lesser or greater extent, use those resources in a way that is not fully to the benefit of the owner (Berle and Means, 1932; Jensen and Meckling, 1976). In short, no "hired-help" director or manager can be entirely trusted. This viewpoint does not mean that misuse of resources is always deliberate. It can stem from incompetence, complacency, risk aversion or risk acceptance, poor contracts, poor timing, or misfortune not to mention poor engagement, oversight,

and misaligned expectations by the owners. The longer resources are entrusted to someone other than the owner, the greater the chance of some of all of these outcomes happening. These conditions are typically bundled up into “agency theory”, (Berle and Means, 1932; Jensen and Meckling, 1976). Of course, over time, these outcomes will likely befall owners who directly manage their own assets as exposure to any market for a long period of time incurs risks any corporation, no matter how it is managed, is exposed to.

In Section 1 on defining corporations, this thesis argued that the modern UK corporation became recognisable in its current, largely stable form in the mid-nineteenth century. Enabling legislation was in place, and, by this time, a socially driven movement towards control frameworks that balance capitalistic instincts with societal requirements was firmly established. Prior to this time social conditions in the UK were marked by very clear class distinctions which were manifest, amongst many other ways, by the retention of capital by a limited number of people and a lack of structural routes to social mobility. This utilized the long established convention and control mechanism of “stewardship” whereby an owner would empower someone else to manage assets in their absence but which ignored or prevented the steward ever aspiring or achieving ownership themselves.

By the mid-nineteenth century, in the UK at least, two growing forces were already changing the way that stewardship worked. The Industrial Revolution and the growth of the British Empire resulted in the UK economy producing excess savings which were increasingly held by a growing middle class. These excess savings needed somewhere to be stored that would retain their value and produce an income and so often found their way to a stock market or other speculative

investments. The result was a larger, more diverse, indirect and so less well informed shareholder base (Tett, 2019; Harris and Raviv, 2010). Inevitably, many investments including some in joint stock companies failed entirely or left investors exposed to being diluted, pushed down the creditor list, or simply defrauded. To counter these outcomes, the market moved towards better governance including the advent of professionalised “chartered accountants” which occurred in Scotland in the 1850s - a feature of technical corporate governance that rapidly spread globally across similar jurisdictions.

Corporate governance by “stewardship” became the dominant principal for the next century. Stewardship has two default settings for the destinations of excess capital derived from making profits. These are firstly, to “retain” the capital in the corporation without passing it back to shareholders as dividends. On the face of it, this makes sense since the stewards who managed the corporation that made the profit in the first place seem best placed to look after the profits. The second default setting is to “invest” the retained capital by converting it from cash or cash equivalents into assets which are used by the corporation. In most cases where major corporate mishaps were avoided, stewardship had two outcomes. Firstly, the retention meant that, all things being equal, corporations got bigger and more complex (Clarke, 2004). The second outcome was that, without going further-a-field in some way, the ever-growing corporation runs out of opportunities of maintaining its cost base and profit margins from its original products and markets. This means that although the absolute profit amount may have gotten bigger, the returns for shareholders diminished in relative terms as the capital employed grew, and, at the same time, external market risk is increased as new competitors eyed the profits.

Despite coming into their own during the industrial up-scaling in the first and second world wars, problems with corporate governance by stewardship were starting to be highlighted. “Retain and invest” meant that many corporations were too big and too complex (Clarke, 2004). In addition, by the mid-twentieth century, lower-cost, better managed mass-market competition was entering home markets. Many bulky and cumbersome retain and invest industries were caught flat-footed and paid the price through large-scale restructuring and, in many cases, long-term decline and collapse. An additional factor is the influence over corporations in some markets by organised labour (Clarke, 2004).

From the ranks of institutional investors (pension companies, investment trusts, and investment banks), up stepped the new philosophy of “shareholder value”. Set against the apparent struggles of stewarded corporations, shareholder value sought to bring vigilance and energy through greater commercial focus, particularly in relation to shareholders’ resource efficiency. The purpose of shareholder value was to return as much to shareholders, as quickly as possible in order to both reinvest elsewhere and to avoid risk. This is achieved through growth in the value of shares, and, ideally, a liquid market for such shares, and dividends paid out to shareholders as a matter of priority. From an investor’s point of view, if all corporations in a given market were managed under the influence of a shareholder value philosophy, (theoretically resource and capital agile and efficiently allocated), the market could value corporations in a transparent way. An extension of the ability to value corporations easily was to value their managers the same way. One control lever in the market for managers became the function of corporate take-overs when stronger corporations would predate poorly performing corporations and then push out the managers responsible (Clarke,

2004). The failure of this as a market control mechanism is that most large corporations are privately held and therefore not overtly for sale the way a publically listed corporation is. A second failure of this argument is that stock shorting and other mechanisms used to agitate for change without buying into a corporation at a premium is not always possible.

As institutional investors grew in importance, their solution - one that logically seemed to suit all businesses - that of a focus on the owner's rate of return - became the creed of corporate governance (Reberioux, 2007).

The ongoing problem seems to be that the emergence, and then dominance of shareholder value is that it brings with it the need for ever greater involvement by professional managers. This is because corporations become more actively and aggressively managed to, firstly, reconfigure their capital base and investor proposition in order to improve investment returns, and then to pursue ever greater resource agility and allocation efficiency to avoid the appearance of having capital locked in. In many cases the result is stripped out, light weight and shallow corporations in regards to human and real capital resulting in what Clarke (2004), summarises as a *"lowest price today not innovation for tomorrow"* outcome.

From a practical governance point of view as well as a philosophical one, the dominance of shareholder value means ever more agency, a condition that acts today to cement agency theory as the default lens through which research on corporate governance is undertaken. Indeed this theoretical perspective was further entrenched during the Global Financial Crisis of 2008 / 2009. Agency theory explains the firm as a "nexus" of contracts amongst factors of production,

(Jensen and Meckling, 1976). The description of corporations in this way is increasingly apt description because corporations are becoming increasing tangible asset light and intangible asset heavy. This trend, it seems, is an outcome of shareholder value focus and the growth of intellectual property and financial services as drivers of corporate efforts as both these types of activity require multiple and complex layers of contracts.

With the growth of agency comes the commensurate growth of agency costs such as monitoring. Corporations seek to mitigate such costs with the adoption of overt high-quality corporate governance mechanisms (Mouselli and Hussainey, 2014). Corporations that operate in a public markets for either their shares, for capital or both, benefit as such high-quality corporate governance mechanisms are highly valued by investors who view them as being effective governance mechanisms (Mouselli and Hussainey, 2014). This acts to reduce capital cost and / or increase share valuations. UK corporate governance is regarded as world class and comparatively low cost (Mouselli and Hussainey, 2014). Even so, it cannot be ignored that the conditions that promote agency are then mitigated at cost to the corporation to appease the investors that wanted the conditions. Mueller, 2014, notes that in large corporations agency remains a theory as there is as much to demonstrate its existence as there is to disprove it - other than headlines in the event of a major corporate failure, no reliable method of defining it can be agreed upon.

To conclude on the philosophical viewpoint, it may be valid to argue that we are now entering a post-agency regime as far as some aspects of corporate governance are concerned it least. Leech, 1987, noted that although agency is a factor, with dispersed shareholders, for many large corporations, there is no single

shareholder interest so there is no obvious point of conflict. Consequently, this may be more about degree of focus, sensitivity, and incentive rather than conflict, or just simple disinterest or apathy (Stout, 2007). Whilst there is a strong and obvious need to maintain a uniform approach to technical corporate governance between shareholders and managers, most large corporations now operate within such well defined external control frameworks that “agency” has little free room to move. This is not the case for commercial corporate governance. However, as previously mentioned, absent a clear commercial course being set by shareholders, agency as far as commercial corporate governance is concerned is really just managers doing the job they are paid for hence the the dominant grip of agency theory in much of the literature (Roberts, McNulty, and Stiles, 2005). Agency and commercial corporate governance is revisited in detail in Chapter Three – Development of propositions and hypothesis and Chapter Eight – Theory Building - How executive agency works in practice.

2.3.5 Contemporary corporate governance in the UK

As previously described, the attention paid and the actions taken on corporate governance are skewed towards technical corporate governance. A review of two high profile constituent parts of the corporate governance framework indicates this to be the case. Firstly, the Financial Reporting Council’s 2016 UK Corporate Governance Code (Financial Reporting Council, 2016), talks in general terms about a wide range of topics which seek to minimise risk through curtailing negative influences, and by promoting balanced processes. The Institute of Director’s The 2017 Good Governance Report, (IoD, 2017), scores a set of

indicators that build upon the Financial Reporting Council's 2016 criteria. Whilst laudable, these frameworks are essentially common sense and self-referencing. In March 2018, the UK Government (BEIS, 2018) launched a consultation process championing:

"New powers to give greater protection to staff and small suppliers in insolvent businesses.

Government plans to improve the UK's corporate governance framework to ensure the UK remains one of the best places to start and grow a business".

Again, media and popular attention is focused on risk mitigation through technical corporate governance and in influencing the behaviour of boards of directors in focusing on this aspect of corporate governance despite the lack of a long-term and established evidence base for such actions (Roberts *et al* 2005; Le Blanc and Gillies, 2005), a condition which persists today.

2.3.6 Section summary

This section has reviewed the evolution of corporate governance in the UK illustrating that the overriding features and influences are defined by two distinct sets of factors. The first is the wider set of societal frameworks, including many that predate the definition of the modern corporation. In the main, these frameworks influence aspects of technical corporate governance and cover wide-ranging activities from ensuring health and safety at work to curbing monopolistic

behaviours. For the most part, these frameworks apply to all organizations, which, at the basic level, employ people or sell goods and services. The second set of factors relate to the nature of the corporation as a specifically structured entity for acquiring resources to undertake profit-seeking activities and the subsequent management of that entity towards the aims of making profits on its shareholders' investment.

What existing corporate governance control frameworks do not do is provide an evidence-based approach to commercial corporate governance. As stated in Chapter One – Thesis Foundation, it can be argued that technical corporate governance has become the face of corporate governance as a whole. Legislators, direct stakeholders, and the media, amongst other contributors, have acted when technical corporate governance has failed. Consequently, the narrative is one of risk aversion and mitigation rather than one of reward maximisation. The result is that we can catalogue in detail the events that led up to myriad failures of a technical nature, but the literature sheds little light on the factors and processes of board led commercial success or failure.

2.3.7 Corporate governance - gaps in the extant literature

The literature relating to the corporate governance is generalised and lacks the depth and nuance required to adequately describe the specific environment in which corporate governance takes place. This weakness is generally well acknowledged. Extant literature also tends to focus its attention on the period from 1990 onwards, a time when the practice of corporate governance gained a higher profile.

2.3.8 Corporate governance - relevance to the aims of this thesis

This section has detailed how the focus of corporate governance research is centred on either technical aspects of corporate governance or high level generalised corporate governance. Filling this gap in the literature is the overriding aim of this thesis.

In this section, the frameworks of corporate governance have been isolated from the actors to illustrate the distinction between technical corporate governance and commercial corporate governance despite, these two distinct activities being conglomerated in the eyes of most commentators. The structure of board of directors of corporations and their intended role of directors is explored in the next section.

2.4.1 Corporation boards of directors section introduction

In Section 2 Defining Corporations this thesis explored and described the entity of the modern corporation in its UK configuration and, in Section 3 Corporate Governance, has introduced broad governance typologies, these being technical corporate governance and commercial corporate governance, that are undertaken by modern corporations. As the corporation is clearly defined and confined within well recognised, stable external control frameworks, so too are corporate governance frameworks where they relate to technical corporate governance since these frameworks have been intertwined with wider cultural and

social frameworks, often over long periods of time. Consequently, many features of technical corporate governance control frameworks greatly predate the corporations that they apply to. These governance actions are primarily for the benefit of external stakeholders as opposed to being focused on the needs and benefits of shareholders. There are two main reasons for this condition. Firstly, modern corporations exist in their present state with the permission of society with the needs of societal stakeholders coming ahead of the needs of shareholders. Secondly, for most corporations, it is argued that the needs of stakeholders are indirectly represented through directors and so the control frameworks need to be robust enough to overcome the agency of directors.

Less well defined are the control frameworks that typically apply to commercial corporate governance actions. These corporate governance actions are intended to deliver better commercial performance, primarily for the direct economic benefit of shareholders. This lack of definition and confination relating to commercial corporate governance comes about as the control frameworks are formed around the needs of the corporation, various general and specific codes of practice, and other general and specific guidelines as opposed to being legal requirements. This is in contrast to much of the technical corporate governance framework. Commercial corporate governance control frameworks often require corporations to “comply or explain”, and openly state that the contents of the code “is not a rigid set of rules” (Financial Reporting Council, 2016). Clearly, it is hard to legislate, design, and promote corporate governance structures or other conditions that would result in market leading products and services being developed by a board of directors. Although this is attempted though the encouragement of “strategy days”. Moreover, if this was possible, attempts to

systematically bring about beneficial commercial outcomes would be self-defeating as efforts by competing corporations in the same markets would cancel each other out.

At its core, governance requires someone to govern – an action that goes beyond administration. This chapter section explores the role of a corporation's directors and the board of directors. In their corporate governance functions, directors are appointed on the basis that they act as a board – a unified group intended to agree actions to be carried out through the corporation's executive directors, where they act largely as managers separate from their roles as directors. Boards are the most senior governance actors within a corporation and so the buck stops with directors who can not either delegate or contract out their responsibilities or liabilities. Boards are legally, ethically, and operationally responsible to stakeholders not only for their actions, but also for the actions of the corporation in whatever way such actions play out. This responsibility extends to omissions in their actions relating to technical corporate governance, with a creeping scope of responsibility for omissions after the Global Financial Crisis (Bloomberg, 2018). Again this increased focus on technical corporate governance reinforces the *de facto* delivery of corporate governance through technical channels.

In this thesis the role of a director is limited to that of a statutory director, this being a person with a formalised, contracted and normally permanent position as a voting member of the corporation's board. Since directors are the principal actors in corporations, their role is defined individually and collectively within both internal control frameworks, those set by the rules of the corporation, and external control frameworks, those set by legislation in the main. In mature environments

such as the UK, internal control frameworks are limited in their flexibility, diversity, and structure by more powerful over-riding external control frameworks. Some internal framework elements will cross-over and / or incorporate external frameworks. An example of this internal to external crossover is a director's employment or service contract which, although it is intended to facilitate internal corporate objectives, is dominated by statutory requirements and limitations.

Corporate boards will typically be made up of executive and non-executive directors. There are a number of variations on the description of directors, particularly for non-executive director roles. These include independent non-executive directors – typically those with no additional relationship with the corporation. In this thesis, these additional distinctions are not used to differentiate roles in the research stages for three reasons. Firstly, the distinctions only apply to a significant extent to public corporations which make up a small proportion of the total number of corporations. Secondly, the distinctions are not considered to be operationally influential in the context of the thesis topic. Thirdly, participants in the research stages of the thesis easily and clearly identified themselves as either an executive or non-executive director so making their responses consistent.

Within the corporation's board, the description of a director as an executive director or non-executive director is not a legal one and does not differentiate the roles within the board, nor does it limit a director's participation or risk. There is no requirement for a set number of directors (above one), or a required proportion or balance of executive and non-executive directors. Consequently, discussion about the "right" size and composition of a corporation's board is largely both a matter of opinion (Stevenson and Radin, 2015), and, in theory and practice, specific to the

corporation is question - a point reflected in the Financial Reporting Council's Code (Financial Reporting Council, 2016) which states that:

> *"Main Principle*
>
> *The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.*
>
> *Supporting Principles*
>
> *The board should be of sufficient size that the requirements of the business can be met and that changes to the board's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy.*
>
> *The board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking."*

Executive directors will typically be given role titles that indicate particular functions and implied responsibilities as executives of the corporation. Legally, within the context of the board, such titles are nominal as, absent any other factors that are permissible in law, responsibility for outcomes is collectively borne by all members of the board. For example, the "Chief Financial Officer" will typically spend their working life overseeing the production of the accounts of the corporation. Legally, the veracity of the accounts is borne equally by all directors including the Chief Financial Officer and a non-executive director who may have attended a corporation board meeting having read a summary overview. Equally,

non-executive directors are given legally nominal titles such a “Senior Independent Director”. Whilst such titles indicate additional functions and roles, these do not acquire addition statutory status. Nor does the lack of any title distance a non-titled director from their legal responsibilities. The position and function of a senior independent director is to act as a totem for stakeholders in general, including other directors, senior management, and shareholders. This role would seem to increase personal reputational risk without increased protection. Outside formal directorships there sits a set of conditions where actors exert influence over the corporation to the extent that the influence acts to direct the corporation and a “shadow” directorship is formed. Although clearly undesirable from a governance perspective, such conditions have long been accepted in practice when, for example, large shareholders are consulted before specific board actions are taken. Directors may be seeking an opportunity to explain a proposed action but are also seeking tacit approval.

2.4.2 Defining board structures

Given the collective responsibility of boards, their typical structures could be viewed as somewhat contradiction. Whilst democratic in their intended operation and ethos, which leads, theoretically at least, to a “matrix” design (Hatch, 1997), boards are typically culturally hierarchical (Wilson and Rosenfeld, 1990). They often adopt a semi-functional structure carried upwards from the role specific titles of the executive directors. Typically, there is a chairperson who manages the board (usually a part-time and / or non-executive role). There is typically a chief executive officer or managing director who is the manager of the actions of the

corporation as a full-time executive carrying out both the direct instructions of the board and actions made permissible by delegated authorities and the allocation of resources, but with the board retaining all responsibility for the outcomes. A chief executive officer is above the chief financial officer in the corporate structure so is likely to extend this authority, which is external the board, in to the boardroom.

Functional structures are efficient whereas matrix structures tend towards effectiveness when seeking to produce a widely considered decision (Hatch. 1997). Given the purpose of the board and its requirement to match its actions with both the needs of the corporation and the pressures of the contingent environment, corporations would seem to operate with inbuilt structural, cultural, and social compromises when balancing the needs for efficiency and the needs for effectiveness in its actions. This compromise is potentially problematic as it creates ambiguities relating to relationships and expectations. For example, there is a potential conflict between the dual lines of authority (Hatch 1997; Wilson and Rosenfeld, 1990), with hierarchical executive structures outside the board, such as the chief executive officer over the chief financial officer, and the same two participants inside the board environment where one person, one vote reigns. This can have benefits where competent actors can simultaneously attend to the needs of the matrix and the hierarchy (Hatch, 1997). However, in doing so it should be noted that the benefits of an executive ability to attend to two or more needs will mainly accrue to the executive as far as influence is concerned. Moreover, it can be selective in that an executive can vary their attentiveness to suit their needs and biases. In corporate board decision-making, this variable attentiveness is accommodated and institutionalised through board committees, and other

structures such as the use of external expertise that promote focus in one area, but may well result in neglect of another.

2.4.3 A core understanding of group behaviour and social cohesion as applied to corporate boards

As will be explored in this chapter section, the literature indicates and implies that the behaviours of directors on corporate boards are likely to undermine, inhibit and diminish the intended purposes and function of corporate boards in making collective decisions. It is argued here that this is because of three prevalent conditions, summarised and explored in further detail later in this section. The first condition is that the contingent environment in which corporate boards operate is likely to pre-seed and promote sub-cultures and sub-groups within the corporate board. The second condition is that the control frameworks that corporate boards typically operate under are likely to require and/or promote physical, contractual and other divisions that will reinforce sub-cultures and sub-groups. The third condition is the strong attraction to positively valued distinctiveness of corporate board participation, particularly on the part of non-executive directors, which may act to modify behaviours to the detriment of their performance as corporate directors. In this thesis, these prevalent dynamics stimulate a theoretical foundation where corporate boards consist of “in-groups” and “out-groups” (Hogg, 1992) that act to create cultural and social divisions in the board with negative outcomes, including conditions that allow and then promote information asymmetries. In breaches of governance and trust terms, such cultural

and social divisions are likely to overcome formalised governance frameworks (Kakabadse and Kakabadse, 2008).

It is noted that the specific group psychologies of corporate boards are not widely discussed in the literature nor are the actual processes that corporate boards undertake in their decision-making. Given this absence in the literature, it is valid to assume that corporate boards are like groups in general as they have the same general characteristics as most other groups. To assess the proposition that corporate boards are like other groups, their characteristics have been described in Table 1 which was developed for this thesis by the author.

Table 1 describes types of general groups as being:

"Coincidental" – where a groups form because of external circumstances or an event rather than circumstances internal to the members. As an example, passengers on a train that has been involved in an accident. The passengers only coalesce into a group because of the accident, not because they are train users. It is argued that coincidental groups are rarely purely coincidental because, for example, passengers involved in a train accident were already train passengers, many would have come from, and be going to, similar places along the train's route. In this regard, many of the issues relating to commonalities acting to bind groups together are diminished. Coincidental groups can coalesce, fragment, reform, or break-down completely as the original circumstances change or abate.

"Informal" – where a group forms because of internal circumstances such as a common interest or location. Their no formal barriers to entry or rules, only norms of behaviour derived from societal and other control frameworks. Examples of this type of group could be informal sports participation where anyone can join in but

the rules of the game are generally understood and accepted without formal reiteration. These groups may be illegitimate in some regards as membership and control is limited by understanding and acceptance of social distortions and biases. Informal groups exist and operate within corporations (Wilson and Rosenfeld, 1990).

"Formal" - where a group is constituted with rules and frameworks specific to it that define its purpose and methods of governance and participation. With this type of group there are barriers to entry, rules, and limitations which operate under external, often statutory control frameworks. Formal groups exist and operate within corporations and span corporations potentially creating conflict. For example, for a chief financial officer who is a member of a professional accountancy body and a corporation's board.

Coincidental groups could evolve into informal groups or formal groups given an impactful external event with enduring consequences. The membership may change as members' motivations and rewards change. Informal groups could be constituted into formal groups if enough members perceive there to be sufficient benefit in doing so. Again group membership may change with some members deciding against the cultural change, new criteria for membership they are exposed, or lack of reward for having to conform to formalised control frameworks. Informal groups could fragment with some members formalising their relationships and other members remaining informally associated.

Table 1. Characteristics of groups or corporate boards

		General			Corporate Boards		
	Types	Coincidental groups	Informal groups	Formal groups	Executive directors	Non-executive directors	
Participants	**Selection**	Near random participants	Semi-self-selecting participants	Self-selecting participants	Self-selecting participants	Self-selecting participants	
		Near random conformity to expectations	Some conformity to expectations	Close proactive conformity to expectation	Close proactive conformity to expectations	Close proactive conformity to expectations	
	Rewards and penalties	Utility / hygiene benefit	Utility / hygiene benefit				Positively valued distinctiveness
					Economic reward	Economic reward	
			Social reward	Social reward	Social reward	Social reward	
				Internal / organizational reward	Internal / organizational reward	Internal / organizational reward	
				External sector / environmental reward	External sector / environmental reward	External sector / environmental reward	
		Social risk			Social risk	Social risk	Negatively valued distinctiveness
				Internal / organizational risk	Internal / organizational risk		
				External sector / environmental risk	External sector / environmental risk	External sector / environmental risk	
					External legal risk	External legal risk	
					Economic risk		
Behaviour modifiers & controls	Societal	Mores	Mores	Mores	Mores	Mores	
	Organizational			Internal constitutions	Internal constitutions	Internal constitutions	
					Contracts	Contracts	
	Sector			Positive external rule setting	Positive external rule setting	Positive external rule setting	
					Negative external rule setting	Negative external rule setting	
				Behavioural expectations	Behavioural expectations	Behavioural expectations	
	Legal	Negative external rule setting (restriction setting)	Negative external rule setting (restriction setting)	Negative external rule setting (restriction setting)	Negative external rule setting (restriction setting)	Negative external rule setting (restriction setting)	

2.4.4 Group membership selection

The membership selection processes and participant rewards and penalties are illustrated within Table 1 across two characteristics. The first characteristic is the way that participants are selected for group membership. The second characteristic is the degree to which members conform to the profile of member for the group in question.

In coincidental groups, within the boundary of the contingent environment, membership of coincidental groups can be very broad within the greater conditionality. For example, the aforementioned train passengers involved in an accident could have caught an earlier or later train, but were still train passengers on a particular line which will condition their conformity to what may be expected of them and their behaviours in a group although given their very wide membership of the group, their behaviours could differ widely.

Informal group members can be characterised as being semi self-selecting. They may be members of a group because of location, interest, or convenience, as well as being self-selecting by being a member purely by choice. In these conditions, there will be some conformity to what may be expected of them and their behaviours in a group as they are largely members voluntarily.

With formal groups, membership is mainly by self-selection because participants choose membership. In doing so they give up significant freedom within the group's context and therefore there is likely to be significant and proactive conformity to expectations as to their behaviour within the group. It could be argued that their behaviour outside the group will conform to similar expectations because people tend to not strictly compartmentalise their

behaviours (Stevenson and Radin, 2015). Both executive and non-executive directors are similar to formal groups across the membership selection and conformity to expectations characteristics.

2.4.5 Rewards and penalties for membership

A key determinant of group membership is that of “positively valued distinctiveness” (Hogg, 1992). Broadly, this is the real and implied rewards for group membership recognising that these rewards will vary depending on the personal valuation placed upon the rewards by individuals within the same group. Participant behaviours and control regimes are illustrated in Table 1 also.

It is illustrated that there are clear similarities between formal groups in general and corporate boards with significantly common features of self-selection, significant positively and negatively valued distinctiveness, and similar behaviour modifiers and controls. These similarities justify the assumption that corporate board behavioural dynamics are theoretically similar to group behaviour in general, including social cohesion.

2.4.6 Culture and sub-culture within corporate boards

The previous chapter section drew together characteristics of groups in general and corporate boards and described the significant commonality of “formal” groups and corporate boards across their member selection process, rewards and penalties, and modifiers and controls. This exploration is provided in

this thesis to establish that generic group behaviour theory is likely to apply to corporate boards.

It is unsafe to assume that any organization, including corporations, of medium scale and above have one culture. Referencing Trice and Beyer, Brown (1994) identified four reasons why sub-cultures emerge. These are:

1. **Differential interaction** – the amount of time individuals associate with each other influences the likelihood of a sub-culture emerging. The more often associations take place, the more the chance of sub-cultures emerging. The number of occasions individuals associate with each other is set by the form and functions of the organization. Executive directors spend significantly more time together and on many more occasions than non-executive directors so will likely be influenced by differential interactions.

2. **Shared experience** – the more people share experiences, the more commonality in their responses to it so creating a sub-culture. Executive directors will experience and share the daily life of the corporation far more closely and intensely than non-executive directors and so will have a different, shared experience of their role.

3. **Similar personal characteristics** – the more similar people are the more likely they are to form sub-cultures. Given the location and commercial purpose of most corporations, executive directors are likely to be drawn from pools with similar characteristics. Indeed, to be considered for selection, personal affinities are often important along with functional skills. This may result in an informal sub-culture of actors that think alike with the apparent benefit of operational efficiency, which acts to reinforce the sub-culture. This in turn adds to the pool of “shared

experiences" amongst executive directors. Selection of non-executive directors may well be from a less well defined group, and consequently, may have a wider range of personal characteristics resulting potentially in less social cohesion. It should be noted that the move to promote diversity amongst directors on corporate boards may result in less cohesion as a result of less inherent commonality amongst the member whilst at the same time introduce positive outcomes such as a reduction in the prevalence of adverse risk creating behaviours such as the use of inappropriate heuristics and group thinking.

4. Cohesion – putting a group of people into a situation where they share meaningful experiences such as performance success or a crisis, can promote cohesion and then the forming of sub-cultures. Along with "shared experiences", the likelihood of executive directors building cohesion through performance success and crisis is greater than for non-executive directors and the board as a whole as executive directors are rewarded and penalised for managing such events in the context of the corporation.

The existence and combined effect of one or more of these conditions would seem likely to be an influence on most corporate boards. Moreover, corporate boards are, theoretically at least, selected in a way that aims to reduces the risk of the formation of sub-groups through attempts to match the needs of the group with the skills of the potential director. However, corporations may well then reintroduce the same risks by the way it is structured, (through sub-groups), and governed (using committees and executive and non-executives).

In general, organizations operating in countries with cultures that stress individualism and freedom of association are likely to have more sub-cultures (Brown, 1994). On the face of it, the contingent environment for corporate boards in the UK and many other western cultures is likely to produce sub-cultures simply because they are culturally and socially tolerated.

Table 2 shows the factors highlighted by Brown (1994) and the potential divergence between typical executive and non-executive directors in relation to these factors and therefore this indicates that sub-cultures are likely to exist in corporate boards.

Table 2. Factors for the emergence of sub-cultures – Brown, (1994)

Executive Directors	Executive Director activities	Ad-hoc operational challenges	Younger	Sales and operational success
	Formal Operational meetings	Industry / sector interaction		Company crisis
	Formal business events	Market competition		Share option value increase
		Customer interaction		
Factor	Differential interaction	Shared experience	Similar personal characteristics	Cohesion from success or crisis
Non-Executive Directors	Non-Executive activities	Social interactions	Older	Company crisis
	Board committee functions	Historic events	Often technical professionals	
			Historic success	

In addition to the natural evolution of sub-cultures within corporate boards, the expected norms of corporate board structures and roles, such as that of

“senior” non-executive directors and the existence of board committees are likely to further promote sub-cultures.

2.4.7 Social identity of individuals

In the main, social behaviour research focuses on the influence of individuals within groups (Hogg and Abrams, 1988). This implies that individuals are fully formed and fixed in the way they behave in a group, and that the group largely acts as an amalgam of the individual behaviours of the participants. Hogg and Abrams (1988), claim this view is limited as it fails to consider the way that groups provide individuals with a social identity and go on to theorise that belonging to a group is a psychological state distinct from being an individual, even when the individual is acting away from the group. As a consequence, a social identity is created through being “in-group”. This theory would seem to be applicable to corporate boards and to non-executive directors in particular. Non-executive directors are likely to positively value the “distinctiveness” of being a board member through factors such as being the member of an enhanced social group, an elevated professional profile and reputation, over and above the financial rewards, which are in any case, significantly lower than the financial rewards for being an executive director. In this respect, executive directors and non-executive directors are different. Hogg and Abrams, (1988), claim that social identity belongingness is psychological and not merely a pragmatic knowledge of a group’s attributes. Hogg and Abrams, (1988), go on to claim that this belongingness is more than simply having the same characteristics as someone else and merely being categorised as, for example, a “director”. Of particular relevance to the functioning of corporate boards is that society comprises

categories, (groups and cultures), that are positioned in power and status in relation to one another, Hogg and Abrams, (1988). This condition implies that people will seek new ways to acquire higher order social identities, and will act to maintain the social identities they already have, in order to be more powerful and have a higher social status. As this is a general point being made about both society and individuals, there is no reason to assume that the point does not apply to directors and potential directors on corporate boards. The questions arise:

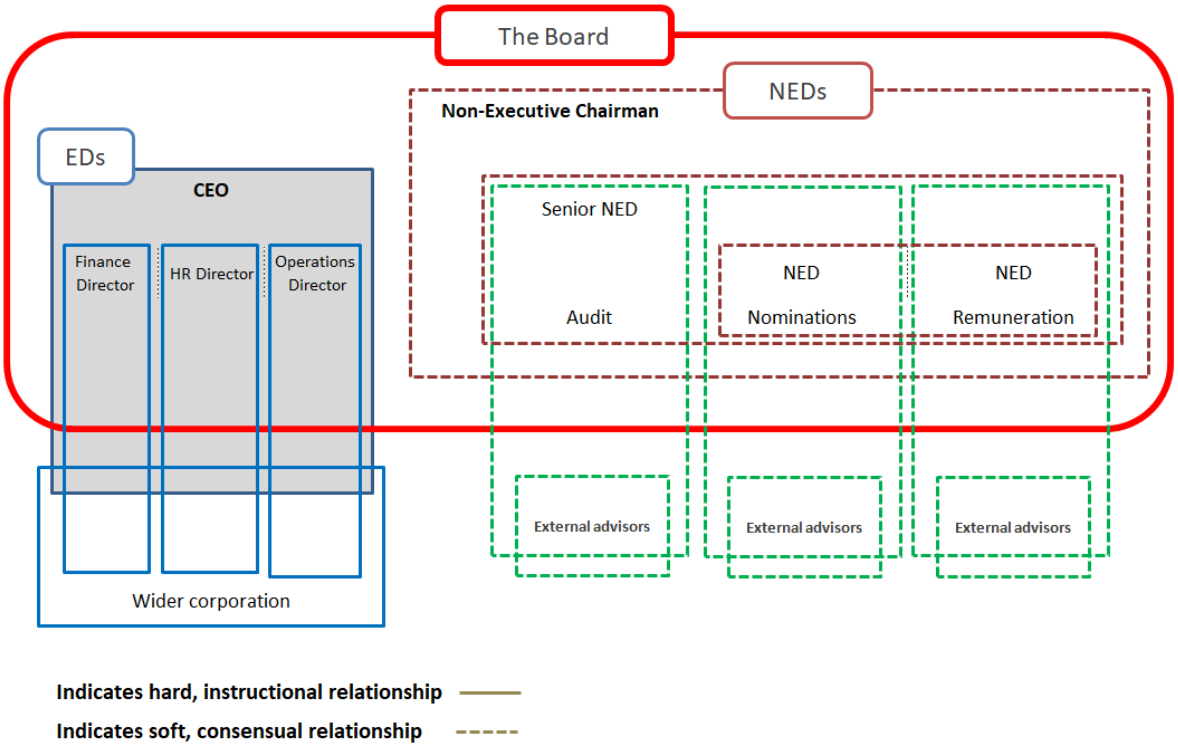
- what will potential group members do to become group members – i.e to become in-group?
- once they are in-group, what do they do to preserve their status and power in relation to other groups and individuals?
- what will they do to diminish the status and power of out-groups?

Hogg and Abrams (1988), describe a process whereby overt and covert categorisations and social comparisons are undertaken to the extent that they become a distinct form of group behaviour. This involves intergroup differentiation and discrimination, in-group favouritism, and also perceptions of superiority of the in-group over the out-group. In the context of the corporate board, this may result in a reduction of decision-making process quality. This outcome could occur through attempts to control access to positions of influence such as committee membership, through the nomination of like-minded candidates for vacant seats on the board and board committees, the control of the agenda and flow of board related activities, and, crucially in the context of this thesis, the control of information. Another potential outcome relates to the formation of sub-cultures through shared experiences and events that create cohesiveness where success

creates hubris within the in-group which reinforces the division between in-group and out-groups.

By applying general group behaviour theory to corporate boards, it can be concluded that the present corporate governance frameworks, including those promoted by bodies such as the Financial Reporting Council (2016), with the institutionalization of board committees and “senior”, “independent”, and multiple “chairperson” titles, would seem to encourage and, in some cases, require corporate boards to accommodate multiple sub-cultures, sub-groups and, in many cases, structuralised status and power relationships - all within a body that intends to operate as one and with overt and legally proscribed collective responsibility. These conditions are illustrated in Figure 4.

Figure 4. Corporate Board group and sub-group complexity (author’s own model)



In Figure 4, simplified groups are shown with a distinction made between the hard, instructional relationships for executive directors, for example, chief executive officer to chief financial officer, and the soft, consensual relationships between non-executive directors amongst themselves and with external advisors. Figure 4 could be further overlaid and developed with reference to multiple external influences including regulators, professional bodies, major shareholders and many others. In-group and out-group power relationships and complexity would grow and accordingly become entrenched both formally and informally.

In general, groups with mixed status and power members are less cohesive, (Hogg, 1992). In groups where there are mixed status participants but no defined formalised roles, some cohesion is generated as all participants “like”, or at least pretend to like, those with higher status and power as there is a social benefit to being seen as liking someone (Friedkin, 2004). Conversely, group member likability tends to diminish the lower down the social status ranking as there is limited social benefit in tactically “liking” someone with low status and power. In groups with defined roles, cohesion is more stratified across the status and power levels, (Hogg, 1992). This implies that corporate boards with committees and roles are inherently at risk of a lack of group cohesion as each committee and role will have a perceived status, informal or otherwise. Hogg, (1992), states that increased group size leads to a decrease in cohesiveness. This is not group size *per se* but co-existing features of group size such as poor communication and hierarchy command structures that result in diminished cohesiveness. Even in corporate boards with smaller numbers of participants, the sub-cultures and sub-groups could act to increase the number of participants with

their individual and group social identifies all requiring subtly difference messaging. Other variables are less obvious but also impactful such as the effort each group member puts into a task (Friedken, 2004). This diversity is shown in Figure 4.

2.4.8 From sub-cultures to informal sub-groups

It is likely that any group within a corporate board will quickly acquire their own sub-cultures. Brown, (1994), states that organizations with sub-cultures may experience internal competition between cultures for dominance. Once a sub-culture exists it is likely that it will seek to preserve and enhance itself, even if this is not overtly done. It will seek to do this by promoting itself and undermining competitor sub-cultures. Once it does this it is evolving into an informal group or clique. It may then consciously, although informally, seek to gather resources and further influence to enhance its status and power. Within the functions of corporate boards, this may include access to friendly or at least accommodative professional advisors, control of the board agenda, control of board meeting time, and control of information depth, breadth, and distribution. The risk and challenge for a corporate board, and for corporate governance in general, is that it is hard to stop any group which starts out as well-intentioned and supportive of the whole corporation becoming side-tracked by its own sub-culture, consciously or otherwise. Indeed, when tasked with a particular function or role, such as those of the audit committee, it is incumbent on the members of such groups to obtain and maintain the best resources for their purpose. Consequently, an outcome of effective subgroup behaviour could be the reduction of group performance as

resources are consumed by well-intentioned but competing subgroups with their outputs positioned, potentially, in a competitive way.

Formal groups such as board committees are as likely to fall under the influence of sub-culture / sub-group dynamics. This may well be the case when the purpose of the group gives it in-group status and powers that out-group participants do not have. In the case of corporate boards, this would seem to be a potential risk and flaw in the governance regime as it relates to the existence of, for example, the nomination and remuneration committees. According to Hogg, (1992) people self-evaluate from the viewpoint of those they like and not those they don't like, i.e. those they experience cohesion with. This implies that in-group participants would be less inclined to recognise that they are undertaking detrimental behaviours as they would see, when self-evaluating, such situations as positive. As a consequence, corporate board outputs, including technical corporate governance outputs, are likely to be influenced by social factors as well as technical objectives. Another consequence of general group behaviours is that it is likely that the longer a board exists as a stable group, the greater the divergence between the participants to the point where there is an informal as well as formal in-group and out-group differentiation across multiple functions. This would seem to challenge the desirability of the long-term tenure of many board members, executive directors and non-executive directors alike. Group cohesion may also diminish at times when the group is facing challenges (Friedken, 2004). For corporation's this could most often be at times when commercially it is under pressure.

2.4.9 Section summary

The role and actions of directors of corporations are tightly defined as far as intended outputs are concerned, particularly in relation to technical corporate governance actions. This definition is predominantly gained from external control frameworks which act, in effect, to reverse engineer the inputs. However, the behavioural inputs of directors are much more loosely defined. This would seem to particularly be the case as far as commercial corporate governance is concerned where the actions that directors are intended to take are not described or proscribed nor are the specific outputs. (The outputs are described as generalised results such as “enhanced shareholder value”). As a result, reverse engineering from the outputs is unlikely to produce a common outcome. A particular lack of definition relates to the behavioural inputs of non-executive directors in relation to commercial corporate governance. The lack of definition as far as inputs are concerned implies that the functions of the corporate board are not defined either and are, as a consequence, likely to be variable in their quality.

In addition, corporate boards are exposed to a set of risk inducing influences such as sub-cultures, in-group / out-group competition for resources and influence, and reward structures that make membership attractive for reasons that are not always beneficial to the corporation’s stakeholders.

2.4.10 Corporation boards of directors – gaps in the extant literature

In common with much of the literature relating to this thesis, the literature relating to the corporation boards of directors is generalised and lacks the depth and nuance required to adequately describe the specific environment and / or specific behaviours that take place. Extant literature also tends to generalise actions of directors irrespective of the purpose of the actions.

2.4.11 Corporation boards of directors - relevance to the aims of this thesis

The roles of directors and their specific behaviours relate directly to the aims of this thesis. The extent to which director's behaviour diverges between the two distinct populations, (executive directors and non-executive directors), has a direct relevance to the hypothesis.

The lack of definitions as to what actions directors are supposed to take beyond generalised actions, the sub-optimal social conditions of the board, and the variable rewards combine to place corporate governance in a high-risk position. In the next section, the primary function of the corporation's board, that of decision-making, is explored in relation this high-risk position. In addition, the corporate board decision-making is explored in a more nuanced way than is typically undertaken to reflect the two distinct types of governance, technical and commercial.

2.5.1 Decision-making – the principal action of corporation boards section introduction

In the previous sections of this chapter of this thesis, a description of corporations established their form and function as being commonplace, straightforward and, consequently, recognisable to all stakeholders. This thesis went on to describe corporate governance as being popularly perceived and researched as being a uniform endeavour. However this thesis argues that, in practice, corporate governance has two distinct strands. The first strand is technical corporate governance which is focused on ensuring the corporation complies with the legal requirements of its administration including, as examples, meeting its legal obligations to pay taxes, and ensuring the corporation it does not pollute in a way that is outside the limits permitted by law. These actions are beyond the corporation's social responsibilities, (which are often optional or specific to a sector). The second strand is commercial corporate governance which is concerned with the profit motivations of the shareholders and seeks to take best advantage of market opportunities and to efficiently allocate resources to create, exploit, and extend competitive advantages. Both strands of corporate governance seek to avoid risk, particularly technical corporate governance where this aim is expressed strongly within applicable control frameworks.

As explored in Section 4 - Corporate boards of directors, the action of corporate governance is carried out by the corporation's boards of directors where the chapter explored the general and specific conditions under which corporate governance is carried out. These conditions are complex being derived from varied sources including overt and externally controlled frameworks, cultural and social influences, covert behaviours, and, in some cases, participants exercising their agency to pursue personally valued benefits, such as status and power, that are not necessarily in the best interests of the corporation's stakeholders. In

Section 4 – Corporate boards of directors it is established that corporate boards are likely to behave in a similar way to other formal groups and are exposed to the same risks of sub-optimal relationships and dynamics such as the formation of sub-groups and sub-cultures.

Corporate boards have a unique role in decision-making at the strategic level and where some of the actors are not directly involved with implementation (Bruni-Bossio, 2018). Corporate boards cannot be passive. Even where a corporation operates in a stable market within benign wider contingent environments, the purpose and processes of corporate boards require actions, be they reactive or proactive. Board actions are most commonly a choice between two or more options - at a minimum, doing nothing versus do something or a choice to carry on doing what the corporation is doing or stopping. Consequently, decision-making is the principal action of the board of directors of corporations with the consequences of the board's decision-making being the board's principal outputs. Theoretically, board decisions result in the highest level of value creation and the most impactful risk mitigation actions the corporation undertakes. These outputs - value creation and risk mitigation - are the premise of the UK's stakeholder governance model.

2.5.2 The nature of decision-making

In general, we regard decision-making in the context of corporations as being intended to near "rational" (March, 1994). This view assumes that decisions are made by people who are informed and competent, using decision criteria that are specifically intended to result in outcomes that are predictably beneficial to the

corporation. For technical corporate governance, decision criteria are typically pre-selected as they will lead effectively and efficiently to a state of compliance or re-compliance with recognised external control frameworks. For commercial corporate governance, decision criteria should be consistent with the agreed corporate vision, objectives, and strategies set within largely internally defined control frameworks. Theoretically, adherence to a rational process and appropriate criteria results in a “successful” outcome (March, 1994).

It is argued that the nature of decision-making in this context is influenced by a set of variable factors which act to both undermine the ability of decision-makers to be fully informed and / or limits their options and, consequently, their ability to derive the maximum benefit for the corporation. Variable factors may include; decision timing, resource availability, market conditions, relative product and service strengths, and organizational capacity, amongst others. Even for technical corporate governance, these factors distance the corporation’s board of directors from decision-making that aims to be of the lowest risk as possible by being “completely informed, infinitely sensitive (to variations in price), and rational”, (Weiss and Weiss, 2009). As well as being completely informed and rational, we can add the requirement for corporate directors to be sufficiently competent to be able to calculate the value of the options for each decision before them, and to be able to assess the impact of the set of related decisions when viewed together however unlikely this is in practice (Stagner, 1969). In addition, corporate directors are assumed to be uniformly diligent in their approach to valuing decision options and professional in their allocation of time and effort to make the right decision even when there is limited or no personal reward.

These conditions are all stated or implied in the external control frameworks. For each and every decision in this rational condition scenario, directors would be able to describe their actions in examining the decision options as well as their reasons for opting for a particularly course of action including the decision at the end of a clear and well documented process. The literature is clear that this is not the case at present, (Le Blanc and Gillies, 2005).

2.5.3 “Rational” to “preferential”

Decisions often labelled as “rational”, are in likely to be in practice “preferential” (March, 1994). This change in degree of apparent process rigour reflects the need to accommodate variability in the factors that influence the decision, the criteria used to include or exclude options, and the views and interpretations of the information by those making the decision.

Divergence from the purely “rational” to the “preferential” can be portrayed as the product of conditional logic. March (1994), describes a set of four basic questions with conditional outputs. These questions are; 1. What are the alternatives? 2. What are the expected consequences? 3. What are the preferences based on the value of the consequences to the decision-makers? 4. What are the rules of the decision-making process in relation to the values? This theoretical process is shown in the context of corporate decision-making in Figure 5. In this theoretical process, the control frameworks typically set the limits of the permissible actions which then lead to near rational sets of options, valuations of the consequences, and then preference selection.

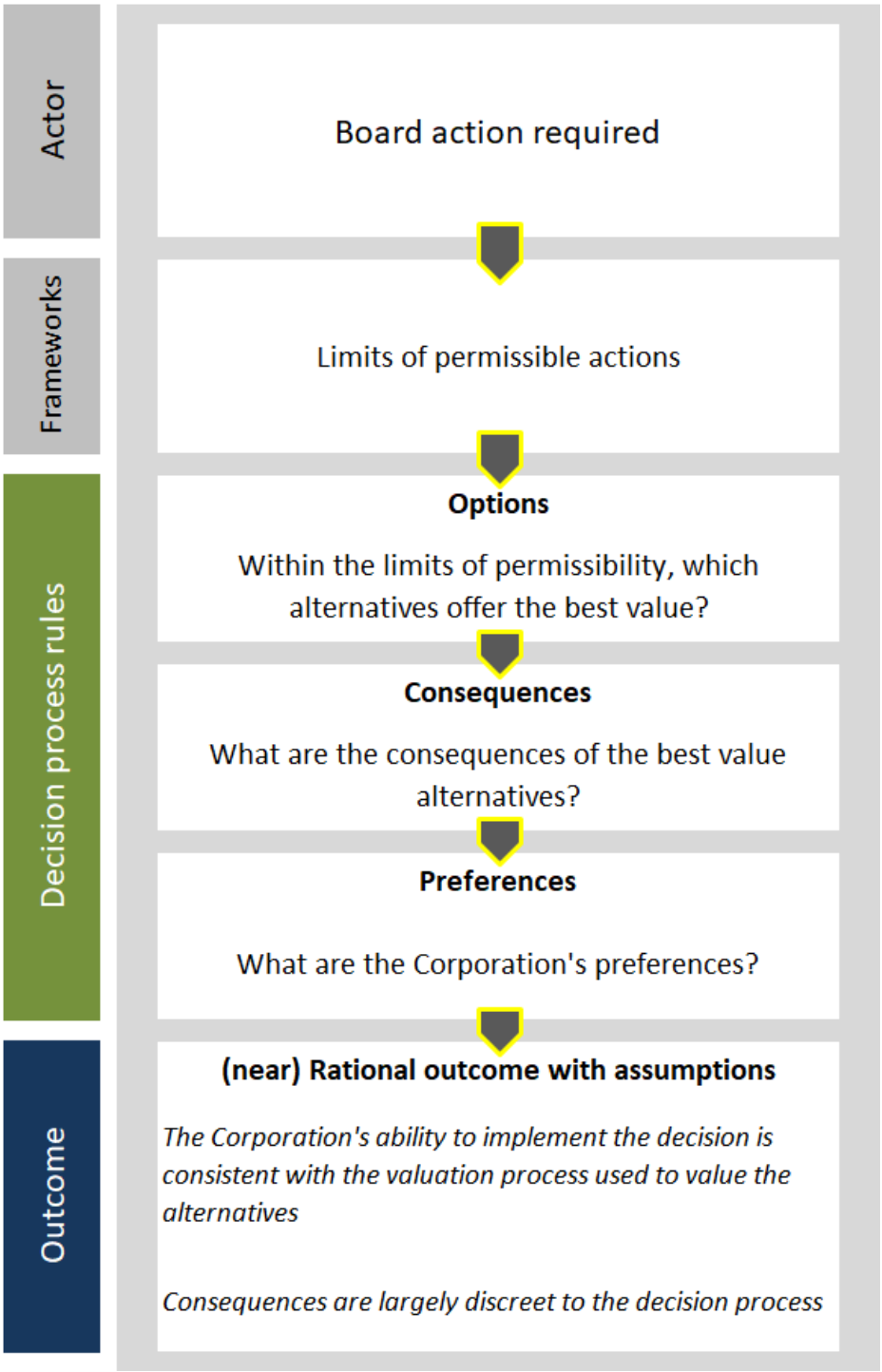
It should be noted that the consequences of the decision, the outcome, are discreet within the valuation process. For many corporate governance decisions, particularly for commercial corporate governance, this seems difficult to achieve given the timeframe of the consequences, (which often extend out beyond a point that is credible to accurately predict), and the variability and complexity of the contingent environment.

In the context of the corporation and its board, purely or near rational decision-making is implausible for all but the most basic of routine decisions. For technical corporate governance, decision “options” are likely to be more fully explored as the decision criteria are more easily coded into an assessment model. The “consequences” are more likely to be broadly and accurately assessed, costed, ranked, or analysed with consequences modelled over a set of timeframes. The “preferences” of directors, as the decision-makers, will be consistent as the directors’ preferences will be subordinate to those of the corporation’s. For commercial corporate governance, the process is less robust. The options are less likely to be fully considered because of market variability. The consequences will be less well assessed and understood leaving to door ajar for the preferences of directors to be more influential even where there is a clearly stated set of corporate vision, objectives and strategic preferences to act as a preference pre-selector. Finally, are the rules followed in a uniformly logical way?

In addition to March’s list (1994) we can add further questions and factors such as; what is the extent of the cultural impact of each of the alternatives?, what is the track record of the corporation in its execution of previous decisions of a similar type?, and what are the consequential impacts to previously taken

decisions that have the effect of altering the intended consequential value of those decisions retrospectively?

Figure 5. Theoretical decision-making process in corporate governance (author's own model)



Another aspect to consider in this context is the maturation of the consequences. Existing literature on rational decision-making tends to favour a view that alternatives can be expressed in constant value terms giving stable values (Weiss and Weiss, 2009). Many corporate governance decisions have values that are unstable over time as they are exposed to multiple external factors. Apples versus bananas bought and consumed today is not the same as apples versus bananas bought today for consumption next week. Moreover, in contrast to the value maximisation view of decision-making, directors of corporations are not easily able to contract out the decision as to do so would diminish their personal value so they will make the decisions whether or not they are most able to do so.

Ever present are the issues of bias and circularity as illustrated in Figure 6, where the decision process could loop through a set of iterations exploring and valuing the permissible options or even seeking to add to the permissible options. This would seem to be a particular issue with commercial corporate governance decisions where the limits of permissible actions are most often defined by the corporation using internal control frameworks. This situation may result in both a wider range of actions for many decisions, and a greater risk of influence and bias from dominant stakeholders. Typically, prior to a board being asked to consider a decision, an executive in the corporation will be tasked with compiling information for the board. Deliberately or otherwise, this information will contain biases that have their root in the information compiler's responses to the latter of March's (1994) four questions on alternatives and processes in relation to the value of the consequences to the decision-makers and the rules of the decision-making process in relation to those values. Within the roles and hierarchies of the executive function of the corporation, there may be a covert filter placed in the

process as the valuation of the consequences to executive directors will be different to the whole board of directors in aggregate and in comparison to the valuation in the eyes of non-executive directors. An example of this is impact of time on outcomes where executives may place a higher value on short-term outcomes and non-executive on long-term outcomes. In many cases, because of the lack of external control, the permissible options are more likely to conform to, or be accommodative of, the preferences of dominant stakeholders.

Although factor variability undermines the absolute strength of frameworks for approaching the description shown in Figure 6 of decision-making, they are considered valid because frameworks can act as the default approach taken by people in general when asked to describe their own decision-making (March, 1994). In Figure 6, decision-maker preferences take an earlier position in the process and form part of an iteration loop that modifies the process towards a pseudo rational outcome where the rationale is distorted to appear logical but is bias towards preferences prior to evaluation of the consequences.

Rarely will people admit to, or articulate, a random, scattergun approach to decision-making. Even when making decisions that are demonstrably irrational, such as buying lottery tickets, we can normally substitute pure rationality for personal rationality such as “someone has to win”, or “I was close last week”. In this way, preferences take a lead over consequence valuation and risk assessment so breaking up or at least limiting the logic of decision-making.

If decision-making processes in the context of corporate boards are not purely rational, can they be described as being within a “bounded rationality” with a describable set of constraints? Could decision-making also be described as

“pseudo rational”? Or be given a “subjective probability” (Weiss and Weiss (2009). This alternative theoretical view is illustrated in Figure 6 for both technical corporate governance and commercial corporate governance. The key differentiator at the theoretical level is the place in the decision-making process location of the over-riding influence.

For technical corporate governance, this is, theoretically, the calculated consequences whereas for commercial corporate governance it is, theoretically, potentially skewed towards the preferences of the dominant stakeholders. For commercial corporate governance decisions, the iteration loop is broader in its process stages, so providing more opportunities for decision-makers to influene the process.

Figure 6. Bias and circularity in the commercial corporate governance decision process (author's own model)

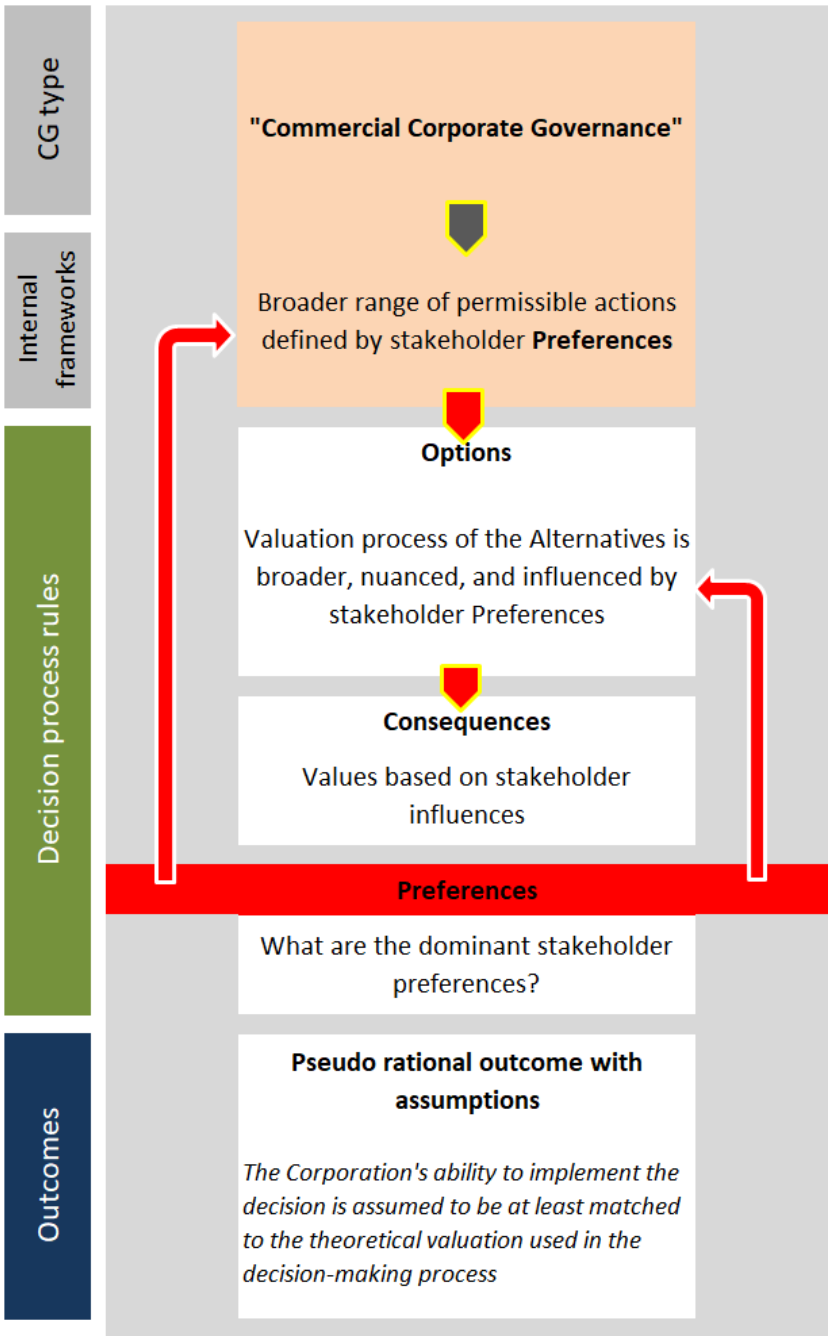
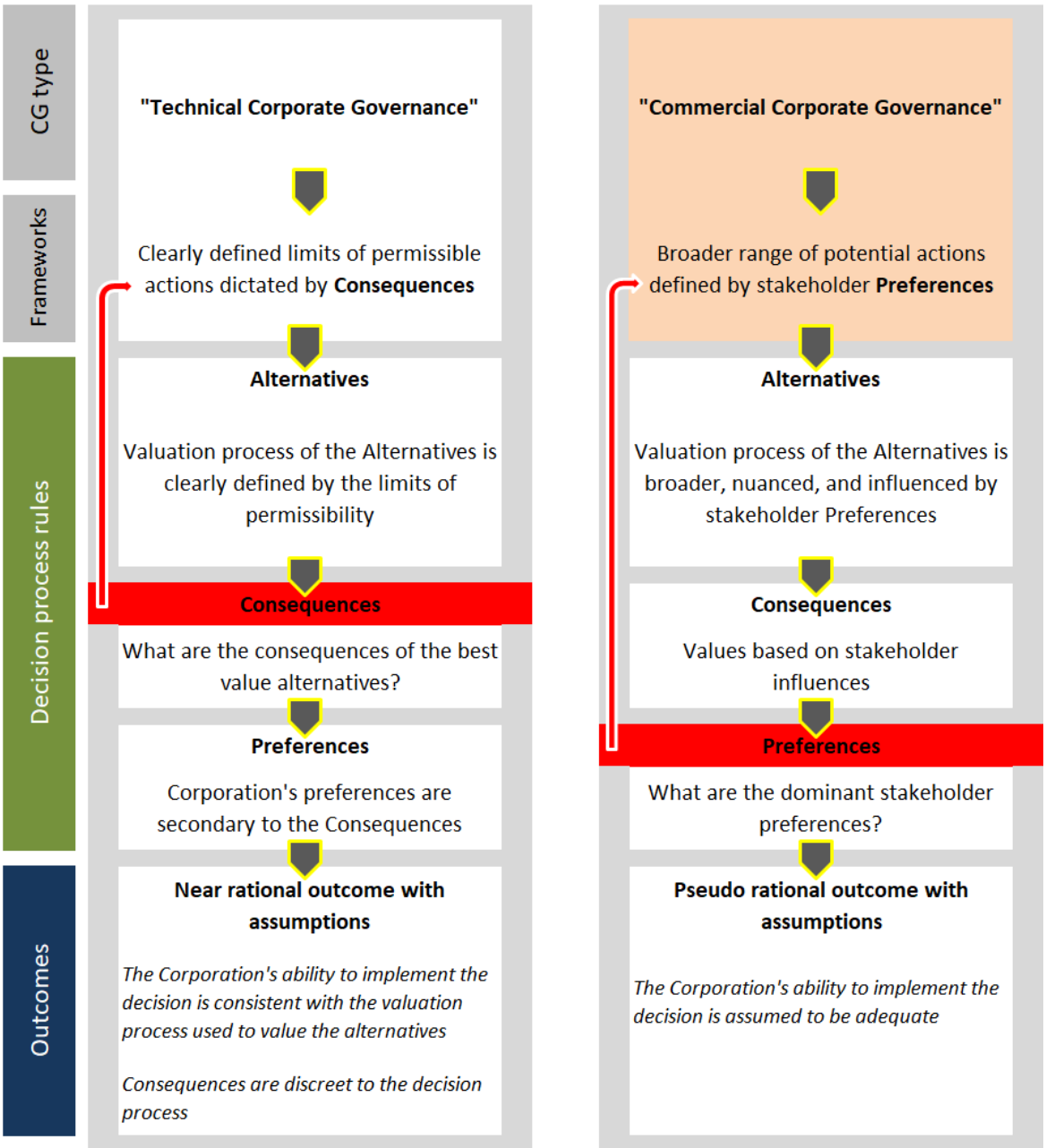


Figure 7 Theoretical decision-making for technical corporate governance and commercial corporate governance (author's own model)



2.5.4 Decision-making typology in the context of this thesis.

Having demonstrated the theoretical difference between technical corporate governance and commercial corporate governance in the decision-making

process, at this point we look to categorise typical decision-making by boards within a typology relating to their purpose of the decision with the role of technical corporate governance or commercial corporate governance as the substantial differentiator. Such categorisation is not part of the typical discourse on corporate governance, which predominantly groups together director and board actions under broad descriptions. Discourse on the topic tends to ascribe the same or similar variances and decision criteria to all decisions as it treats corporate governance as one process. This would seem unlikely given the distinct nature of the headline differentiators as previously discussed. Table 3 illustrates points of potential divergence across a set of features of a decision process, (options, consequences, valuation, and process rules) and the conditions and inputs (information, scope, control course, and timeframe of outputs).

Table 3. Points of potential divergence across a set of features of a decision process

	Technical Corporate Governance theoretical typology				Commercial Corporate Governance theoretical typology			
	Decision method	**Scope**	**Control source**	**Timeframe**	**Decision method**	**Scope**	**Control source**	**Timeframe**
Rules of the decision-making	Proscribed	Proscribed	External frameworks	Known / predictable	Internally agreed	Internally agreed	Internal	Variable
Decision options	Proscribed	Proscribed		Known / semi-predictable	Specific to decision	Specific to decision		Variable
Expected consequences		Corporate wide		Known / semi-predictable		Variable		Variable
Value of the consequences	Technical calculation			Known / semi-predictable	Semi-technical calculation			Variable

Table 3 indicates that the decisions made within technical corporate governance functions are more likely to be near rational - at least at the outset of the process. The alternatives available to a corporation to achieve an intended technical corporate governance outcome are dictated by the required outcome which is largely proscribed and controlled by external control frameworks. For example, there are very few, if any, alternative ways to comply with the requirements of an annual audit or to comply with health and safety legislation. The expected consequences are often binary – comply / do not comply, risk mitigated / risk not mitigated. As well as being limited in number, and often being binary in their consequences, there is typically a much larger reference class of previous experiences for technical corporate governance decisions, (both internal to the corporation and externally validated), which directors can call upon this reference class when assessing the expected consequences at the outset and in relation to the likely stability of the value of decision consequences over time. As previously mentioned, this is not the case with commercial corporate governance decisions where a far greater degree of variability would often exist, particularly where decisions are being made on new activities or where an existing activity is performing outside normal expectations and values. Table 3 relates to the research questions by highlighting the opportunity for, and control frameworks to constrain, information asymmetry. Table 3 also indicates the adverse conditions that may impact information quality, particularly with commercial corporate governance.

As well as presenting directors with challenges in relation to a rational process framework for commercial corporate governance decisions, the lack of a reference class introduces another set of variables including; the ability of a

corporation's executives to design a presentation of the options, the ability of directors to digest, question, and assess the options, and the ability of the corporation to complete the agreed course of action following any decision. As previously discussed, seemingly there is the potential for a divergence in the preferences of directors under some circumstances. Commercial corporate governance decisions, particularly ones that relate to remedial actions to rectify a shortfall in actual value versus an intended value of a previous decision, are potentially exposed to far greater bias, personal agenda setting, and political influence than rationally controlled technical corporate governance decisions and new commercial corporate governance decisions.

Both nuanced and more basic additional or alternative criteria can be considered in this context including the use of "wide-scope, indirect knowledge" held by directors (March, 1994). Assuming such knowledge is used, and the decision-making process accommodates it, then the accepted position is that such knowledge would assist in the decision process and decision outcome quality (Grünera and Schultea, 2010). Particularly in relation to commercial corporate governance, often decision-making, at the criteria setting, process, preference, and valuation stage is qualified and amended to suit the specific conditions of the corporation and its contingent environment. It can be concluded that, despite additional criteria and other moderating factors, it seems that commercial corporate governance decisions taken by corporations may not be commonly described as "rational". On the other hand, it would generally seem appropriate to describe technical corporate governance decision-making as being "near rational". This does not imply that commercial corporate governance decision-making is

irrational. Outside near rationality resides the “limited rationality” of commercial corporate governance decision-making.

This thesis argues that commercial corporate governance decision-making typology is characterised by input and condition variability and by typically being made within a wider, deeper, and often more opaque environment than technical corporate governance decision-making. This key factor is explored in this thesis as it is manifest through information asymmetry and is the entry point of additional risk into the corporation’s decision-making process. As described in Figure 5, the rules of the decision-making process are more likely to be internally proscribed and controlled, and be undertaken potentially with a buffer between the decision and external control frameworks. Such decision conditions, theoretically those of agency, expose the decision to a greater degree of influence by board directors and by other actors within the corporation who will be charged with compiling information relating to the decision, or by other stakeholders such as influential shareholders.

2.5.5 Commercial corporate governance decision-making resources and conditions

Central to the effectiveness of the decision-making process is information quality where quality is defined as meeting the expected specification as set by the control frameworks. For technical corporate governance decision-making, meeting the expected specification for information quality is more likely as the external control framework influencing both the decision and the expected consequences of the decision are typically tightly defined, (for example the format

of statutory accounts or the requirements for public liability insurance). With commercial corporate governance decision-making this is problematic since the expected specification relating to information quality is variable, potentially unclear at the outset, and is exposed to bias, influence, and agency (Stagner, 1969).

Directors face the challenge of being able to utilize new or *ad hoc* information, (March, 1992). Of particular note are issues of comprehension where board members are given varying amounts of time and access to review and process information so as to be able to participate in decision-making processes in the way intended by the control frameworks. It would seem likely that there is a significant variance in the exposure executive directors would have to information relating to commercial decision-making versus that of a non-executive director (Stevenson and Radin, 2015). This is because the executive directors would typically be aware of the conditions that give rise to a decision before non-executive directors, have greater familiarity of the situation, and have greater contemporary technical knowledge of the context. Moreover, executive directors would seem to have a greater ability to augment and explain their information through greater access to the originators of the information and any limitation in the information. This gives executive directors a significant advantage in decision-making processes and, consequently, in championing their preferences. In the decision process, in general non-executive directors would seem to be at a structural and institutionalised disadvantage. In addition to issues of quality and comprehension, board secretaries face the challenge of being able to assemble new and *ad hoc* information for presentation to directors well before board meetings to give all participants adequate time to absorb and question as necessary (Kakabadse *et al.* 2016). Board chairmen face the challenge of being

able to identify imbalances in information quality, being able to facilitate debate using new or *ad hoc* information, and consequently, in maintaining balance between the preferences of directors.

2.5.6 Prevailing conditions that influence behaviours

Given the lack of external control frameworks that constrain commercial decision-making, and uncertain information quality, at this point it seems valid to assume that individual biases, behaviours, and worldviews of directors will dominate or at least significantly influence commercial corporate governance decision-making throughout the decision-making process. This assumption is valid because it is unlikely that directors would be unable to ignore their previous experiences, known information gaps, and decision-making process issues. Directors would need to act in some way to achieve a personal bridge between their view of the preferences and information they have and the quality of the preferences and information assumed in control frameworks. This would apply to all decision-making but particularly to commercial decision-making because of the greater variability in the criteria and preferences. As previously discussed, with their greater access to resources useful in the decision-process, including information, executive directors would seem more able to influence the decision-process to achieve their preferred outcomes, even when this diverged from the best interests of the corporation, than non-executive directors would be able to.

Directors would struggle to suspend or limit previous knowledge or reference points even if these were not directly applicable to the decision in question. Absent an external framework to control them, directors would naturally

tend to adopt positions that conform to their core characteristics in relation to issues such as risk tolerance and the tolerance of ambiguity. Gaps in knowledge may be covered up if seen so as not to reduce the perceived value of a director to the board or go unfilled if the gap is an “unknown, unknown”. These are common variable traits of individual psychologies of decision-making. Broadly, individual psychologies seek to stabilize what the observer sees by likening it to what they already know or believe (March, 1994). This implies that individuals have a set of frameworks that they recall and use to suit the decision process in front of them. In the context of technical corporate governance decision-making, it is proffered that an individual director’s frameworks of knowledge and experience have significant commonalities with both the internal and external frameworks used by the corporation. An effective director recruitment process would have likely flagged up areas of technical corporate governance knowledge shortfalls within the existing board to be addressed in a systematic way. This would promote conditions where a selection process for board membership would naturally result in a commonality as the corporation sort out technical skills it needed as well as general skills. For example, membership of the corporation’s audit committee is likely to result in a candidate shortlist of potential directors with suitable experience, frameworks, and information relating to the audit function as well as the corporation. Consequently, each director’s individual frameworks would have significant commonality with the other directors. This is not the same as a *de facto* group framework, rather it is a composite framework. This is less the case with commercial corporate governance decision-making where directors are less likely to be exposed as having clearly identifiable, objectively assessed knowledge gaps and where the director recruitment process could, as a consequence of allowing more subjectivity, be

more accommodative in relation to individual shortfalls instead championing generalist experiences and cultural fit.

2.5.7 Abstraction and bias – distil, dilute or dissolve?

In order to stabilize what an observer sees and to place it into an appropriate framework, the observer requires the ability to abstract core characteristics of what is being observed. Abstraction is a core human skill practised consciously and subconsciously (Gigerenzer and Gaissmaier, 2011). It allows us to filter out most data and information we receive and to dedicate our mental processing capacity on that which is most relevant to us. Practically, decision-making by boards requires abstraction.

In practice, information relating to any corporate governance decision is already abstracted to a large extent. Those within the corporation tasked with compiling and presenting information will already have abstracted it from a wider set of possible information. The degree to which this is done for technical corporate governance will be controlled within a largely external control framework. This means decision processes have a greater level of commonality across corporations resulting in an awareness amongst experienced directors of what is required.

The extent and way in which information is abstracted for commercial corporate governance would seem to be much more flexible with the process of abstraction being varied by the speed, scale, and consequence value of each specific decision being put before the board. As part of the process, when

presented with information relating to a decision, directors will place the information into one or more frameworks and reference classes parsing information through their own conscious or subconscious abstraction processes which act to variously distil, dilute, or even dissolve information at the personal level. Ideally, board discussions and supplementary research by directors would act to cut down or expand frameworks to achieve a suitable balance of abstraction allowing for optimised decision-making. The extent to which this happens in practice is influenced by individual psychologies as much as expected decision process rigour, the prevailing corporate governance standards, and culture of the corporation.

A set of recognised biases would feature in both the abstraction process, and framework selections and uses. Of relevance to this thesis would be “confirmation bias”, which leads to the tendency to search for, interpret, focus on, and remember information in a way that confirms personal preconceptions. Also, “”anchoring bias”, the tendency to "anchor" on one piece of information when making decisions may be relevant. “Ambiguity bias”, the tendency to avoid alternatives with missing information may be relevant. “Loss aversion”, when the disutility of giving up an object is greater than the utility associated with acquiring it may be relevant. “Heuristics” and other rules-of-thumb would be deployed allowing more experienced directors to quickly cut to the decision, albeit at the risk of missing nuance and detail generally or specifically (Gigerenzer and Gaissmaier, (2011).

The rigour of the decision process and, in turn, the quality of the consequence is at the heart of the debate on commercial corporate governance. It would seem that the literature on decision-making, and the individual psychologies

that are inherent within it, would indicate that significant variation will occur. With variation of process comes variation of quality and, inherently, consequence value.

As well as quality variation, the literature discusses the tendency of decision-makers to resolve decision processes by adopting consequences that "satisfice" that is they choose alternatives that meet some criteria fully or all criteria partially (March, 1994; Gigerenzer and Gaissmaier, 2011). This may be because decision-makers have imperfect information, have limited decision-making time, have limited resources, or have other constraints on selecting alternatives. Decision-makers may justify "satisficing" as being pragmatic, an outcome that is more tolerable in some cultures, including the UK, than others.

2.5.8 Group psychologies and technical corporate governance decision-making.

An assumption that would seem valid for technical decision-making is that group psychologies will dominate as external frameworks, and more certain, higher information qualities would move the decision process more rapidly and effectively into the open debate and resolution stages of board meetings. In this scenario, directors would more readily accept the information quality at the outset, assuming it conforms to the requirements of an external framework and would be able to call upon a proven reference class of previous decisions and consequences that the board would collectively recognize, validate, and use. This scenario adheres to a rational decision-making typography. Technical corporate

governance decision-making is more likely to aim to objectively “maximize” the measurable value of a consequence. This is likely since the credible alternatives are typically fewer, the decision criteria more consistent and clear, the preferences and their values agreed as being corporate, (rather than potentially personal to the directors), and the decision process more controlled, (being within external control frameworks).

Despite the rationality of the process and the likely aim of achieving a maximised consequence, group psychologies are likely to influence the decision process to some extent. These could include; the need or desire to avoid conflict within the board to maintain unity, and the desire for inclusion on the part of an individual director who may consider themselves vulnerable in the group. These may be factors in some technical corporate governance decision-making in, for example, board committees on remuneration and nominations.

Commercial corporate governance could be at greater risk of undesirable group psychologies due the impacts of social identity theory (Hogg, 1992). Directors could act tactically by agreeing with other directors if the control frameworks that promote due process in decision-making, including the provision of overt and structured use of information, are weak or removed altogether. This may allow a director to “bank” political capital for use in another fight where their preference values are greater. At times of commercial stress or success for the corporation, a director may succumb to a bandwagon effect and conformity biases. Over time, the quality of information used in commercial corporate governance decision-making could be allowed to deteriorate as communal reinforcement takes hold, particularly where a business is successful, and the

shared experience of success acts to reinforce cohesion and in-group behaviours (Hogg, 1992; Freidken, 2004).

2.5.9 Decision process to decision consequence

It is not within the direct scope of this thesis to associate the actions and processes of directors to the outcomes of their corporations. However, the following chapter section forms a generalised review of the potential characteristics and outcomes that may feature.

In many scenarios and decision processes, what participants say and what they do are two separate things. As previously noted, decision-makers are unlikely to readily admit to random or clearly flawed decision-making processes - directors even less so given the legal, ethical, and commercial implications of doing so. In the context of this thesis, extant literature is limited when it comes to clearly associating decision processes, including information as a constituent part, with decision consequences. This disassociation is not uncommon in decision making in general. Assessing the association can be undertaken by using data obtained by asking participants, with the previously mentioned issues of veracity. Data can be obtained by observing the process. In the context of this thesis, observations of this type are a recognised gap in the literature (Le Blanc and Gillies, 2005). Data can be obtained by observing decision outcomes, these being issues such as participant dissent, and the timeliness of the decision, amongst others. In the context of this thesis, decision consequences, in particularly, specific commercial decision consequences are semi-detached from their decision process given the

issues of implementation over time and myriad external factors such as competitor reactions, unforeseen economic conditions, and regulator actions.

2.5.10 "The black box"

As previously discussed in Chapter One – Thesis Foundation, it is widely accepted in the literature that a "black box" exists in the research and consequential understanding of decision-making processes of corporate boards and of corporate governance in general. Given its previously described "near rational" nature, the "black box" conditions for decision processes that relate to technical corporate governance actions can, to a large extent, be reliably reverse engineered, at least to the board level if not to the individual director level. The information scope and quality, the alternatives, the preferences of the corporation, and the aim to maximize the value of the consequences are predictable given the presence of overt external frameworks and the contingent environments.

Reverse engineering the decision process is much harder to do with commercial corporate governance. The variability of process factors is much greater. The limited rationality in the decision process is harder to both define and measure. The effect of individual preferences may have a greater influence. The more likely acceptance of a satisfactory consequence, rather than a maximized consequence, adds to the barriers to gaining insight into the process from an external view-point. Even from an internal viewpoint, many of the variable factors could result in poor observations of the process. Extending the decision from its assessed preference value through to its intended consequence value, to its eventual terminal value is a hard stretch. For some commercial corporate

governance decisions this is possible, at least at a top level. Apple Corporation's decision to develop the iPhone and Apple "Appstore" are examples. Nokia's decision not to do so, if there was such a decision, is far less obvious. For commercial corporate governance the "black box" is sustained.

2.5.11 Section summary

The literature and commentary typically group all decisions made by boards together. This is unlikely to be the case because of the fundamental differences between the information, decision processes, and psychologies used in technical corporate governance versus those used in commercial corporate governance. To a large extent, technical decision-making adopts the characteristics of the generic corporate governance role, (described by the Financial Reporting Council's code and the Companies Act 2006), since external frameworks control much of the inputs, processes and consequence valuations. These characteristics engender group psychologies and act to largely out-weight and/or exclude the preferences of individual directors. Conversely, commercial corporate governance decision-making is internally controlled and is therefore exposed to less process rigour and a deferral to individual psychologies of the directors. Although this may result in commercially desirable outcomes, such as innovation and the greater exploration of alternatives, less process rigour would seem to introduce variability, bias, and risk.

2.5.12 Decision-making - gaps in the extant literature

In common with much of the literature relating to this thesis, the literature relating to decision-making in the specific environment of a corporation's boardroom is limited. What literature there is often lacks the depth and nuance required to adequately describe the "how" of the decision process and outcome instead staying at a generalised or theoretical level.

2.5.13 Decision-making - relevance to the aims of this thesis

The action of decision-making by directors relates directly to the aims of this thesis. In particular the differences in behaviours depending on the type of governance the decision being made relates to.

This section has explored corporate governance through its primary action of decision-making. The processes have been theoretically split into two distinct types depending on the type of corporate governance being undertaken be it technical or commercial. Central to the decision-making process is the information used by decision-makers which is the focus of the next section.

2.6.1 Information – the principal resource in decision-making

In the previous chapter sections, this thesis explored issues that support the view that the way directors approach decision-making will vary depending on;

the type of decision being made, the subsequent control frameworks that apply, the cultural and social positioning of the director, the functioning of the board as a decision-making environment, the adoption of and adherence to decision-making processes, and the psychologies of the individual and the group, amongst other factors. At this point the thesis focuses in on specific issues that can be used to demonstrate these factors in action. To achieve this, “information” has been selected as suitable focal point. This is because; information is a constant and essential feature in all decision-making processes, information is easily recognisable to directors and so does not require further conceptualisation or explanation for research participants.

As previously stated, information is the primary resource used by decision makers. This chapter section explores the nature and role of information in the context of corporations, corporate governance, and decision-making. This section builds upon the conditions put forward in previous thesis chapters by looking at information as being specific to the type of corporate governance being undertaken, be it technical corporate governance or commercial corporate governance, and, consequently, the type of decision being made. Of additional relevance are the typical behaviours that, as discussed Section 5 decision-making, will likely influence the decision-making process with group behaviours typically prevailing over technical corporate governance decision-making and individual behaviours potentially prevailing over commercial corporate governance decision-making.

2.6.2 Definitions of “information” in the context of board decision-making processes

Having stated that information is easily understood by research participants and therefore does not require explanation, it is worthwhile defining information in terms of its qualities and features as these relate directly to decision-making processes, and therefore to decision-making quality overall. Floridi (2013) asks the obvious but seemingly widely overlooked question of what exactly is information question? Floridi (2013) goes on to point out that there is significant ambiguity in the scope and definition of information in external control frameworks and that in addition to legislation additional guidance is provided to cover the quality, objectivity, utility, and integrity of information. Information is considered to be context dependent and therefore variable in its interactions with other information depending on a range factors that relate to the systemic complexity of what it is being applied to, (Rogova, Hadzagic, St-Hilaire, Florea and Valin, (2013). Floridi (2013) further points out that there is no clear agreement as to the scope of the variability of information quality. In short, it is left to the users of information to specify what they need in terms of the information with which to make a specific decision. This is clearly problematic in the context of corporate governance as the scope is typically defined by what is known, not by what is not known. Indeed Scholten, Nijstad, and De Dreu, (2007) state that when making decisions, information users dwell on the information they have rather than considering what they don’t have. Building on previously work by Batini and Scannapieco (2006) on information dimensions and Wang (1998) on information categories and dimensions, Floridi (2013) developed a simple table that marries the dimensions and categories as shown in Table 4 in an adapted form which is built upon further

in this section. In this table dimensions include accessibility, accuracy, availability, completeness, currency, integrity, redundancy, reliability, timeliness, trustworthiness, and usability. Categories are shown as intrinsic, extrinsic, contextual, and representational. Form both groups, dimensions and categories, Floridi (2013) recognised that the groups where not complete and that other dimensions and categories existed.

Table 4. Information quality categories and dimensions Floridi (2013)

Categories of quality	Dimensions of quality
Intrinsic	Accuracy, objectivity, believability
Accessibility	Access, security
Contextual	Relevancy, value-aded, timeliness, completeness, amount of data
Representational	Interpretability, ease of understanding, concise representation, consistent representation

In addition to the provision of an initial framework for information quality assessment, Floridi (2013) provides additional insights for consideration including "fitness for purpose" and the challenge in assessing the quality of information where derivative data is a source as abstraction can only happen at a given level which in the case of derivative data, is often above the level visible to the user of the information. Because of the generalised view described here and the lack of an existing corporate governance decision-making process definition of information, this thesis now proposes one in the next section.

2.6.3 A new information typology for use in this context

In this context, “information” has three dominant configurations distinguished by its purpose and use. The information types are more or less applicable to the type of corporate governance being undertaken.

2.6.3.1 Information type 1 - “Pre-determined purpose information”

The first distinguishable configuration of information in this context consists of, or is derived directly from, data that has been processed to meet a pre-determined purpose (herein “pre-determined purpose information”). This configuration would typically be utilized to answer routine questions that prompt decision-making relating to actions with options that lie within a normal range of resource requirements, timescales, consequences, and risks that conform to a known and limited range of preferences. In the context of corporate board decision-making, this is a common-place configuration of information and would typically relate to repetitive decision-making such as permissions to continue with existing, within specification programmes, administrative approvals, (such as reviews of current period budgets and performance), and oversight of technical corporate governance actions.

With pre-determined purpose information, corporations would typically have standardized and robust processes for data acquisition, processing, design, quality assurance, storage, and dissemination. Directors would be familiar with the purpose, source, format, and content of pre-determined purpose information. In addition, directors would be comfortable with the quality assurance processes.

Such quality assurance processes will often be specified by external control frameworks and be verified by external auditors.

Very limited quality variability may occur through a range of factors that are typically known to and proactively mitigated by the corporation prior to its directors utilizing the information. Quality variability factors may include; data acquisition methods, data completeness, data timeliness, and data processing. In most instances, the corporation would be able to compensate for quality issues with established data triangulation or substitution.

Whilst bias, in general, cannot be excluded with pre-determined purpose information, the board will have typically acted over a period of time to balance pre-determined purpose information to ensure it meets the broad needs of the corporation and its agreed vision, objectives and strategies, and to achieve compliance of the requirements within its external control frameworks. This balance also acts to minimise or exclude decision preferences of individual directors being selected above corporate decision preferences because such preferences would be demonstrably incompatible with the agreed scope of the corporation's pre-determined purpose information.

In some ways, the use of heuristics could be an issue with directors using pre-determined purpose information because familiarity with the content could lead to a lack of detailed review at each review and / or decision process. The counter argument to this position could be that the design stability of pre-determined purpose information should result in high-quality information presentation and so less time would be spent on interpretation and comprehension and, therefore, more time being available for individual director

review and subsequent board discussion. Heuristics and their use and misuse is explored further later in this section.

2.6.3.2 Information type 2 – "Emergent purpose information"

The second distinguishable configuration of information in this context consists of or is derived from data acquired and processed to meet an emerging, newly emerged, or *ad hoc* purpose (herein "emergent purpose information"). In the context of corporate board decision-making, this is a regularly occurring purpose and use of information. Emergent purpose information quality variability will typically be greater than that of pre-determined purpose information because the range of factors that contribute to its quality are broader, less well known, less tightly managed, less rigorously tested, and less well triangulated and contextualised. Commissioners of emergent purpose information may have a limited view of the topic it relates to, so may not be in a position to fully or correctly specify the scope and design of the information. This may lead to multiple iterations of the scope and design of the information and so lead to instability and potentially conflicting versions as both the information and emergent events it relates develop over time. Acquirers and compilers of source data may need to interpret the commissioner's specification. Acquirers and compilers of source data may also need to identify and approach new and unproven data sources. They may need to adapt existing data sources to the emergent purpose. In the context of corporate board decision-making, emergent purpose information is a less common-place configuration of information than pre-determined purpose

information, and would typically relate to scenarios such as performance deviations from agreed budgets, delivery issues within agreed programmes, rapid contingent environment, economic, and market changes, and emergent competitor actions. This implies that emergent purpose information would more typically be associated with commercial corporate governance actions than pre-determined purpose information.

Of particular significance within this thesis may be the risk of more occurrences of conscious or unconscious bias at any stage of the decision-making process. From the initial recognition of the stimulus for the corporation to source emergent purpose information, participants, including directors, will be able to influence multiple factors that will reflect in the scope and design of the information. This may include the decision preferences selected for board consideration.

Heuristics, particularly when combined with bias, could be a significant challenge for the board when utilizing emergent purpose information. Because of the developing nature of the contingent environment, directors could seek to reduce the time spent on a decision as a whole, or within certain stages of the decision process. This could be achieved by short-cutting time spent interpreting the information and focusing instead on the options that the directors perceives as an appropriate way forward. This scenario could be a particular challenge with fast-moving decision processes or where directors have significantly different amounts of exposure to the events that led to the need for the emergent purpose information. Gigerenzer and Gaissmaier (2011) argue that heuristics can lead to better judgements overall as they are preferable to trying to develop suboptimal information through weighting and averaging, for example in instances where

there is a low sample size or the situation is uncertain as with emergent purpose information decision-making.

2.6.3.3 Information type 3 – "Extant information"

The third distinguishable type of information in this context is where information is embedded in directors, and in other participants in the corporation such as senior managers, and is herein described as "extant information". In decision-making processes, there is rarely a void of information at the outset. The general decision process context is pre-seeded with data, information, experiences, and other knowledge held individually by directors and by other influential stakeholders.

Extant information is not bias, although it may be biased. Rather extant information is a reference class of sometimes objective, sometimes subjective, sometimes incomplete, sometimes wrong or obsolete information held by directors which is applicable, to a varying extent, to a decision process. Extant information will vary between directors reflecting their individual origins, careers, social and cultural interactions, education, and professional development, amongst other factors. Communication by each participant is central to the value realization of extant information (Malenko, 2014)

2.6.4 Over-lapping and intertwined information.

The existence of extant information implies that decision-making in this context is not fully controlled, sequential, or discreetly contained neatly within a pre-defined decision-making process. Newly issued pre-determined purpose information will overlay or replace existing pre-determined purpose information and will add to the board's and an individual director's extant information reference class. Because of the accepted quality assurance processes with pre-determined purpose information, and its repetitious nature, there is likely to be limited conflict between new information and extant information, at least in terms of its quality. When there is conflict between the information, across the directors, pre-determined information will trump extant information because of its accepted quality, and the condition that it is commonly help by the decision participants. Newly issued emergent purpose information is more likely to conflict with extant information. This may be because the new emergent purpose information is potentially different in its scope or because it is representing the same or similar information in a new way or with a new narrative angle. Moreover, it may contradict extant information by significantly updating or changing the data. It may widen the scope to include new data from a new data source. In this way, the extant information reference class may be strengthened, expanded, or in some cases be weakened at board and / or director level, or both. In addition, emergent purpose information is more likely to conflict with extant information because it is less accepted by the decision participants so allows for doubt, misunderstanding, lack of understanding, and disagreement.

2.6.5 Individual and group behaviours and responses to information

As a result of change and potential conflict, it is likely that individual psychologies will act upon a director's inclination to communicate, defend, and utilize their extant information depending upon the rewards to them as individuals for doing so. Individuals may feel that they place themselves at risk by revealing their extant information if they assess that it is inferior in scope, completeness, and / or quality to the extant information of other directors. Group psychologies may act to restrict the acceptance of one or more director's extant information if it differs from, or conflicts with, corporate or dominant individual director preferences. Consequently, extant information could have a significant influence in commercial decision-making in particular where there is greater latitude in the decision-making process.

The extent to which directors can ring-fence extant information, even when it is extraneous to a specific decision, is uncertain and, in any case, would be vary depending on the individual director concerned based upon individual characteristics including their cognitive abilities. In addition, to some extent, extant information is unstable. Throughout their participation on a board, an individual director' extant information array would change. Because of their proximity to the corporation and operating market, executive directors are more likely to be in a position to increase their contemporary commercially relevant extant information reference class. Non-executive directors, may be in a position to increase their social and cultural extant information reference class, possibly through participation on other boards. A challenge may exist for non-executive directors

where their contemporary commercially relevant extant information reference class could variously decline, decay, or become redundant if they are no longer operating as an executive in a sector relevant to the corporation.

Pre-determined purpose information and emergent purpose information emanate from the corporation and are then provided to directors, albeit in response to design specifications and requirements set by the board, (particularly in the case of pre-determined purpose information). Extant information flows the other way and in a format acceptable and / or useful to the individual. As it is a widely promoted feature in the recruitment process of directors and non-executive it particular, it could be argued that displays of extant information will add to the economic value of an individual director in the market for directors. This could lead to the inappropriate, gratuitous use of extant information, along with attendant risks derived from the extant information being erroneous or inappropriately deployed in a decision-making process. The assumed value of extant information held by individual directors is at the heart of the debate about corporate board membership diversity where a wider array of extant information and the attendant reference class, would provide the corporation with greater nuance and insight. This may be the case but a director would need to demonstrate such wider extant information is useful as this cannot be assumed.

In addition to the three distinguishable configurations of information discussed in this section, the existence of new raw information cannot be excluded. Information about events, such a natural disasters, will reach directors from channels beyond the control of the corporation, and in unconventional formats. This is an increasingly common occurrence as conduits such as social media proliferate in their number, scope, usage, and quality. In scenarios where

the event is of relevance to the corporation, emergent purpose information may then be provided, (as a reaction to the new raw information), to the corporation's directors. The challenges here are that the raw information already received will have a residual influence and the recipient is often prone to anchoring bias. This could be the source of information conflict, or be perceived as more or less relevant by a director versus the perception of relevance held by the corporation and other directors.

2.6.6 Section summary

This section positions information as the central resource used in corporate governance decision-making but goes on the argue that, at present, information quality is poorly covered in the literature. This section has built upon the Floridi's (2013) categories and dimensions association and extended information typologies as summarised in Table 5. To reference back to Floridi's (2013) work, Table 6 combines the categories and dimensions mapped against potential features of the new typologies presented here. However, as summarised in Table 6, given the complex variability of decision-making conditions discussed in this section and previous sections, information, its use, and its influence is not likely to be uniform amongst directors. Significant variability will occur because of the typology of corporate governance the information relates to, the scope, design, and quality of the information, and the decision processes undertaken utilizing the information.

Table 5. Information typology

	Pre-determined purpose information	Emergent purpose information	Extant information
Data acquisition	Standardized and robust	Mixed / ad hoc	Informal and ad hoc
Processing	Standardized and robust	Mixed / ad hoc	n/a
Design (user interface)	Standardized and recognised	Mixed / ad hoc	Actor and decision specific / ad hoc
Quality Assurance	Tested and audited. Limited variability	Mixed / ad hoc	Actor and decision specific / ad hoc
Storage	Tested and audited	Mixed / ad hoc	n/a
Dissemination	Proactive	Proactive	Passive
	Timely	Mixed / ad hoc	Actor and decision specific / ad hoc

In addition, significant variability is likely to occur in the way information is perceived, adopted, and utilized by directors reflecting the variability in directors as individuals, their cognitive abilities, their role on the board, their position within the Board's social systems, and within the wider corporation. In addition, the use of heuristics may play a significant part in the decision process where emergent purpose information is used. Gigerenzer and Gaissmaier (2011) point out the heuristics are used to short-cut forming the "search rules" which specify in what direction an information search extends, the "stopping rules" which specify when the search for information is stopped as well as the "decision rules" specify how the final decision is reached.

Table 6. Floridi's (2013) "categories" and "dimensions" of information quality mapped against potential features of the new typology of information developed in this thesis

"Categories" of quality	New typology of information	"Dimensions" of quality				
Intrinsic		**Accuracy**	**Objectivity**	**Believability**		
	"Pre-deterimined purpose information"	High and quality assured / audited	High and quality assured / audited	High because of accuracy and objectivity		
	"Emergent purpose information"	Limited quality assurance	Limited quality assurance	Limited		
	"Extant information"	Mixed and unknown, no visible quality assurance	Mixed and unknown, no visible quality assurance	Unknown to others		
Accessibility		**Access**	**Security**			
	"Pre-deterimined purpose information"	High with proven access points	High with audited systens			
	"Emergent purpose information"	High with proven access points	High with audited systens			
	"Extant information"	Unknown to others	Unknown to others			
Contextual		**Relevancy**	**Value-added**	**Timeliness**	**Completeness**	**Amount of data**
	"Pre-deterimined purpose information"	High with accepted scope	Intention set by users	Timescale set by users	Requirement set by users	Amount set by users
	"Emergent purpose information"	Variable scope	Limited by scope and user cognition	Shortened timescale	Not assured	Not initially specified
	"Extant information"	Unknown	Unknown	N/a	Unknown	Unknown
Representational		**Interpretability**	**Ease of understanding**	**Concise representation**	**Consistent representation**	
	"Pre-deterimined purpose information"	High with repeated use	High with repeated use	High with ongoing refinement	High with repeated use	
	"Emergent purpose information"	Limited by scope and user cognition	Limited by scope and user cognition	Variable levels of development	No	
	"Extant information"	Unknown	Unknown	Unknown	Unknown	

2.6.7 Information - gaps in the extant literature

The subject of information is poorly served in the literature in general with limited definition as it seems the ubiquitous nature of information has resulted in limited research being undertaken on the subject. The Floridi (2013) description helps here and is used as this is an applicable information characteristic framework.

2.6.8 Information - relevance to the aims of this thesis

The typology of information developed for this thesis provides a framework for a more detailed description of information in the specific environment and against the specific behaviours being discussed.

2.7 Chapter summary

This chapter has described, in sections, two major influences on the hypothesis. The first is the complexity and inter-relatedness of the specific environment and the specific behaviours being researched. The environment is subject to complex internal and external control frameworks. These, along with the second influence - that of the “black box” - result in the extant literature being generalised and lacking the granularity needed to move the literature from descriptions of *what* might being happening towards explanations of *how* something might be happening. This conclusion is particularly the case with decision-making and information. In relation to the propositions and hypothesis in this thesis, the sequentially compounded influence of the gaps in the extant literature, are the most relevant. The research in this thesis recognises the

sequence as well as the complexity of the conditions within the specific environment and addresses these as propositions in the quantitative research stage. The sequence is then continued with the hypothesis explored in the qualitative research stage.

The next chapter of this thesis builds upon the definitions of information given in this chapter, as well as the conditions, behaviours, dynamics, and processes described in previous sections of this chapter to explore information asymmetry as a theory and to set out the grounds for the research sections of this thesis through an explanation of the development of propositions and the hypothesis.

CHAPTER THREE - DEVELOPMENT OF PROPOSITIONS AND HYPOTHESIS

3.1 Chapter introduction.

This chapter describes information asymmetry as the product of the specific environment and specific behaviours at work in boardrooms. The chapter goes on to explore the propositions and hypothesis researched in this thesis.

3.2 Information asymmetry

Information asymmetry is a “cornerstone of management research” (Bergh, 2019). Information asymmetry is a condition where one party in a relationship has more and / or better information than another (Akerlof, 1970; Bergh, 2019). Information asymmetry is a foundational element of theories applicable to corporate governance including agency theory, transaction cost economics, resource-based theory, institutional theory, resource-dependence theory, and signalling theory. Despite information asymmetries apparent role in these theories and its ubiquity in general, in a 2019 review of the literature on information asymmetry, Bergh (2019) states that no comprehensive review of the knowledge of information asymmetry as a management concept had taken place. This places information asymmetry in line with many foundational aspects of research covered in this thesis as being incomplete and / or contradictory.

The previous chapter of this thesis described, in Section 2.6, a new information typology with three distinct types of information:

- “Pre-determined Purpose Information” - where the data, source, quality assurance, design, scope, presentation format, and other features are recognised, understood, and accepted by users, including directors. Largely, the features of this information type conform to requirements set by external control frameworks.
- “Emergent Purpose Information” – where the data, source, quality assurance, design, scope, presentation format, and other features are more variable and subject to change and *ad hoc* criteria. This information type will be less recognisable, understood and accepted by users, including directors. Features of this information type may conform to requirements set by internal or external control frameworks.
- “Extant Information” - where a wide array of formal and informal information is already held by directors.

Despite widespread acceptance that information asymmetry is omnipresent in markets (Akerloff, 1970; Bergh, 2019) prevailing corporate governance frameworks adopt a working assumption that board decision-making processes will distribute information evenly amongst the directors to ensure they are equally informed. This is because the shareholder value view of corporate governance adopted in the UK is rooted in neoclassical economic theoretical outcomes which are assumed to be the outcome of impersonal market dynamics and forces. Although participants in such markets are assumed to behave as individuals in

that they are somewhat immune to social influences, in the case of corporate boards, where they are assumed to act as a group, the prevailing forces will be in favour of market mediated outcomes. This should result in the sharing of information amongst participants in order to inform the group so allowing the group to fully exploit the market opportunity (Malenko, 2014) in the same way the neoclassical economic theory assumes that an individual would, (Taleb, 2010). Neoclassical economic theory does not assume that the decision-making individual always optimizes each decision rather that they always fully attempt to do so. Prevailing corporate governance frameworks in the UK assume this for the board as a group also. However, this seems unlikely for a number of reasons including:

- Directors will not all evaluate the market and options in the same way
- Directors are not equally able to comprehend the information
- Directors may not all have adequate time to review the information
- Directors are not equally motivated to invest time in reviewing the information
- Directors are not equally motivated to question and or augment the information to improve its quality
- Directors do not all have equal access to methods of questioning and augmenting the information to improve its quality
- Directors do not all share the same view of the impacts of the information
- Directors have different experiences, skills, and worldviews outside the board

In addition, a specific instance of an information asymmetry can be described and / or categorized in relation to its origins such as being derived from hidden information or different information, or a range of other differentiators.

3.3 Hypothesised conditions for information asymmetry leading to corporate risk.

As a consequence of the factors mentioned above, this thesis argues that a complex information asymmetry exists amongst the board of directors. Furthermore, this thesis argues that the type of information will vary the likelihood and influence of any information asymmetry, and that the type of corporate governance being undertaken, categorised previously in Chapter Two - Corporate governance as “technical corporate governance” or “commercial corporate governance”, will also influence the information asymmetry. This thesis also argues that other factors add to the conditions that are stimulative and / or accommodative of information asymmetries. As described in Chapter Two – Corporation boards of directors, these factors include conditions that are suitable for the development of in-groups and out-groups within the corporation’s board and amongst the extended structures associated with the board, including senior corporate managers and advisors. This is because information is the primary resource used in decision-making so it is logical that controlling information (thereby creating an information asymmetry or failing to rectify one that already exists), with the aim of influencing decision-making towards a particular preference, increases the power of one group above that of other groups. This may seem to be an illegitimate action on behalf of directors. However, given the

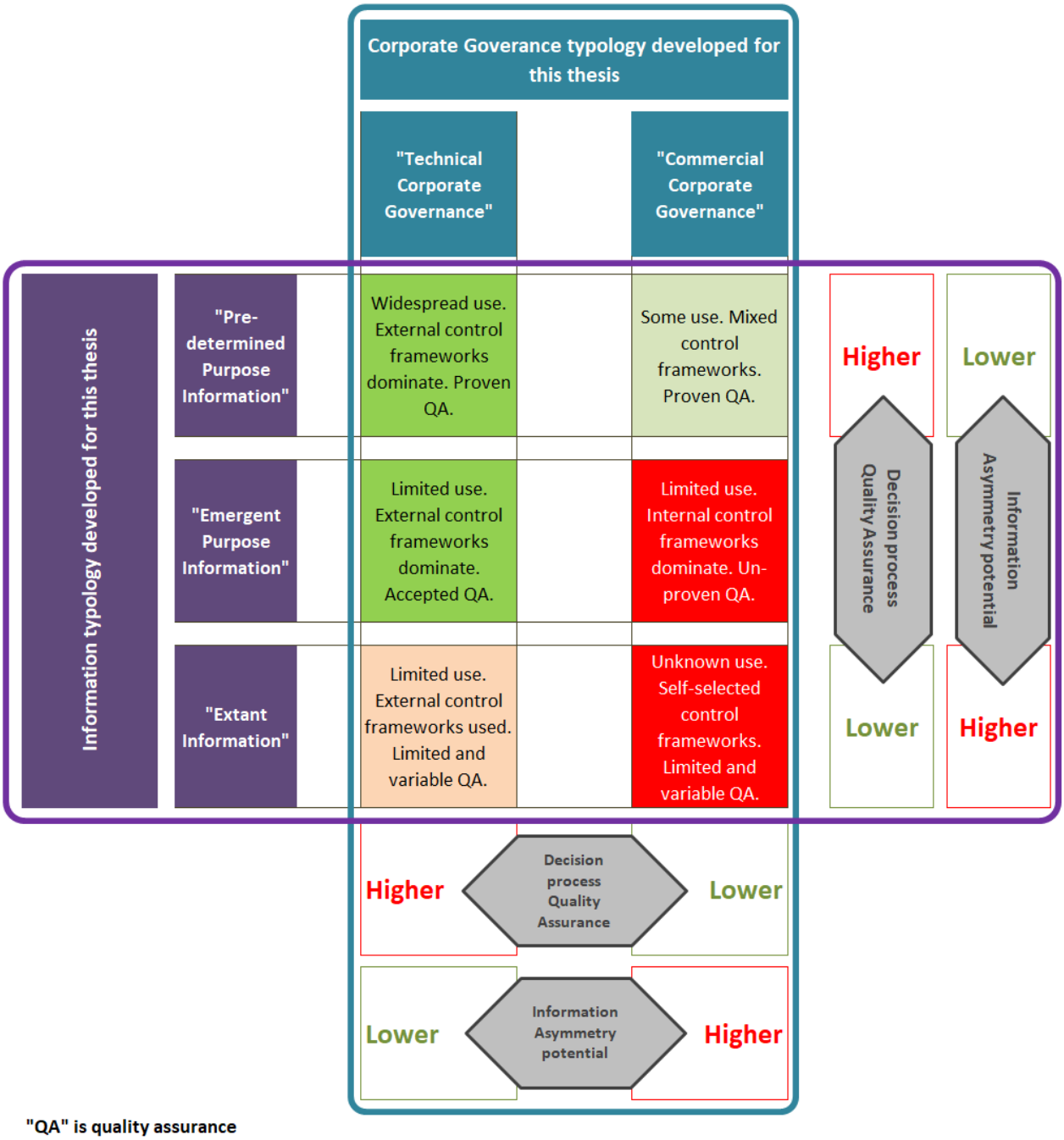
variability in the control frameworks, particularly as they relate to commercial corporate governance, directors may act to create an information asymmetry so as to champion their preference, or at least minimises the barriers to its adoption – a course they may believe to be in the best interests of the corporation.

Information control and sustaining or creating an information asymmetry could be passive on the part of an in-group, for example, by failing to rebalance a known information asymmetry. Equally, information control could be active on the part of an in-group carried out through a range of actions which create information asymmetries including restricting time to review information, omission, and deliberately poor presentation. The opportunities for in-groups to passively or actively create information asymmetries would seem to be greater for executive directors as they are temporally, physically, and organizationally closer to the sources of information and the events that stimulate the information's creation.

As previously described in Chapter Two - Corporation boards of directors in relation to the differentiation between technical corporate governance and commercial and corporate governance, and Chapter Two – Information in relation to the typology of information as being pre-determined purpose information, emergent purpose information or extant information, the conditions for the information asymmetry can be visualised as shown in Figure 8. As the control frameworks become internal to the corporation the quality assurance becomes less stringent as it does when the information used for decision-making becomes less structured. Consequently, the conditions that are likely to result in information asymmetries are increased. Particular areas of risk are the intersections between commercial corporate governance and emergent purpose information and extant

information as illustrated in Figure 8. Here the conditions for agency are high as are the potential rewards.

Figure 8. Conditions for information asymmetry hypothesis (author's own model)



"QA" is quality assurance

3.4 Thesis theoretical narrative

The purpose of this thesis is not to prove the existence of information asymmetry which is widely accepted. The purpose instead is to provide an evidence base for the when, where, and how of information asymmetry in the context of a corporate boards decision-making process. This is achieved by illustrating information asymmetries in detail at the level of information's qualities including its dimensions and categories. This stance is in contrast to the practitioner's view where a prevailing feature of contemporary board management "best practice" and corporate governance codes appears to be the assumption that information asymmetries are not a factor, or do not exist, or are fully mitigated by standing board structures and actions. The quality of information intended for the board's use is rarely mentioned in the literature, as explored in Chapter Two – Information. Where information is mentioned, it is typically highly generalised as a topic. In addition, the literature is very limited in isolating the conditions and reasons for sub-optimal Information as they relate to specific board decision-making processes. This is part of the ongoing and well discussed dearth of literature on cause-and-effect in board actions in general, the so-called "black box" (Le Blanc and Gillies, 2005). There are plenty of instances where sub-optimal Information is blamed, wholly or in part, for poor consequences of board decisions or inactions, the Enron scandal as an example (Committee on Commerce, Science, and Transportation, United States Senate, 2005). These instances come to light when evidence is presented to an enquiry or as evidence in court proceedings, or when the media pick over the bones of high-profile corporate failure. Occasionally, as part of an enquiry or court proceedings, a forensic exercise is undertaken to piece together or reverse engineer the information array

that directors of the corporation in question had available to them. This partially happened in parliamentary committee hearings into the collapse of Carillion plc where explanations of the board's decision process were constructed by working backwards from the consequences (House of Commons 2018). Carillion plc board minutes laid open some of the "rationale" of the decision process outcomes including some of the information used. Typically missing however, is what is not shared such as extant information, bias, or inappropriate heuristics. Also missing is the design brief given to executives of Carillion plc relating to emergent purpose information, (this type of information is referenced in the Carillion plc board minutes shown in Appendix 1). It seems that the balance of Carillion plc board's focus and actions seems to have become less structured during the decline in the health of the business and eventual crisis that preceded Carillion plc's collapse. Also missing is a full contemporary record of the board's discussion on a particular decision as the verbatim of such discussions are not required to be recorded by law. The law requires, amongst other details, attendance, proceedings, and decisions to be recorded. Also in short supply is a board level document that records narratives that relate to the commissioning of all information, which may be particularly relevant for emergent purpose information. In the case of Carillion plc, much of the information was produced by external parties such as legal and financial advisors. Whilst adding to the credibility and quality in some respects, this state of affairs further distances many of the information users from the source of the information.

In summary, the foundation of this thesis is that the process of corporate decision-making is distinct in many fundamental respects depending on the type of corporate governance being undertaken. This is demonstrated by the

prevalence, tolerance, and reaction to information asymmetries amongst directors on the boards of corporations.

Chapter Two - Defining corporations of this thesis described the conditions of corporate board decision-making by exploring features of typical corporations operating within the UK. These are distinct entities, ones with a clear commercial purpose, and a set of features that, whilst not entirely exclusive to corporations, are sufficiently distinct to be discreet in research terms.

Chapter Two – Corporate governance explores the corporate governance control frameworks that UK corporations exist and operate within. A clear distinction is made between two types of corporate governance where hitherto, typically these two distinct functions are lumped together under the broad banner of corporate governance. The first distinct type is technical corporate governance which focuses on, in the main, ensuring the corporation is compliant with externally set control frameworks including laws and clear societal expectations that are sufficiently impactful so as to compel most corporations to comply with their requirements. Technical corporate governance addresses, in the main, a wide group of stakeholders. Commercial corporate governance are actions taken by directors to promote the interests of shareholders through commercial performance.

Chapter Two – Corporation boards of directors explored the role of the principal actors which are the directors of the corporation who, through decisions made in board meetings, cause the corporation to follow a formal and agreed course of action. In addition to the combination of corporate governance and information type.

Chapter Two - Decision-making described the decision-making process in the context of corporate boards as being more complex than the literature normally portrays. Despite having a uniform stated purpose and collective responsibility amongst members, Chapter Five develops the argument that corporate boards may operate in conditions and use structures that will stimulate the type of group dynamics that occur within groups in general including the development of informal or subversive in-groups and corresponding out-groups, and other problematic social systems. These conditions are likely to result in sub-optimal social cohesion, diminished board effectiveness, and the emergence of individualistic behaviours, such as preference choice that may conflict with, or undermine, the corporation's best interests. As an outcome of this summarised position, it is concluded that directors may make decisions with different sets of information and that information is unevenly distributed across the board – it is asymmetrical. Indeed it can be described as having a "complex asymmetry" as it is different and unbalanced across multiple measures and qualities.

Chapter Two – Information describes information as being the core resource used by directors in their decision-making and introduced a typology for three types of information used by directors for decision-making. The typology describes pre-determined purpose information, emergent purpose information, and extant information as being distinct in their source, purpose, quality and use. This new typology of information is combined with an existing description of information quality with categories and dimensions.

Sections 3.2 - Information asymmetry in this chapter describes the conditions and features of information asymmetries in the context of corporate governance. Developing the themes and narrative of the preceding chapters, this

chapter position information asymmetry as ubiquitous but understood at the theoretical level. At this point the thesis develops a model that allows research at a practical level to demonstrate information asymmetry with specific features which can be further developed to demonstrate outcomes for the corporation. This is achieved by demonstrating a hypothesized condition where information of varying qualities is permitted by the interaction of the type of corporate governance being undertaken and the type of information being used.

3.5 Proposition and hypothesis development

As previously described in the chapter the hypothesis is that the two main conditional typologies relating to corporate governance type and information type provide the conditions for increasingly impactful information asymmetries. The theoretical existence of information asymmetries allows for research design that asks participants to recall these conditions in their raw form and then explore potential outcomes. This development is illustrated in Figure 9 where the start point is the inter-relationship between the information and corporate governance typologies leads to an increased risk condition for the corporation.

Figure 9. Summary theoretical outcome of conditionality of information asymmetries and outcomes building on Figure 8 (author's own model)

	"Technical Corporate Governance"	"Commercial Corporate Governance"
"Pre-determined Purpose Information"	Widespread use. External control frameworks dominate. Proven QA.	Some use. Mixed control frameworks. Proven QA.
"Emergent Purpose Information"	Limited use. External control frameworks dominate. Accepted QA.	Limited use. Internal control frameworks dominate. Un-proven QA.
"Extant Information"	Limited use. External control frameworks used. Limited and variable QA.	Unknown use. Self-selected control frameworks. Limited and variable QA.

Abstract of Figure 8

theoretical conclusion

Information asymmetries are commonplace

and

Individual directors use different sets of information in their decision-making

results in

These stages are the focus of the research in the part of this thesis

Given the collective responsibility in board decision-making, directors take different personal risks because of sub-optimal information

results in

Sub-optimal corporate decision making which increases risk

and demonstrates

Increases the risk of adverse preference selection by executive directors

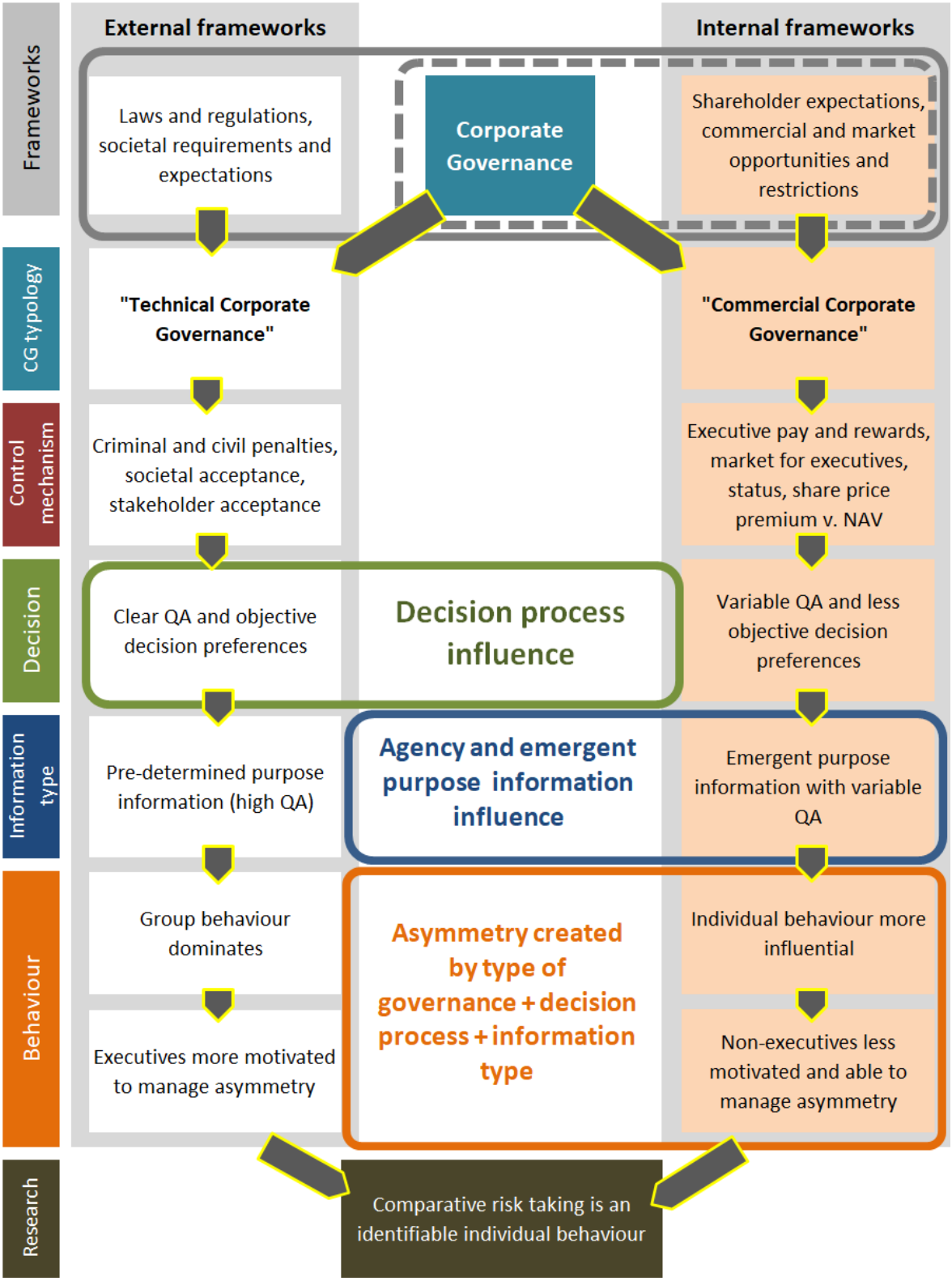
3.6 Theoretical distinctions in corporate governance decision-making.

The theoretical outcome of conditionality of information asymmetries and outcomes shown in Figure 8 is consistent with agency theory in general and potentially as an indicator outcome in this context as directors of corporations, are often not substantial owners of the corporation. Moreover, as stated by Macintosh and Quattrone (2010),

> *"Asymmetrical information is the most fundamental concept in agency theory because it gives rise to all the other problems: adverse selection, moral hazard, signalling, and incentives".*

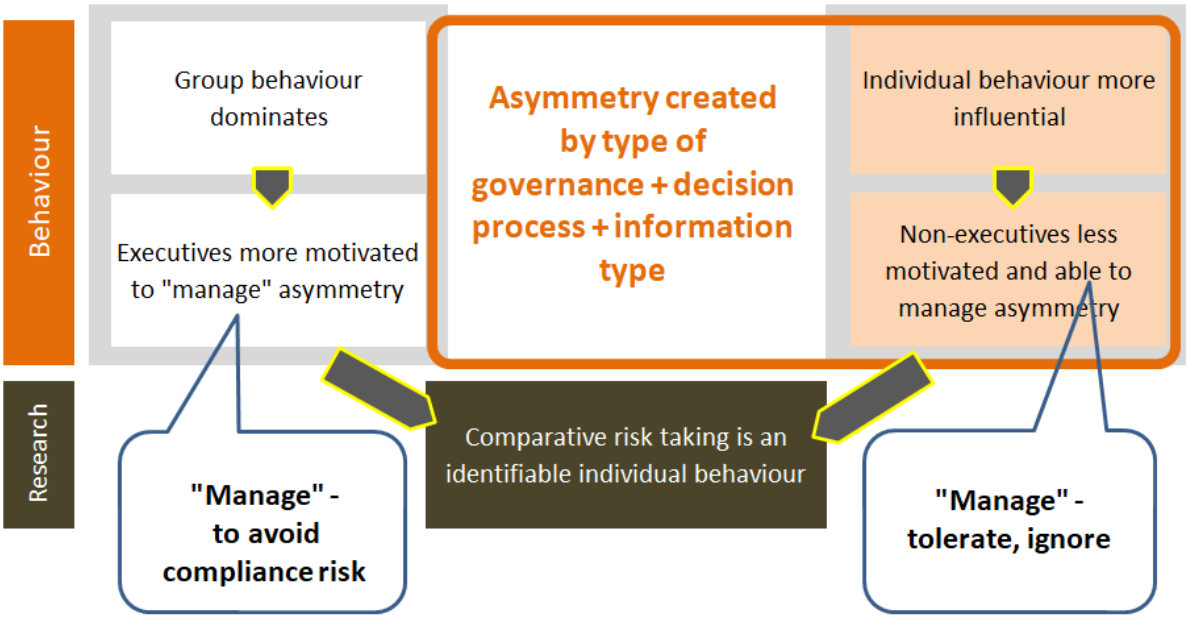
These conditions and outcomes would seem particularly relevant to commercial corporate governance decision-making as hypothesised in this thesis, as the degree of quality variability in the information is highest and the external setting of control frameworks is lowest. This condition is shown in Figure 10 where the two types of corporate governance are described as flows through the decision process to a divergence where the preferences driven by agency are introduced. This is further made permissible by the information types then used in the latter stages of the process. For instance, as a lack of quality assurance becomes a feature, individuals have a choice to make concerning their abilities and needs to rectifying information quality issues. This is individualistic behaviour rather than group behaviour. This may influence those who are least able and / or least motivated to take action, in this environment, this is typically the non-executive directors.

Figure 10. Theoretical distinctions in corporate governance decision-making (author's own model)



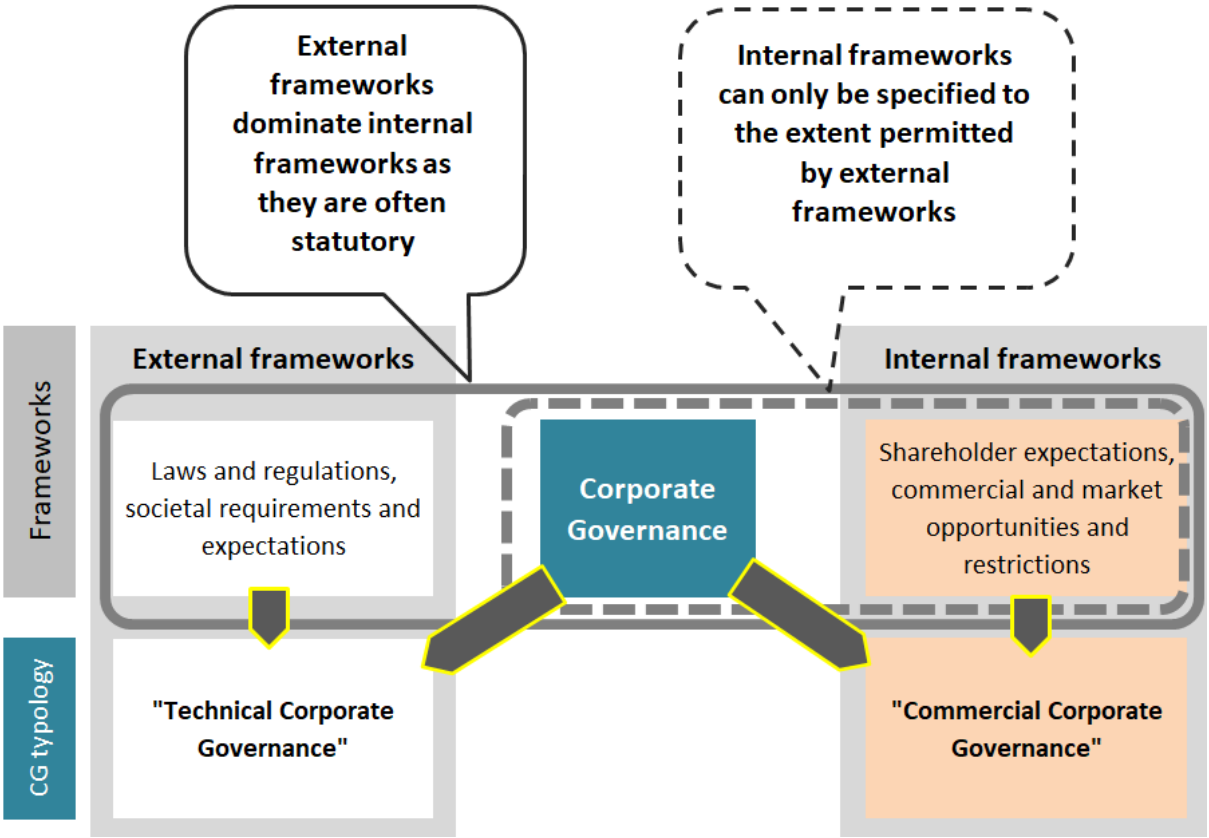
As a consequence of the development of the conditions and hypothesis described so far and summarised in Figure 8, the purpose of this research is to isolate factors and conditions that confirm the existence of information asymmetries, and of outcomes and behaviours that can theoretically be associated with information asymmetries. The research will then go on to demonstrate that it is credible to conclude that these outcomes and behaviours are potentially detrimental to the corporation and its directors. These latter stage hypothesised conditions are further illustrated in Figure 11.

Figure 11. Hypothesised latter stage of decision process (author's own model)



A condition for this hypothesised latter stage dissfunctionality is the theoretical difference between the influences of the control frameworks that dominate the types of corporate governance being undertaken. This is illustrated further in Figure 12.

Figure 12. Influences of the control frameworks that dominate the types of corporate governance (author's own model)



3.7 Chapter summary

As previously discussed, the overriding challenge in expanding the understanding of decision-making by corporate boards is the lack of a general requirement or motivation to open the "black box". As mentioned in Chapter One - Thesis Foundation, the focus of this thesis is specific environments and specific behaviours relating to the use of information in corporate board decision-making processes. More specifically, this thesis explores asymmetrical information within boards as an indicator of other conditions within the "black box". The next chapter, Chapter Four - Research Design and Methodology ties the gaps highlighted in the

literature review in Chapter Two – Literature review to the propositions and hypothesis developed in this chapter in order to close the gap.

CHAPTER FOUR - RESEARCH DESIGN AND METHODOLOGY

4.1 Chapter introduction

As discussed in Chapter One – Thesis Foundation, the overall aim of this thesis is to increase the understanding of the conditions, processes, actions, and resources that influence decision-making by corporate boards of directors. As previously explored, to achieve the overall aim of this thesis, it was necessary to adopt research objectives that moved on from the “what” to the “how”. This was important because much of the extant literature on corporate governance is either: oversimplified and generalised in its conclusions so staying at the “what” level; is counteracted or contradicted by similar research which provides conclusions that significantly dispute the research’s conclusions; difficult to replicate; or all three. Because of the gaps in the existing literature, and the apparent reasons for these gaps, an alternative approach to the research for this thesis was adopted.

The thesis research design took its form from following Maylor and Blackmon’s “abstract to concrete” model, (2005), as summarised in an adapted form in Figure 13. Following on from sections on the overall aim, the objectives, and research question, the rest of this chapter is structured broadly in line with the Maylor and Blackmon (2005) model. This model was adapted by the author by extending the model upwards from the “approach” stage to incorporate the “thesis aims”, “research objectives”, and “research questions”. This was done to illustrate the continuity of the design process incorporating the model.

Figure 13. Maylor and Blackmon's "abstract to concrete" model (2005), adapted by the author

Element	Notes	Implication for this thesis
Thesis aims	*Increase the understanding of the conditions, processes, actions, and resources that influence decision-making by corporate boards of directors.*	New method or scope of research
Research objectives	*The "what" of corporate governance*	Quantitative evidence, support and testing of proposition (s)
Research questions	*The "how" of corporate governance*	Qualitative evidence for hypothesis and development of new theory
Abstract		
Approach	*Ethnographic*	
Philosophy	*Explanatory*	Face to face to illuminate the "black box"
	Comparative	
	Multiple perspectives	
	Open ended	
	Holistic	
	Demonstrating causation	
Perspective	*Assumes: social complexity, process complexity, social valuation, personal valuation, group behaviours, and individual behaviours*	
Methodology	*Mixed to encompass quantitative proposition building and an ethnographic approach building towards new theories*	Two stage research
Design		
Method	Quantitative and qualitative	
Tools and techniques	Survey and semi-structured interview	
Data	Evidence base, descriptions, narratives, and insights	Credible theory building of "how" to support hypothesis
Analysis	Propositions, nuanced themes	
Concrete		

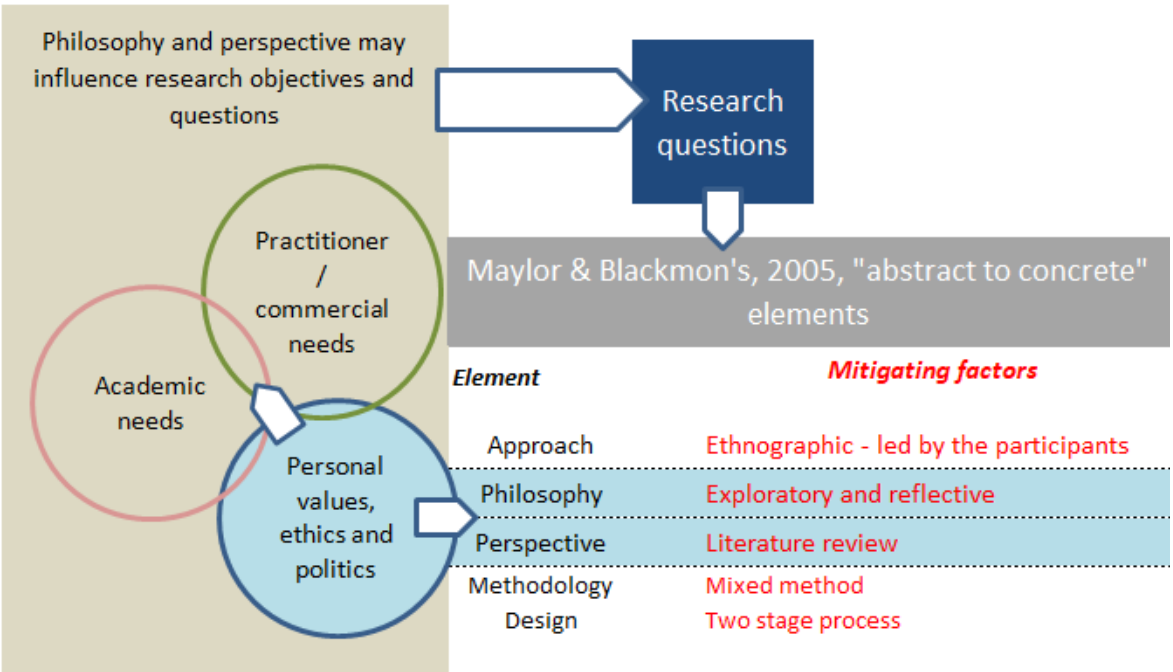
4.2 Pre-seeded risk mitigation in the research process

It should be noted that the model shown in Figure 13 starts at the "approach" stage and therefore after the research aim, objectives, and questions

had been, at least, drafted. This introduced a number of risks to the research quality which were considered in the research design process.

A major risk here is that the philosophy and perspective are pre-seeded into the research design as they pre-exist having been influenced by the personality and experience of the researcher. This condition can act to prompt, create, and reinforced research objectives and research questions which are overly attached to practitioner or academic needs, as illustrated in Figure 14. Three potential issues arose; undue focus on certain aspects of the research subject and object, bias, and selective triangulation. This risk was mitigated by; an ethnographic approach led by the research participants, the literature review; the two stage research process using quantitative research to establish the validity of research propositions; in-depth qualitative research stage; and reflection.

Figure 14. Researcher bias mitigation



4.3 Research question analysis

This thesis addresses three formal research questions. In order to validate the choice of research methods used, the extent to which these three questions are similar and connected, but still distinct, was assessed to validate the suitability of adopting the same research methodology for all three questions. This process was undertaken by analysing the questions subject and object as shown in Figure 15.

Figure 15. Thesis and research question subject and object analysis

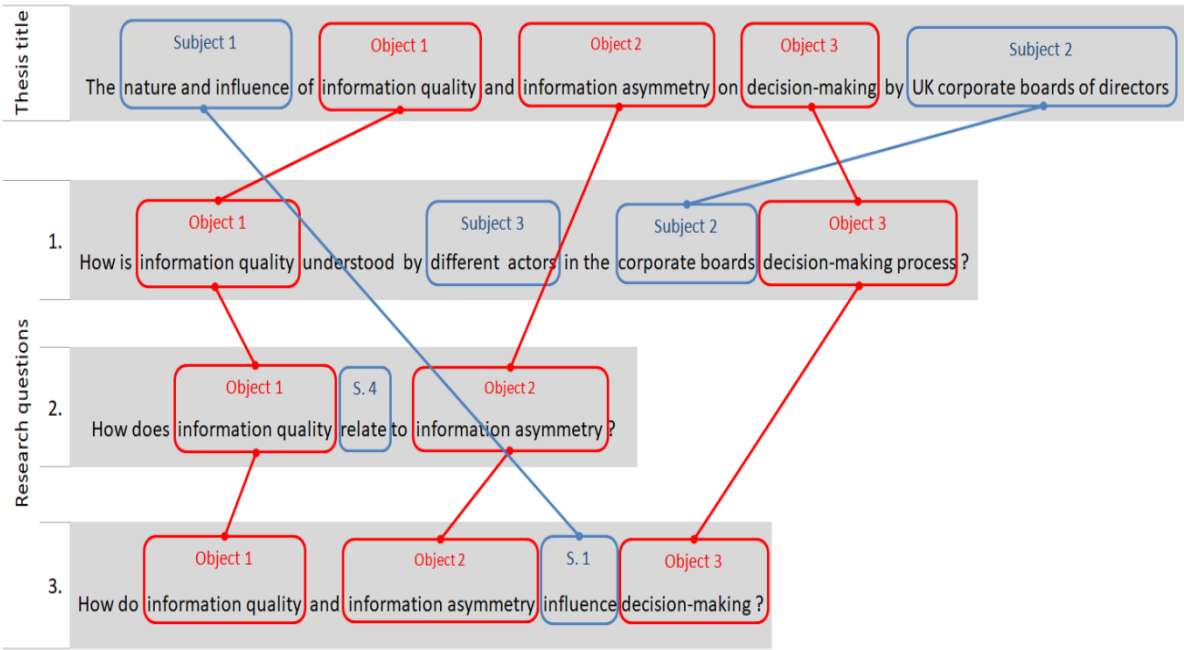
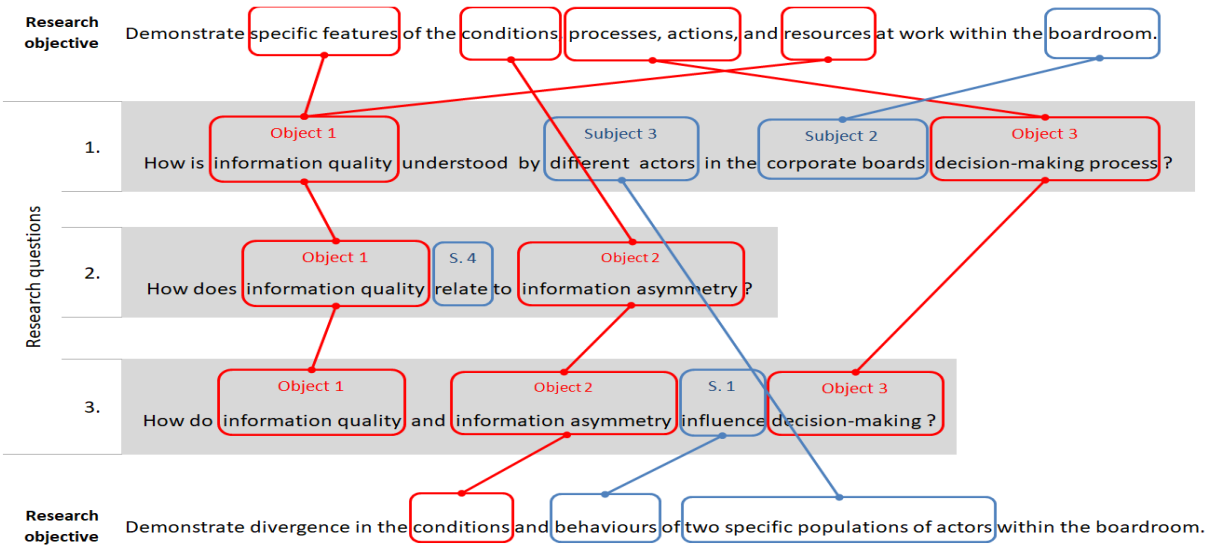


Figure 15 illustrates that the research questions have both commonality and differences. The thesis has two subjects and three objects. Subject 1 is the “nature and influence” of Object 1, “information quality”, and Object 2, “information asymmetry”. Object 3 is “decision-making” by Subject 2, “UK corporate boards of directors”.

Research question 1 includes Object 1 and Object 3, and Subject 2. It also includes Subject 3 which is “different actors” so introducing the researchable divergence between the two populations in the sample. Research question 2. includes Object 1 and Object 2. It also includes Subject 4, “relate” so introducing the researchable relationship between information quality and information asymmetry. Research question 3 includes Object 1, Object 2, and Object 3 and Subject 1. Analysis of the subjects and objects of the thesis and research questions demonstrates that there are significant fundamental commonalities whilst also including substantive differences in structure, inputs, and outputs. Consequently, it is shown that the choice of a single research methodology is appropriate for this thesis. In addition to the association of the thesis title to the research questions, the thesis objectives are similarly associated through the research question subjects and objects. This is illustrated in Figure 16 where the research objectives are highlighted in relation to the research question subjects and objects.

Figure 16. Research objectives and research question subject and object analysis



The subject and object complexity and the ethnographic nature of the research narrow down the research methodology and design options away from fixed designs so again validating the mixed method approach taken in this thesis.

4.4 Hypothesis, research methodology, and theory building

The central hypothesis of this thesis is that the two main conditional typologies (relating to corporate governance type and information type) provide the conditions for increasingly impactful information asymmetries that benefit executive directors and create conditions of greater risk for the corporation. In order to demonstrate the validity of the hypothesis, this thesis develops a new theory of executive agency which uses the research design to bring together a broad descriptive evidence base to support the propositions and specific features and details of corporate director behaviours and the corporate governance environments. The relationship between the research objectives, research questions, hypothesis conditions, and hypothesis are demonstrated through the commonality of the subjects and objects of the research questions.

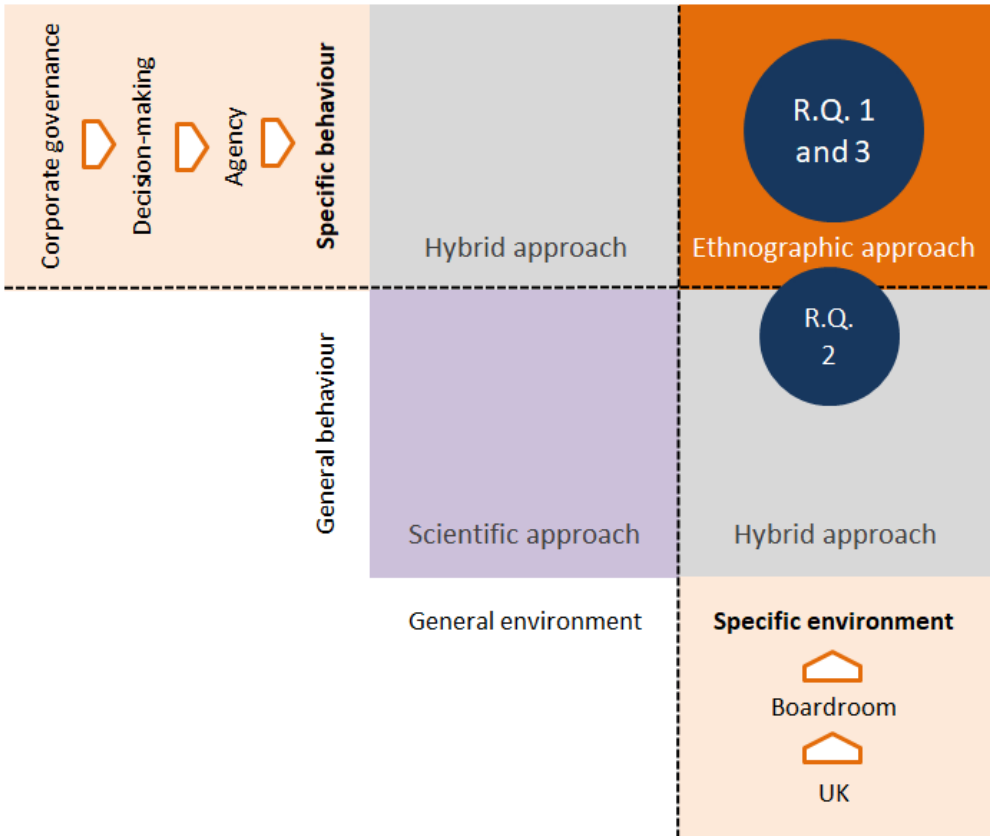
4.5 Research approach

A corporation's board is formalised and hierarchical because of titles and roles (such as chairperson), because of in-group and out-group dynamics, and because of the competitive nature of the boards operation where control of information is sought in order to create a exploitable resource dependency. The

research design has considered these features and their influences on the participants, their social identities, and positioning theory as it applies in this context. Harre & L. Van Langenhove, (1999, p2) state that positions are relational, therefore, in a social system. As a result, the research approach is ethnographic.

The ethnographic research approach has been further validated by positioning the research questions within a grid assessing the generality or specificity of the environment and behaviour of research subjects, as shown in Figure 17.

Figure 17. Behaviour and environment analysis to validate research approach



For research questions 1 and 2, the behaviours are specific to the actions of corporate governance, decision-making in this context, and executive agency.

The environment is specific to boardrooms controlled within UK frameworks. This is consistent with the overall aim of this thesis which required the research to reliably demonstrate specific features of conditions, processes, actions, and resources at work within the boardroom. This specificity was needed in order to avoid the thesis adding to the general research on boards which, as previously stated, is often oversimplified in order to make up for the lack of granularity. For research question 3, the relationship between information quality and information asymmetry is more hybridised but is accommodated within the thesis research's mixed method design.

4.6 Research philosophy

The research philosophy can be described across a number of characteristics.

"Explanatory"

The research aims to provide deep, specific outputs by exploring specific behaviours within specific environments. Whilst descriptive in many ways, this thesis provides an explanation of the "how".

"Comparative"

The thesis does not aim to measure anything accurately but rather to broadly value aspects of the conditions and behaviours in the boardroom and decision-making process. Such broad valuation, in a business research

context or general ethnographic context, is generally comparative as opposed to being absolute.

“Multiple perspectives”

The thesis provides a balanced perspective of the conditions and behaviours in the boardroom and decision-making process. This is across two populations, (executive directors and non-executive directors), and across a number of participants from each population. A challenge faced in similar research was also faced in this thesis in that the research is resource dependent on enough participants being able and willing to give multiple perspectives.

“Open ended”

The thesis research is in some ways a full explanation of the conditions and behaviours described by the research participants. The thesis research can standalone so be regarded as “closed”. However, as is the case with most of the research undertaken on corporate outcomes, both the researcher and the reader are left asking “what happened next?” What happened to the corporation because of the decisions taken whose conditions and behaviours were referenced in the research? Was the decision, despite being compromised, a success in commercial terms? What happened afterwards to amend, change, or improve the decision? Can the effect of these changes be reliable disentangled from the original decision?

“Holistic”

The research is holistic in its approach and philosophy as it aims to capture through two stages of a whole system explanation and to give indicators as to further reductionist research directions picked up in Chapter Nine.

“Causality”

The thesis research aims to understand the cause of events and so to be able to illuminate the “black box”, and to build a credible theory to explain how the conditions and behaviours occur and evolve in the context of the boardroom and the decision-making process.

The research philosophy is consistent with the thesis aims, research objectives, and research questions as it seeks detail to move from “what” to the “how”.

4.7 Research perspective

This thesis’s research perspectives are based on a set of assumptions about the prevailing attributes of the population of UK corporate board directors. As discussed in Chapter Two, the operating environment, selection process, career profile, cultural influences, and biases would lead the research population to be atypical of the general population. The position of “director”, socially and within the corporation, would typically be higher than the norm. Therefore, people who “achieve” this status are, in general, more successful than the average for the general population. As the researched population is typically a professional manager, valid assumptions here are that directors are; well educated, socially able, career oriented, ambitious / self-motivated, and articulate. It is also valid to

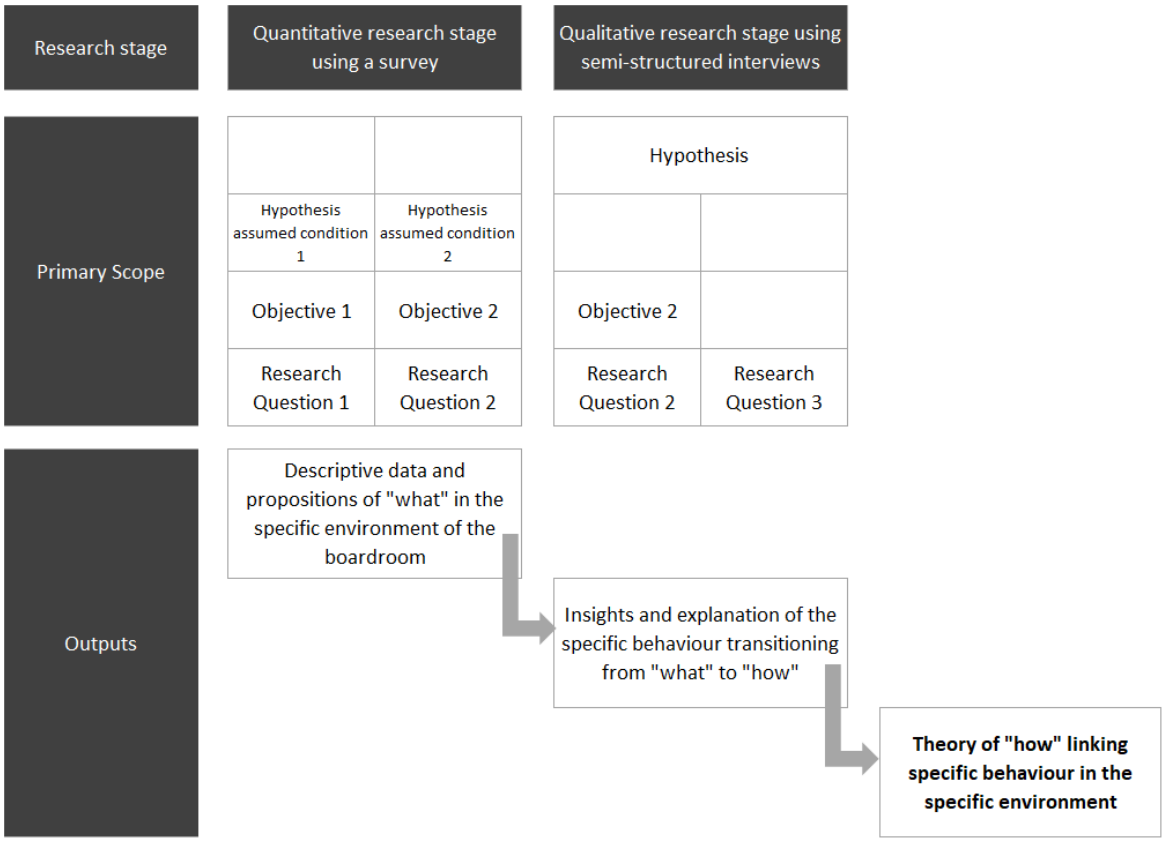
assume that people with these characteristics are able to construct and sustain a view of their place in the world which suits their self-perception, their perception of the value of their actions, and of their social position. The research perspective kept this in mind in the survey respondent selection phase of both stages of the research. As will be described, care was taken to balance the selection of the research participants by pursuing a numerical balance of sub-populations, (executive director and non-executive director), within each data gathering session. Whilst this could not remove the potential impact of research perceptions, it did, as far as possible, mean that both sub-populations are equally influenced. Social positioning, in particular, is a prevailing assumption within this research. In many ways, a more exact description could be “social market positioning”. The perceived position of an individual participant influences their value within the market for directors internally within the corporation, and externally within the whole market for director services. This introduces a research perspective of mild but consistent dishonesty on the part of the research participants. This subject is discussed further in Section 4.9.

4.8 Research methodology

As previously discussed, this thesis aimed to move from the “what” to the “how” of a specific action of corporate governance. This was achieved through mixed method research which validated the hypothesis allowing for the development of a new theory to explain how decision-making, in the context of this thesis, happens in a way that increases the agency of executive directors and general risk to the corporation. This required the research to have outputs with

depth and nuance. At the same time, the propositions on which the eventual theory building rests needed some degree of external triangulation to demonstrate validity. The combination of a quantitative survey to establish descriptive propositions which were then taken forward for exploration in semi-structured interviews provided the triangulated basis and the depth and nuance. The transition across the hypothesis to the eventual theory building is shown in Figure 18.

Figure 18. Overall research design and method transition



4.9 Research design - Stage 1 - quantitative research stage using a survey

4.9.1 Quantitative research overview

As previously discussed, the primary research undertaken within this thesis has been completed in two stages. The first stage of the primary research within this thesis, which is quantitative, aims to illuminate the key themes relating to:

- the existence, or otherwise, of differences in information quality and, in particular, information asymmetries amongst boards of directors,
- any consequent influence that differences in information quality and information asymmetries have on risk-taking behaviour by directors

The key outputs of the qualitative research stage are descriptions of the “what “ of the specific environment of the boardroom.

Figure 19. Quantitative research stage description

Research stage 1	Quantitative research stage using a survey	
Primary scope	HAC 1. Corporate boards of directors do not act as single coordinated group when making decisions.	HAC 2. Corporate governance control frameworks do not adequately control the actions of directors.
	RO 1. Demonstrate specific features of the conditions, processes, actions, and resources at work within the boardroom.	RO 2. Demonstrate divergence in the conditions and behaviours of two specific populations of actors within the boardroom.
	RQ 1. How is information quality understood by different actors in the corporate boards decision-making process ?	RQ 2. How does information quality relate to information asymmetry ?
Outputs	Descriptive data and propositions of "what" in the specific environment of the boardroom	

The first stage research is intended to provide thematic indicators for further exploration within the second stage of the primary research, which is qualitative in

nature to explain the “how” with this process illustrated in Figure 19. From this point, the results and outputs of both stages are intended to aid in the development of a conceptual framework for the management and mitigation of information asymmetries and to lead to the improvement in the qualities of information used by directors of corporation when making board decisions.

4.9.2 Requirement to achieve overall research objectives

In order to achieve the overall objectives of this stage of the research, there was a need to identify two distinct groups of participants in order to establish the existence of any information asymmetry, and to begin the process of giving the implications of any information asymmetry some form and characteristics to be explored further in the second research stage. The broadest categorisation amongst the participants was whether they were executive directors or non-executive directors. As well as being an unambiguous and overt characteristic, this categorisation is valid because it indicates substantive differences in a range of relevant characteristics, such as access to information, social positioning, and, potentially, other factors such as behaviours when faced with challenges relating to information quality issues.

4.9.3 Data collection

Stage 1 data was collected by means of a survey, (see Appendix 2). The survey was made available to potential respondents via three main channels:

1. Potential survey respondents were provided with an electronic link to an online survey using the “Bristol Online Survey” platform recommended by the University of Birmingham.
2. Potential survey respondents were provided with paper surveys for respondents to complete in the presence of the researcher.
3. Potential survey respondents were approached in suitable locations and requested to use an “ipad” tablet to complete the survey in the presence of the researcher.

The original data gathering plan was that the first method, providing an electronic link, would be the primary method of obtaining survey responses. Data collection took place between July 2016 and October 2017 which is significantly longer than originally anticipated. Three main reasons for slow data collection are suggested. The first reason is that the providing an electronic link for survey respondents to click through to proved to be an ineffective way of obtaining responses. Using this approach method, potential survey respondents were either not engaging with, were not motivated, or not incentivized to undertake the survey. As an example of this, an appeal for responses was put out through a “Linkedin” group formed as a “Chartered Director Network”. This network is an online community of active directors who, because they have been through a formal certification process aimed at improving corporate governance, should mean that the network members would be amenable to supporting this field of research. This appeal had little effect. The Institute of Directors was also approached to request participation with the survey directly to potential respondents via a regular newsletter to Institute of Directors Chartered Directors. As with the Chartered Director Network, again a very limited response was received. In analysing the

responses, out of 100 completed responses, it is thought that, based on the dates of the responses and the dates of the online respondent recruitment activities, 11 participants responded to a request directing them to use an online link. The second response method of providing hard copy surveys for completion proved more effective. Surveys were provided to directors of companies approached via a limited number of contacts of the researcher, 16 in total. In addition, the researcher made approaches at random to people at the Institute of Directors in London to complete paper surveys. This approach method produced 20 responses making 36 paper survey responses being received in total. The final data collection method also involved approaching people at the Institute of Directors to complete the survey using a web-connected ipad to access the Bristol Online Survey tool. This final method proved to be the most effective overall with a total of 53 survey responses were received this way. For the latter two data collection methods, data collection took place at the Institute of Directors on eight occasions eight occasions between January 2017 and October 2017. As these responses were the last collected, the responses excluded to balance the participant group numbers were collected this way meaning that 49 of these survey responses were used in the data sample. Any data or record of abandoned or incomplete surveys was deleted in line with the stated data management and security policy communicated as part of the survey introduction. The survey respondents are regarded as being generally representative of the director population of corporations. Where appropriate, characteristics of the survey respondents are triangulated to other associated research samples.

4.9.4 Stage 1 survey design

The survey was designed to isolate one set of experiences of a specific directorship role. The purpose of this approach was to better compare the distinct experiences of executive and non-executive directors in isolation rather than to allow the survey respondent to give their general or best / worst experiences of being a director, (which could include executive director and non–executive director experiences), or to cherry pick certain experiences to steer their responses towards a narrative they personally favour or that re-enforces a point they may wish to make. Although this was the intention of the survey design, there is no absolute guarantee that the survey respondents strictly followed the instruction to relate their responses to one specific directorship consistently throughout the survey.

The survey's structure was designed to be broadly sequential following a timeline of board meeting preparation stages leading up to the board meeting and the survey respondents participation in the board meeting. The survey flow is shown in summary in Figure 20. Initially, the survey explored some relevant personal characteristics relating to the survey respondent and then followed on to explore specific actions, behaviours, and attitudes the survey respondent reported that were specific to the themes of this thesis.

Figure 20. Stage 1 - quantitative survey design summary

Survey section	Purpose of survey section	Themes of survey section
Introduction	Scene setting. Focus on one role	
About you	Isolate personal characteristics	Personal experiences and qualifications, closeness to the Company, attitude to risk taking, gender
About the Company this one specific role applies to	Isolate characteristics of the Company	Company ownership, frameworks
About the Board	Isolate characteristics of the Board	Group dynamics
About Board meetings	Understand Board meeting management processes	
Organization of Board meetings	Understand Board meeting management processes	Culture of Company, Board and management, group dynamics
About this director role	Isolate characteristics of the Director role	
Information used in Board meetings	Isolate characteristics of the Information used by Directors at Board meetings	Culture of Company, Board and management, group dynamics
About Company Board decision making	Isolate characteristics of the decision making process	Decision making quality assurance, risk tolerance
Other sources of information	Understand Company management processes	Culture of Company, Board and management, group dynamics

The survey was intended to take around ten to fifteen minutes to complete. This estimate was based on the number of questions and the question type. In addition, a planning assumption was made about the reasonable amount of time to ask someone to give up in order to complete the survey and to avoid abandonment of the survey during completion. In practice, it seems this was about the right amount of time as it seems few surveys were abandoned once started.

The survey respondents were provided with an introduction, (shown below), in order to position the survey as relating to one specific director role in order to tightly frame their perspective accordingly.

Survey introduction to be read by survey respondents and agreed to.

Survey into assessing information flow and its influence on decision-making by company boards.

Thank you for taking part in this survey, which should take around 10 minutes to complete.

This survey is part of a University of Birmingham research project looking at how Directors of Companies use information in their Board level decision-making processes.

This survey is anonymous. No personal information will be recorded in this survey that can identify you or any organization you were or are a director of.

Instructions.

Please think about a specific role you have, (or have had), as a Director of ONE organization only and relate your answers to that ONE directorship only.

Throughout the survey, the questions are worded as if the directorship is current. This applies to past directorships also.

The term "Company" is used throughout. In this survey, this applies to any organization type.

The term "Board" is defined as the most senior decision-making body in the Company.

Notes on confidentiality and data security.

Once submitted, your survey results are totally anonymous and, therefore, can not be deleted.

You can stop the survey at any time. Answers provided up until that point will not be retained.

4.9.5 Statistical analysis of survey data

The survey results were analysed using a simplistic method of comparison across the range of question response. The data was downloaded from the “Bristol On Line” survey tool into Microsoft Excel to give better control over the visual presentation of the results. From this point, where applicable, differences between the responses given by executive and non-executive directors were evident, Stata 15 statistical analysis software was used to perform T-test analysis so ascertain the statistical significance of the differences between responses from executive and non-executive directors. In Appendix 3, the T-test analysis is shown as a screen shot from the Stata 15 software for each comparison of interest to the thesis subject. Where the comparison is statistically relevant, the screenshot is outlined in blue. Where it is clear and of interest, but does not have a statistically relevant T-test score, the screenshot is outlined in orange. Where there is no significant difference, the screenshot is highlighted in grey. Where relevant, a summary table for each question is shown with blue shading used to highlight data that is statistically significant.

4.10 Stage 2 – qualitative research using semi-structured interviews

Figure 21. Qualitative research stage description

Research stage 2	Qualitative research stage using semi-structured interviews	
Primary scope	Hypothesis. In context description of the - *conditions for increasingly impactful information asymmetries that benefit executive directors and create conditions of greater risk for the corporation.*	
	RO 2. In detail - demonstrate divergence in the conditions and behaviours of two specific populations of actors within the boardroom.	
	RQ 2. In detail - How does information quality relate to information asymmetry ?	RQ 3. In detail - How do information quality and information asymmetry influence decision-making ?
Outputs	Insights and explanation of the specific behaviour transitioning from "what" to "how"	

4.10.1 Qualitative research overview

As previously discussed, the primary research undertaken within this thesis has been completed in two stages. The second stage of the primary research within this thesis, which is qualitative, aims to illuminate the key themes relating to:

- how the conditions and behaviours proposed in Stage 1 create conditions hypothesised in this thesis,

- specific descriptions that allow for the development of a new theory of executive agency under certain conditions

The key outputs of the qualitative research stage are descriptions of the “how“ of commercial corporate governance decision making processes as illustrated in Figure 21.

4.10.2 Qualitative method overview

Reflecting back on the discussion in Section 4.6, relating to the overall research philosophy and design employed in this thesis, the central research challenge experienced by researchers in this field is that the problem is “wicked” as its characteristics and conditions are “messy, “circular” and have no “single right solution” (Savin-Baden and Howell, 2013). In recognising this challenge, this thesis adopted a staged approach by employing a quantitative stage to support or disprove the hypothesis and to reduce the “mess” of characteristics. From there, a qualitative stage has explored the characteristics in an attempt to straighten-out the circularity and describe a reduced set of evidence based potential solutions.

The broad research paradigm adopted for the qualitative research stage was “social constructivism” in that characteristics and conditions of the topic are held within an artificial environment, (largely a corporation’s board), are where dialogue and negotiation take place so are, by definition, a “social construction” (Savin-Baden and Howell, 2013). As well as the environment being a social construct, the role of the director is also considered a social construct, (Maylor and Blackmon, 2005). Using Savin-Baden and Howell’s (2013) “Qualitative

Researchers “Wheel of Research Choices” model indicates that participants in this stage of the thesis are individuals, and that the narrative descriptions of their experiences, gathered through interviews, is an appropriate approach. The overall objective was is to be able to undertake thematic analysis that added a nuanced and coloured layer to the research undertaken in the quantitative research stage. This approach proved to be effective. The overall outcome of combining the two stages results in a balanced thesis but one with a subjectivist ontology. This is considered appropriate as however the data was obtained, it is derived from humans operating within social constructs, so will always be subjective (Maylor and Blackmon, 2005).

A quantitative approach was used in Stage 1 to move on from the constrictions of the prevailing “black box” assumption relating to research on corporate board behaviours. This was achieved by isolating a limited number of behaviours of directors and reliably demonstrating that two distinct groups, (executive and non-executive directors), behave in different ways and that these differences are detrimental to the corporation because it increases risk by lowering the overall quality of the information used in the decision-making process. Despite this solid evidence foundation, the overall outcome is not fully objective. It is argued that the two stage approach produces a diluted objective basis but a fuller explanation of what is happening within the “black box”.

4.10.3 Interview method

A semi-structured interview took place in which interviewees were asked a set of questions in a predetermined order. A semi-structured interview approach

was selected as the participants can be regarded as sophisticated and knowledgeable about the topic. It was anticipated that the interviewee's knowledge base and experience would allow them to understand and contextualised the topic and questions being posed, and to construct answers that directly addressed the questions, and to then expand their responses with additional, associated points and follow-on observations (Savin-Baden and Howell, 2013).

In addition, the semi-structured interview format allowed the interviewer the latitude to expand and explore responses outside the confines of tightly defined questions. In this way the questions could be regarded as being "open" in that the answers given, even if they were potentially initially answered with a binary "yes" or "no", were intended to be expanded upon (Savin-Baden and Howell, 2013). By allowing interviewees to respond largely in their own way, semi-structured interview techniques allows for terminology and thematic analysis also (Savin-Baden and Howell, 2013).

In practice, both assumptions about the interviewees' understanding and responses, and the development of additional and associated lines of discussions proved to be the case. On occasion, the interviewer prompted the interviewee to expand on points made and to specifically address points where contrarian or alternative views were put forward.

4.10.4 Method of data collection

Interviews were held face-to-face with interviews lasting around 90 minutes. Responses were recorded in note form within a pre-formatted question and answer sheet. The interview started with a verbal introduction covering an explanation of the background and generalised purpose of the research, the reason why the interviewee was selected, a description of the format of the interview, and a brief explanation of the semi-structured nature of the interview questions.

Following the introductory statement, a summary statement covering the main outputs of the Stage 1 quantitative research was read out as shown below.

Broadly, the Stage 1 survey indicated that:

- Executive directors have more company specific information than non-executive directors
- Executive directors have more ways of obtaining company further information than non-executive directors
- Non-executive directors have a wider, non-company, information set than executive directors
- There are more occasions when non-executive directors are unsure about the board decisions they make because of the quality of information they have available to them

Six pre-drafted questions were used which acted to control the structure of the interview and to give interviewees the opportunity to develop their responses. Care was taken not to impose the researcher's preconceptions or ideas through the wording or language of the interview questions (Maylor and Blackmon, 2005). At the same time, there needed to be continuity and flow from the output of the Stage 1 quantitative research. As with the stage 1 quantitative research, the choice of appropriate vocabulary, syntax, and terminologies was considered important to the outcome (Bryman and Bell, 2003). This was particularly relevant

for the semi-structured interviews as, on occasions when interviewees require prompting or points suggested the need or opportunity for further development, the use of a corporate vernacular was employed.

4.10.5 Question design

Given the commonplace reticence of many practitioners to discuss, in detail, events and conditions in the “black box”, care was taken to avoid questions that might bring down the shutters. A number of alternative question wordings were considered for each question to balance the tonality. This was achieved using question wording and tonality that attempted to avoid asking the interviewee having to describe specific situations rather than generalised experiences. Overall, a balance was achieved for the interview questions which avoided an overly technical tone.

4.10.6 Selection of participants for qualitative interview

Interviewees were selected based on their general experiences being representative of the themes and concepts being researched rather than being representative of the whole population of corporate directors (Maylor and Blackmon, 2005).

Given the purpose of the second research stage and the validity of the Stage 1 quantitative research, an initial target of ten interviews were considered a useable sample size. Five executive directors and five non-executive directors

were selected by the researcher using a profile of the selected director's experience of corporate boards.

In practice ten interviews proved to be sufficient as a degree of saturation was reached be this point with the comments being made by both groups becoming re-affirmative of both stages of the research.

4.10.7 Research environment and timing

The interviews were held in corporate offices and business oriented environments to aid scene setting and frame-of-mind. Interviews took place in the first half of 2018.

4.10.8 Research questions

The research questions were designed to reflect the output of Stage 1 but to give the interviewee the opportunity to tell their stories as best as possible.

Question 1. In your experience, do these summary results sound realistic?

Question 2. If so, can you describe your experiences of these types of circumstances?

Question 3. If not, how does your experience differ?

Question 4. When you have made board decisions, are you aware, or do you expect, that people around the table are using different sets of information?

Question 4. Supplementary prompt statement on governance typology.

"In this research, the distinction between two types of corporate governance has been explored. These two types are technical corporate governance, where the aim is to ensure the corporation operates legally and meets its corporate social responsibilities, and commercial corporate governance, where the aim is to promote the commercial success of the corporation". **How does influence your answer to the question? (question repeated)**

Question 4. Supplementary prompt statement on information typology.

In this research, three different types of information used by corporate boards have been described. These are predetermined purpose information, such as normal, standardized board reports, emergent purpose information where the board is using a new report relating to a new topic such as take-over and market development, and extant information, where the directors, based on their previous experiences, already have knowledge and information about a topic before the board considers it. **How does this influence your answer to the question? (question repeated)**

Question 5.

(NED version). Do you rely on Executive Directors having better information, or different information, to you when making board decisions?

(ED version). Do you feel that NEDs rely on Executive Directors having better information, or different information to NEDs you when making board decisions?

Question 6. Because of the different information they have, do you think that Non-executive directors take <u>more risks or different risks</u> when making company board decisions?

4.11 Theory building

In common with most work on this subject, this thesis states in the introductory sections and in the literature review that the extant knowledge base on the "how" of corporate governance is very limited. Stage 1 and stage 2 of this thesis provide an evidence base for a new credible theory of how the conditions and behaviours prevalent in commercial corporate governance give rise to executive agency and how this can increase risk for the corporation. The theory building is carried out in Chapter Eight.

4.12 Chapter conclusion

This chapter has described the research undertaken for this thesis within an adapted Maylor and Blackmon (2005) "abstract to concrete" model. A mixed method research process has been described with a quantitative research stage building propositions that were then enriched and nuanced in a qualitative research stage allowing the hypothesis to be validated. From this point, this thesis progressed towards theory building.

CHAPTER FIVE - STAGE 1 QUANTITATIVE SURVEY RESULTS

5.1 Summary statement on contribution to knowledge

As is widely accepted and explored in Chapter Three, Section 3.2, it is likely that a complex information asymmetry already exists at the start of corporate decision-making process along with the theoretical assumption that the decision-making process acts to reduce or close the information asymmetry. This research stage indicates the opposite may well be the case. Instead of closing the asymmetry during a decision-making process, these findings imply that existing and new information asymmetries could be opened up, in favour of the board's executive directors, increasing the potential for agency, adverse preference selection, and risk exposure.

5.2 Chapter introduction and summary results

The chapter discusses the purpose, design, and results of the first stage of the primary research undertaken for this thesis. This research was quantitative and employed an interviewee completed structured survey to explore core characteristics and behaviours of corporate board directors in relation to their roles as a director in general and, specifically, in relation to the focus of this thesis. This quantitative research stage was intended to be the first part of a two stage research process.

The survey process produced 100 complete responses, including 52 survey responses from executive directors and 48 survey responses from non-executive directors. The survey results were analysed using these two groups to compare

and contrast variations in the responses. For the statistical analysis undertaken, the group response numbers were evened to 48 survey responses for each group by excluding the last four survey responses received from executive directors.

In summary, the results of the survey indicate that:

- in general, there are not significant differences in the personal characteristics between the two groups of directors. The only notable difference was an increased incidence of a risk taking behaviour indicator on the part of non-executive directors which could be credibly explained by other factors, such as the respondent's age,
- in general, executive directors report that they are better informed about the decisions made by the corporate board than non-executive directors report they are.

To this point, the findings are within what would be expected based on the literature and demography of the director population. From this point, the Stage 1 quantitative research provides new insights in finding that:

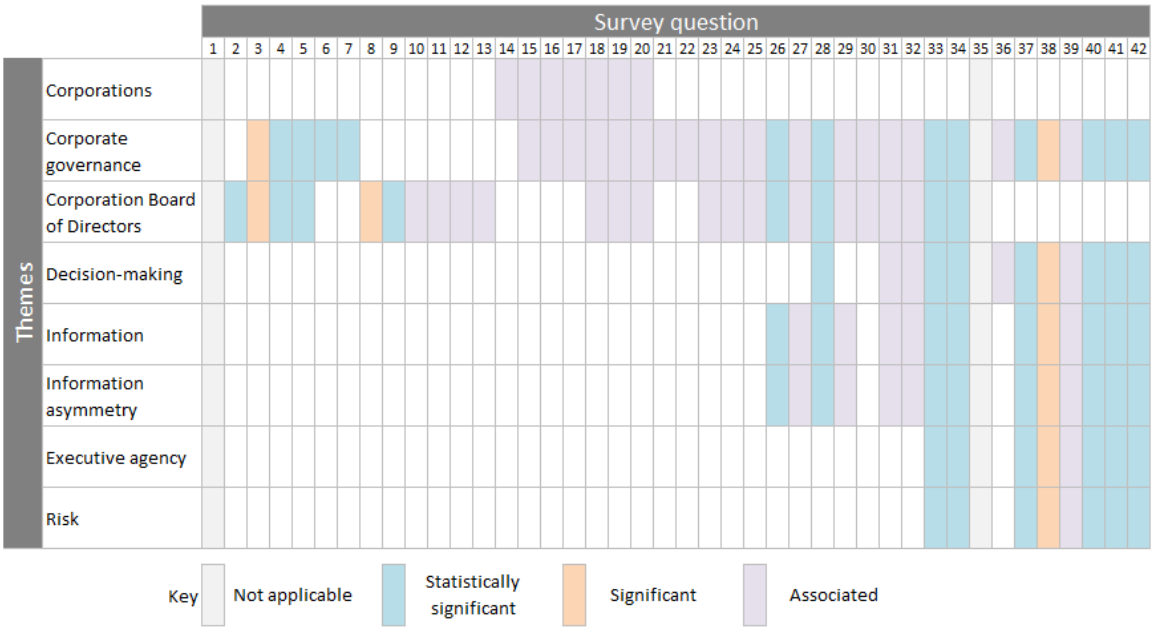
- in general, executive directors report that they take more actions to improve their information qualities than non-executive directors report they do,
- in general, executive directors report that they have more options and opportunities open to them to improve their information qualities than non-executive directors report that they do. Moreover, executive directors take these opportunities,
- in general, non-executive directors take greater risks in decision-making, because of inferior information qualities, than executive directors do.

Consequently, the Stage 1 quantitative research results support the hypothesized condition in that information is not spread evenly across the corporate boards of directors and that this condition negatively influences overall decision-making process quality. This condition results in higher risk taking by some participants. In addition, as no effective compensating action is seen to be taken to mitigate the additional risk being taken by some decision participants, the implication is that this condition leads to lower quality decision-making overall, and therefore higher risk for the corporation.

5.3 Stage 1 research results summary

Stage 1 research results are presented in relation to themes in the questions and responses as opposed to the sequential order of the survey questionnaire. In addition, and where appropriate, the research results are presented in relation to themes covered in the literature review and propositions and hypothesis. Table 7 summarises the broad themes covered by the survey questions and answers.

Table 7. Survey question results summary in relation to themes covered in the literature review and propositions and hypothesis



5.4 "Corporations" theme

As illustrated in Table 7, although influential as a theme, Corporations are relatively benign in the Stage 1 research. The related survey questions and responses were centred on technical features of the corporation such as length of time in existence and ownership. The commonality in the responses reflects the overt nature and stability of the external frameworks that control the specific environment. The Corporations theme is associated with the Corporate governance theme across a set of benign, technical survey responses.

5.5 “Corporate governance” and “corporation board of directors” themes

As illustrated in Table 7, Corporation governance is an influential theme in the Stage 1 research as both a standalone theme, and in its relationship to other themes. The related survey questions and responses were broad in their importance. The first cluster was around the survey respondents’ previous career experience (greater for non-executive directors) and their comparative closeness to the corporation (greater for executive directors). The second cluster was around the survey respondents’ view of aspects of information quality including timeliness and perception of accuracy and completeness, (better for executive directors). The third cluster was around the survey respondents’ view of their ability to exercise their corporate governance role due to the broad range of information quality issues, (better for executive directors). The Corporate governance theme is widely associated with the other themes across the clusters.

5.6 “Decision-making”, “information”, “information asymmetry”, “executive agency”, and “risk” themes.

As illustrated in Table 7, these themes are closely associated and cluster around survey questions and responses relating to actions taken or not taken by the two different populations (executive director and non-executive director). This cluster illustrates that executive directors have more information, better information, and will take more action to sustain and increase such complex information asymmetries. Moreover, non-executive directors are aware of the

asymmetry and will take decisions under these conditions thus facilitating in greater executive agency and risk for the corporation. To further associate this cluster, using Floridi's (2013) description of information quality, Stage 1 research indicates that the intrinsic information quality experienced by executive directors and non-executive directors in demonstrably different across a number of dimensions leading to conditions that would indicate increased information asymmetries. These are presented in Table 8.

Table 8. Survey results summary in relation to Floridi's information quality definition

"Categories" of quality	Actor	"Dimensions" of quality				
Intrinsic		**Accuracy**	**Objectivity**	**Believability**		
	Exec					
	Non-exec	Combined impact of impaired Accessibility, Contextual, and Representational qualities				
Accessibility		**Access**	**Security**			
	Exec	Positive for Executive preferences. (Q 40, Q 41, Q 42)				
	Non-exec	Negative for Non-executive preferences. (Q 40, Q 41, Q 42)				
Contextual		**Relevancy**	**Value-added**	**Timeliness**	**Completeness**	**Amount of data**
	Exec			Positive for Executive preferences. (Q 28)	Positive for Executive preferences. (Q 33, Q 37)	
	Non-exec			Negative for Non-executive preferences. (Q 28)	Negative for Non-executive preferences. (Q 26, Q33, Q 37)	
Represen-tational		**Interpretability**	**Ease of understanding**	**Concise representation**	**Consistent representation**	
	Exec	Positive for Executive preferences. (Q 34)	Positive for Executive preferences. (Q 34)			
	Non-exec	Negative for Non-executive preferences. (Q 34)	Negative for Non-executive preferences. (Q 34)			

5.7 Contribution to the understanding of board behaviours and functions and consequently, corporate governance

The practice of corporate governance, (as opposed to the theory), seems to be a version of “don’t ask, don’t tell”. Save instances when a forensic enquiry takes place, the “black box” is not only tolerated but, it could be argued, is venerated as its existence adds to the value of those practitioners who have a privileged insider’s view. So the generally limited understanding of the practice of corporate governance has endured. The Stage 1 quantitative research of this thesis adds to the knowledge of corporate governance in two ways that are both supportive of the thesis propositions and hypothesis:

- Firstly, the research establishes an argument that the unitary board structure with its assumption that, once inside the board boardroom, the hats of “executive” and “non-executive director” are taken off, does not deliver its intended outcome of a unified effort to deliver the best corporate governance possible. *There are two groups of people in the board room with markedly different sets of tools at their disposal.*
- Secondly, the joint and several liabilities external control framework of UK boards of directors does not seem to result in the functions that the control frameworks are intended to deliver as non-executive directors will knowingly make decisions with deficient information. *For non-executive directors in particular, the “stick” of liability is tolerated in return for the “carrot” of the benefits of being a director.*

5.8 Survey results

To aid readability, the analysis of a number of low impact questions and responses has been placed in Appendix 4. Higher impact questions and responses have been grouped and discussed in the clusters of associated themes with the highest impact theme cluster discussed first.

5.9 Survey results for “decision-making”, “information”, “information asymmetry”, “executive agency”, and “risk” theme cluster

Stage 1 Survey Question 26

Please indicate your membership of any formal Board Committees (tick more than one if applicable)

Stage 1 Survey Q26 Question purpose. To assess the level of interaction a survey respondent has in addition to board meetings.

Stage 1 Survey Q26 Interpretation of answers in isolation. The responses indicate that the use of non-executive directors on board committees is widespread but that this activity is focused on committees that are not in the core three committees of Remuneration, Audit and Appointments. Of note is that some executive directors report they are active in audit committees.

Non-executive directors are more active than executive directors on committees with an average of 1.8 committee roles versus and average of 1.4 committee roles for executive directors. In both cases, this is skewed by roles on non-core committees.

Stage 1 Survey Q26 Interpretation of answers in context. The survey responses indicate that the two groups are diversified in their interactions.

Using a t-test there is a significant difference between the means of the two groups for membership of a Remuneration Committee, t= -2.2243, degrees of freedom=94.

Using a t-test there is a significant difference between the means of the two groups for membership of a Audit Committee, t= -2.5552, degrees of freedom=94.

Using a t-test there is a significant difference between the means of the two groups for membership of no major committee, t= -2.5912, degrees of freedom=94.

Stage 1 Survey Q26 Summary output and implications. In relation to the answers given to Question 24 on meeting outside the board, there is a notable set of conditions where sub-cultures and in-group / out-group behaviours could emerge.

Stage 1 Survey Q26 Further questions. As with the responses to Questions 23 and 24, the data was considered to be relevant for inclusion in Stage 2 qualitative research, as a prompter during semi-structured interviews.

Table 9. Summary results for Question 26

Q26. Please indicate your membership of any formal Board Committees (tick more than one if applicable)

		Remuneration	Audit	Appointments / succession	Other	None
Executive directors	Response number for answer option	4	8	11	35	13
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	8.3%	16.7%	22.9%	72.9%	27.1%
Non-executive directors	Response number for answer option	12	19	13	38	3
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	25.0%	39.6%	27.1%	79.2%	6.3%
All responses	Response number for answer option	16	27	24	73	16
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	16.7%	28.1%	25.0%	76.0%	16.7%

Stage 1 Survey Question 28

Do you feel that the Board Meeting agenda is distributed to you in good time for you to sufficiently review it?

Table 10. Summary results for Question 28

Q28. Do you feel that the Board Meeting agenda is distributed to you in good time for you to sufficiently review it?		Yes - always	Often	Sometimes	Not often	No - never	Not applicable / no agenda
Executive directors	Response number for answer option	22	24	2	0	0	0
	Total reponses for question	48	48	48	48	48	48
	Option as percentage of total responses	45.8%	50.0%	4.2%	0.0%	0.0%	0.0%
Non-executive directors	Response number for answer option	16	19	12	1	0	0
	Total reponses for question	48	48	48	48	48	48
	Option as percentage of total responses	33.3%	39.6%	25.0%	2.1%	0.0%	0.0%
All responses	Response number for answer option	38	43	14	1	0	0
	Total reponses for question	96	96	96	96	96	96
	Option as percentage of total responses	39.6%	44.8%	14.6%	1.0%	0.0%	0.0%

Stage 1 Survey Q28 **Question purpose.** In conjunction with Q 25 and Q 27, to assess the level of planning, pro-activity and structure there is to board activities and board management.

Stage 1 Survey Q28 **Interpretation of answers in isolation.** Responses would indicate that executive directors have earlier sight of agendas and therefore more time to consider the content and act if required.

Stage 1 Survey Q28 **Interpretation of answers in context.** Within the Stage 1 survey this is the first point of divergence in the quality of the information between executive directors and non-executive directors based on the amount of

time they have to process and act upon the board agenda. Survey respondents are reporting an information asymmetry in favour of executive directors. Using a t-test there is a significant difference between the means of the two groups for receiving the agenda in good time, t= -3.4457, degrees of freedom=94.

Stage 1 Survey Q28 Summary output and implications. The reported information asymmetry could be regarded as being systemic as it emanates from a corporate governance administration process, that of assembling and distributing the agenda.

Stage 1 Survey Q28 Further questions. The data was considered to be relevant for inclusion in Stage 2 research. Further questions and themes include:

- What is the impact of the lack of time in Board meeting participation?

Stage 1 Survey Question 33

If applicable - when initially received by you, is the Board Pack sufficiently detailed to allow you to participate in Board Meetings in an appropriately informed way?

Stage 1 Survey Q33 Question purpose. To assess the level of quality of the information provided to the board.

Stage 1 Survey Q33 Interpretation of answers in isolation. Executive Directors are more confident in their information array in general. They quality of the information provision may well be influential in the way that information is used by the receiver. Executive directors report less instances where there are

deficiencies in the board pack giving executive directors potentially a greater ability to use the information.

Table 11. Summary results for Question 33

Q33. If applicable - when initially received by you, is the Board Pack sufficiently detailed to allow you to participate in Board Meetings in an appropriately informed way?

		Yes - always	Often	Sometimes	Not often	No - never	Not applicable
Executive directors	Response number for answer option	18	19	5	6	0	0
	Total reponses for question	48	48	48	48	48	48
	Option as percentage of total responses	37.5%	39.6%	10.4%	12.5%	0.0%	0.0%
Non-executive directors	Response number for answer option	7	24	14	2	0	1
	Total reponses for question	48	48	48	48	48	48
	Option as percentage of total responses	14.6%	50.0%	29.2%	4.2%	0.0%	2.1%
All responses	Response number for answer option	25	43	19	8	0	1
	Total reponses for question	96	96	96	96	96	96
	Option as percentage of total responses	26.0%	44.8%	19.8%	8.3%	0.0%	1.0%

Stage 1 Survey Q33 Interpretation of answers in context. This could indicate a significant point of information asymmetry between executive directors and non-executive directors again in the favour of executive directors. Using a t-test there is a significant difference between the means of the two groups for receiving the board pack in a sufficiently detailed state “Always”, t= 2.6223, degrees of freedom=94 and “Sometimes” t= -2.4563, degrees of freedom=94.

Stage 1 Survey Q33 **Summary output and implications.** By this point the survey has established a systemic bias towards executive directors.

Stage 1 Survey Q33 **Further questions.** The data was considered to be relevant for inclusion in Stage 2 research as a discussion prompter.

Stage 1 Survey Question 34

If applicable - prior to the Board Meeting, if you have concerns or questions about the content of the Board Pack, or there is insufficient information, omissions or errors, do you? (You may tick more than one answer)

Stage 1 Survey Q34 **Question purpose.** To capture the types of actions taken, in any, by directors in relation to shortfalls in the information provided to the board.

Stage 1 Survey Q34 **Interpretation of answers in isolation.** Executive directors are more proactive in resolving issues and weaknesses in their information array and appear more equipped to be able to do so. This could indicate a significant point of information asymmetry between executive directors and non-executive directors again in the favour of executive directors. (An anomaly in this data for further exploration is that executive directors also report doing nothing in the event of an issue with board information. This may indicate that they are able to informally compensate for the issue).

Stage 1 Survey Q34 **Interpretation of answers in context.** In the context of the board, executive directors may well be enjoying complex information

asymmetries over non-executive directors which are systemic. However, to some extent the survey responses to this question run counter to expectations. Whilst executive directors report that they take actions to improve their information quality, they also report that they do nothing a greater number of times than non-executive directors. This issue will be discussed in the analysis of the survey responses to the next question. Using a t-test there is a significant difference between the means of the two groups for perceived board pack information quality - “Ask for the board pack to be rectified before the meeting”, t= 2.2361, degrees of freedom=94 and “Ask for additional information separate to the board pack before the board meeting” t= 3.1364, degrees of freedom=94.

Stage 1 Survey Q34 Summary output and implications. Executive directors may be able to further control the selection of their decision preferences due to their enjoying multiple information asymmetries over non-executive directors.

Stage 1 Survey Q34 Further questions. The data was considered to be relevant for inclusion in Stage 2 research as a discussion prompter.

Table 12. Summary results for Question 34

Q34. If applicable - prior to the Board Meeting, if you have concerns or questions about the content of the Board Pack, or there is insufficient information, omissions or errors, do you? (You may tick more than one answer)

		Ask that the Board Pack is rectified before the Board Meeting	Inform other Board Directors about the issue before the Board Meeting	Ask for additional information seperate to the Board Pack before the Board Meeting	Do nothing before the Board Meeting	Take other action before the Board Meeting	Not applicable
Executive directors	Response number for answer option	22	16	17	23	7	1
	Total reponses for question	48	48	48	48	48	48
	Option as percentage of total responses	45.8%	33.3%	35.4%	47.9%	14.6%	2.1%
Non-executive directors	Response number for answer option	10	17	4	14	13	3
	Total reponses for question	48	48	48	48	48	48
	Option as percentage of total responses	20.8%	35.4%	8.3%	29.2%	27.1%	6.3%
All responses	Response number for answer option	32	33	21	37	20	4
	Total reponses for question	96	96	96	96	96	96
	Option as percentage of total responses	33.3%	34.4%	21.9%	38.5%	20.8%	4.2%

Stage 1 Survey Question 37

When decisions are made at Board Meetings, do you personally feel that you have sufficient information?

Table 13. Summary results for Question 37

Q37. When decisions are made at Board Meetings, do you personally feel that you have sufficient information?		Yes - for all decisions	Often	Sometimes	Not often	No - never
Executive directors	Response number for answer option	20	17	7	3	1
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	41.7%	35.4%	14.6%	6.3%	2.1%
Non-executive directors	Response number for answer option	7	18	20	2	1
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	14.6%	37.5%	41.7%	4.2%	2.1%
All responses	Response number for answer option	27	35	27	5	2
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	28.1%	36.5%	28.1%	5.2%	2.1%

Stage 1 Survey Q37 **Question purpose.** In conjunction with Q 36 and Q 38, to assess the prevalence of outcomes that are indicators of sub-optimal decision making processes where information quality is a cause or contributory factor.

Stage 1 Survey Q37 **Interpretation of answers in isolation.** Executive directors are more confident in their information array in general.

Stage 1 Survey Q37 **Interpretation of answers in context.** In the context of the board meeting, executive directors are in a position where they may well perceive the risk to be lower than non-executive directors due to them having

better information. Consequently, executive directors may well act more decisively to secure the outcomes they want. Using a t-test there is a significant difference between the means of the two groups for the participants feeling that they had sufficient information quality - “For all decisions”, t= 2.8419, degrees of freedom=94 and “Sometimes” t= -2.5552, degrees of freedom=94.

Stage 1 Survey Q37 Summary output and implications. The output indicates another difference between executive directors and non-executives directors in relation to their ability to use and exploit information.

Stage 1 Survey Q37 Further questions. The data was considered to be relevant for inclusion in Stage 2 research as a discussion prompter.

Stage 1 Survey Question 38

Do you feel that the Board has ever made decisions with insufficient or erroneous information?

Stage 1 Survey Q38 Question purpose. In conjunction with Q 36 and Q 37, to assess the prevalence of outcomes that are indicators of sub-optimal decision making processes where information quality is a cause or contributory factor.

Stage 1 Survey Q38 Interpretation of answers in isolation. Non-executive directors are more likely to report that boards do make decisions with suboptimal information.

Stage 1 Survey Q38 Interpretation of answers in context. The responses imply take executive directors take greater risks when making decisions as they

report a number of information quality issues and information asymmetries. Although, marked, these responses are not statistically different using a t-test.

Stage 1 Survey Q38 **Summary output and implications.** Risk is adopted by the non-executive directors and by the corporation as a whole.

Stage 1 Survey Q38 **Further questions.** The data was considered to be relevant for inclusion in Stage 2 research. Further questions and themes include the board directors awareness of the apparent risks?

Table 14 Summary results for Question 38

Q38. Do you feel that the Board has ever made decisions with insufficient or erroneous information?

		Yes - for all decisions	Often	Sometimes	Not often	No - never
Executive directors	Response number for answer option	0	1	16	21	10
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	0.0%	2.1%	33.3%	43.8%	20.8%
Non-executive directors	Response number for answer option	1	5	27	12	3
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	2.1%	10.4%	56.3%	25.0%	6.3%
All responses	Response number for answer option	1	6	43	33	13
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	1.0%	6.3%	44.8%	34.4%	13.5%

Stage 1 Survey Question 39 and Question 40

Away from Board Meetings, do you have access to executive Directors of the Company for dialogue and information exchange?

Do you have access to senior managers for dialogue and information exchange?

Table 15. Summary results for Question 39 and Question 40

Q39. Away from Board Meetings, do you have access to executive Directors of the Company for dialogue and information exchange?		Yes - planned	Yes - ad hoc / on request	No
Executive directors	Response number for answer option	30	18	0
	Total reponses for question	48	48	48
	Option as percentage of total responses	62.5%	37.5%	0.0%
Non-executive directors	Response number for answer option	24	24	0
	Total reponses for question	48	48	48
	Option as percentage of total responses	50.0%	50.0%	0.0%
All responses	Response number for answer option	54	42	0
	Total reponses for question	96	96	96
	Option as percentage of total responses	56.3%	43.8%	0.0%

Q40. Do you have access to senior managers for dialogue and information exchange?		Yes - planned	Yes - ad hoc / on request	No
Executive directors	Response number for answer option	33	15	0
	Total reponses for question	48	48	48
	Option as percentage of total responses	68.8%	31.3%	0.0%
Non-executive directors	Response number for answer option	14	26	8
	Total reponses for question	48	48	48
	Option as percentage of total responses	29.2%	54.2%	16.7%
All responses	Response number for answer option	47	41	8
	Total reponses for question	96	96	96
	Option as percentage of total responses	49.0%	42.7%	8.3%

Stage 1 Survey Q39 & Q40 **Question purpose.** In conjunction with Q 40, 41, and 42, to assess the environment in which directors have opportunities to improve their information.

Stage 1 Survey Q39 & Q40 Interpretation of answers in isolation and in context. Added to the previous questions, executive directors have access to more information sources and more diverse information than Non-executive directors. Using a t-test there is a significant difference between the means of the two groups for their access to senior managers - “Yes – planned”, t= 3.6800, degrees of freedom=94.

Stage 1 Survey Q39 & Q40 Summary output and implications. As already established, this demonstrates the clear potential for information asymmetries, risk adoption, and suboptimal outcomes.

Stage 1 Survey Q39 & Q40 Further questions. The data was considered to be relevant for inclusion in Stage 2 research.

Stage 1 Survey Question 41 and Question 42

Do you have access to the Company's current management accounts and / or other financial records such as bank statements?

Do you have access to the Board Committee's minutes and reports?

Stage 1 Survey Q41 Question purpose. In conjunction with Q 39, 40, and 42, to assess the environment in which directors have opportunities to improve their information.

Stage 1 Survey Q41 Interpretation of answers in isolation and context. Added to the previous questions, executive directors have access to more information sources and more diverse information than non-executive directors. Using a t-test there is a significant difference between the means of the two groups for their access to current management accounts and / or other financial

records - “Yes – planned”, t= 3.9869, degrees of freedom=94, “Yes – ad hoc / on request” t= -3.1965, degrees of freedom=94 . Using a t-test there is a significant difference between the means of the two groups for their access to senior managers - “Yes – planned”, t= 3.6800, degrees of freedom=94.

Table 16. Summary results for Question 41 and Question 42

	Q41. Do you have access to the Company's current management accounts and / or other financial records such as bank statements?		
	Yes - planned	Yes - ad hoc / on request	No
Executive directors			
Response number for answer option	32	16	0
Total reponses for question	48	48	48
Option as percentage of total responses	66.7%	33.3%	0.0%
Non-executive directors			
Response number for answer option	11	34	3
Total reponses for question	48	48	48
Option as percentage of total responses	22.9%	70.8%	6.3%
All responses			
Response number for answer option	43	50	3
Total reponses for question	96	96	96
Option as percentage of total responses	44.8%	52.1%	3.1%

	Q42. Do you have access to the Board Committee's minutes and reports?		
	Yes - planned	Yes - ad hoc / on request	No
Executive directors			
Response number for answer option	44	4	0
Total reponses for question	48	48	48
Option as percentage of total responses	91.7%	8.3%	0.0%
Non-executive directors			
Response number for answer option	34	11	3
Total reponses for question	48	48	48
Option as percentage of total responses	70.8%	22.9%	6.3%
All responses			
Response number for answer option	78	15	3
Total reponses for question	96	96	96
Option as percentage of total responses	81.3%	15.6%	3.1%

Stage 1 Survey Q42 Summary output and implications. As already established, this demonstrates the clear potential for information asymmetries, risk adoption, and suboptimal outcomes.

Stage 1 Survey Q42 Further questions. The data was considered to be relevant for inclusion in Stage 2 research.

Stage 1 Survey Q42 **Question purpose.** In conjunction with Q 39, 40, and 41, to assess the environment in which directors have opportunities to improve their information.

Stage 1 Survey Q42 **Interpretation of answers in isolation and context.** Added to the previous questions, executive directors have access to more information sources and more diverse information than non-executive directors. Using a t-test there is a significant difference between the means of the two groups for their access to board committees minutes - "Yes – planned", t= 2.372, degrees of freedom=94.

Stage 1 Survey Q41 **Summary output and implications.** As already established, this demonstrates the clear potential for information asymmetries, risk adoption, and suboptimal outcomes.

Stage 1 Survey Q41 **Further questions.** The data was considered to be relevant for inclusion in Stage 2 research.

5.10 Survey results for "corporate governance" and "corporation board of directors" themes cluster

Stage 1 Survey Question 2

"How would you broadly categorise your career / profession?

(You may tick more than one box)"

Stage 1 Survey Q2 Question purpose. This question's purpose was to capture the professional function, background, and breadth of experience of the survey respondents.

Table 17. Summary results for Question 2.

Q2. How would you broadly categorise your career / profession? (You may tick more than one box)

		Finance	Technical / scientific / engineering	Operations & general management	Sales and marketing & general management	Human resources	Academic / education	Public service (not security / armed forces)	Security / armed forces	Other
Executive directors	Response number for answer option	7	10	13	12	6	0	4	0	3
	Total reponses for question	48	48	48	48	48	48	48	48	48
	Option as percentage of total responses	14.6%	20.8%	27.1%	25.0%	12.5%	0.0%	8.3%	0.0%	6.3%
Non-executive directors	Response number for answer option	6	12	11	13	11	6	13	3	10
	Total reponses for question	48	48	48	48	48	48	48	48	48
	Option as percentage of total responses	12.5%	25.0%	22.9%	27.1%	22.9%	12.5%	27.1%	6.3%	20.8%
All responses	Response number for answer option	13	22	24	25	17	6	17	3	13
	Total reponses for question	96	96	96	96	96	96	96	96	96
	Option as percentage of total responses	13.5%	22.9%	25.0%	26.0%	17.7%	6.3%	17.7%	3.1%	13.5%

The survey respondents could tick more than one categorisation. In addition to the data shown above, the survey indicated that executive directors reported a less varied experience set than non-executive directors with an average of 1.15 career / professional descriptors as opposed to 1.77 careers / professional descriptors given by non-executive directors. These results are similar to other research on director experience diversity (Pass, 2004). No survey

respondent gave more than three career descriptors. Graph 1 shows the number of descriptors given by executive directors and non-executive directors.

Table 18. Highlighted points of interest is summary results for Question 2.

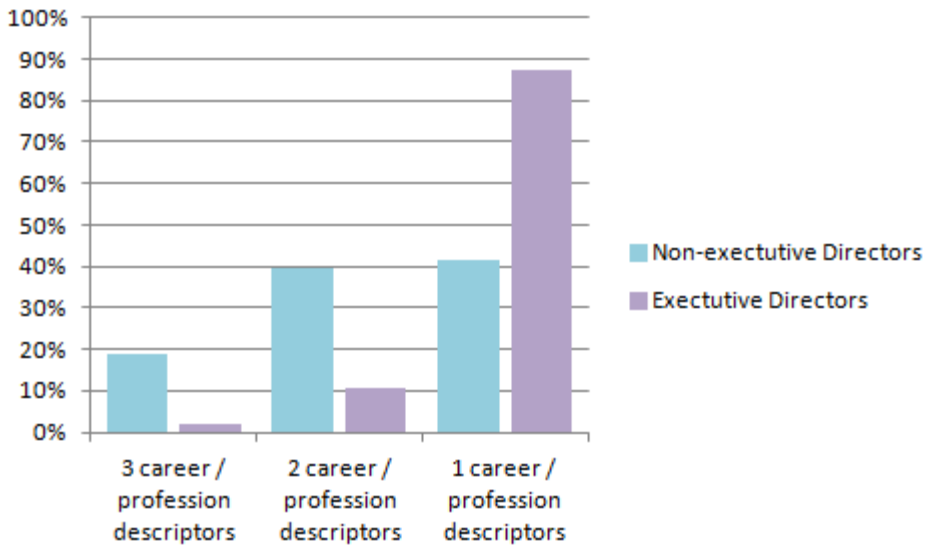
Q2. How would you broadly categorise your career / profession? (You may tick more than one box)

		Operations & general management	Sales and marketing & general management	Technical / scientific / engineering	Finance	Human resources	Public service (not security / armed forces)	Other	Security / armed forces	Academic / education
Executive directors	Response number for answer option	13	12	10	7	6	4	3	0	0
	Total reponses for question	48	48	48	48	48	48	48	48	48
	Option as percentage of total responses	27.1%	25.0%	20.8%	14.6%	12.5%	8.3%	6.3%	0.0%	0.0%

		Sales and marketing & general management	Public service (not security / armed forces)	Technical / scientific / engineering	Operations & general management	Human resources	Other	Finance	Academic / education	Security / armed forces
Non-executive directors	Response number for answer option	13	13	12	11	11	10	6	6	3
	Total reponses for question	48	48	48	48	48	48	48	48	48
	Option as percentage of total responses	27.1%	27.1%	25.0%	22.9%	22.9%	20.8%	12.5%	12.5%	6.3%

		Sales and marketing & general management	Operations & general management	Technical / scientific / engineering	Human resources	Public service (not security / armed forces)	Finance	Other	Academic / education	Security / armed forces
All responses	Response number for answer option	26	25	22	18	17	14	9	6	3
	Total reponses for question	96	96	96	96	96	96	96	96	96
	Option as percentage of total responses	27.1%	26.0%	22.9%	18.8%	17.7%	14.6%	9.4%	6.3%	3.1%

Graph 1. Career / profession descriptors given by survey respondents



Using a t-test there is a significant difference between the means of the two groups, t= -5.5156, degrees of freedom=94. This supports the view that executive directors and non-executive directors have different career / professional backgrounds leading to different extant information.

19% of non-executive directors gave three career descriptors as opposed to 2% of executive directors. 40% of non-executive directors gave two career category descriptors as opposed to 10% of executive directors. 42% of non-executive directors gave only one career descriptors as opposed to 88% of executive directors. There are possible explanations for this. The first is that non-executive directors are potentially selected to be non-executive directors because they have broad experience of being executive directors or senior managers and / or have experience of operating of other sectors with relevance to the corporation. Also, non-executive directors are potentially selected because they have complimentary experience to executive directors. Non-executive directors are

typically older than executive directors and so have more years of experience which may lead to a broader experience set. These results are similar to other research on director experience diversity, (Pass, 2004).

Stage 1 Survey Q2 Interpretation of answers in context. In the context of this thesis, the career and professional experience of survey respondents is highly likely to be a direct factor in their selection to be a director. This view is consistent with publically available non-executive director recruitment selection criteria and with the control frameworks for selection such as those published by the Financial Reporting Council (2016). In addition, there is a significant difference between the executive and non-executive directors data obtained as indicated by the t-test shown in Appendix 2. The data indicate that the breadth of "extant Information", as described in Chapter Two - Information, is likely to be significantly different between executive directors and non-executive directors. This is because of non-executive directors' exposure to and experiences of a more diverse set of work place contingent environments. Non-executive directors may have greater breadth, though this may be of a more generic nature in the context of a specific corporation. In contrast, executive directors may have greater depth of experience in the specific industry and sectors the corporation operates in, and clearly this is likely to the case in relation to the specific corporation being discussed in the survey.

Stage 1 Survey Q2 Further questions. The data was considered to be relevant for inclusion in Stage 2 qualitative research, (presented in the next chapter). Further questions and themes include:

- Does the existence of a wider set of experience and extant information filter into decision-making, formally or informally?
- Once the non-executive director is recruited to the board, does the board then deliberately exploit any wider set of experience and extant information held by non-executive directors?

Stage 1 Survey Question 3

"Thinking about this one specific directorship, how long have you been a director of this Company?"

Stage 1 Survey Q3 Question purpose. To capture the typical length of service of the survey respondent in the role being considered for the survey.

Stage 1 Survey Q3 Interpretation of responses in isolation. As shown in Table 10 the responses were similar so no conclusion is drawn.

Stage 1 Survey Q3 Interpretation of responses in context. As shown in Table 10, the responses were similar so no conclusion is drawn.

Stage 1 Survey Q3 Summary output and implications None.

Stage 1 Survey Q3 Further questions. None.

Table 19. Summary results for Question 3

Q3. Thinking about this one specific directorship, how long have you been a director of this Company?		0 - 24 months	25 - 48 months	49 - 72 months	73 months plus
Executive directors	Response number for answer option	10	10	22	6
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	20.8%	20.8%	45.8%	12.5%
Non-executive directors	Response number for answer option	8	11	21	8
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	16.7%	22.9%	43.8%	16.7%
All responses	Response number for answer option	18	21	43	14
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	18.8%	21.9%	44.8%	14.6%

Stage 1 Survey Questions 4 and 5

Question 4. "Are you, or have you been, an Executive Director of another Company?"

Question 5. "Are you, or have you been, a non-executive Director of another Company?"

Stage 1 Survey Q4 & Q5 Question purpose. To capture further information about the survey respondent's background and experience in relation to their role as a director.

Table 20. Summary results for Question 4 and Question 5

		Q4. Are you, or have you been, an executive Director of another Company?		Q5. Are you, or have you been, a non-executive Director of another Company?	
		Yes	No	Yes	No
Executive directors	Response number for answer option	25	23	6	42
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	52.1%	47.9%	12.5%	87.5%
Non-executive directors	Response number for answer option	44	4	24	24
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	91.7%	8.3%	50.0%	50.0%
All responses	Response number for answer option	69	27	30	66
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	71.9%	28.1%	31.3%	68.8%

Stage 1 Survey Q4 & Q5 Interpretation of responses in isolation. The responses indicate that just over a half of executive directors are in their first role as directors and so, potentially, have a limited set of functional expectations and reference points. It should be noted that the main data collection point was the Institute of Directors so the survey respondents theoretically have a heightened awareness of corporate board functionality versus the general population of all directors. Of the non-executive director survey respondents, the vast majority, 91.7%, had been or still were executive directors. In some respects, it is surprising that a number of non-executive directors have not been executive directors. An

explanation could be that non-executive directors join family businesses or boards of non-commercial organizations such as charities.

The responses indicate that half of non-executive directors are in their first role as non-executive directors so, potentially, have a limited set of functional expectations and reference points. It should be noted that they typically have experience of the Executive Director role as indicated in Question 4.

Using a t-tests shown in Appendix 2, there is a significant difference between the means of the two groups, Q4 t= -4.1544, degrees of freedom=94 and Q5, t= 3.9673, degrees of freedom=94. This supports the valid assumption that executives and non-executives may have different extant information relating to the contingent environment the corporation operates within.

Stage 1 Survey Q4 & Q5 Interpretation of answers in context. In the context of this thesis there is a clear imbalance in the experience of executive directors versus that of non-executive directors. This is not surprising as it is one the supposed key benefits of non-executive directors is to bring wider experience to a corporation's board. As discussed in Chapter Two, this wider experience is likely to bring with it different extant information to the decision-making process.

Stage 1 Survey Q4 & Q5 Further questions. The data was considered to be relevant for inclusion in Stage 2 research. Further questions and themes include:

- To what extent do non-executive directors exploit any extant information asymmetry
- How does the existence of an imbalance in board experience and extant information help or hinder the functionality and dynamics of the board

Stage 1 Survey Question 6 & 7

Question 6. Are you a shareholder in this Company?

Question 7. Are you a member of a pension scheme underwritten or supported by this Company?

Stage 1 Survey Q6 & Q7 Question purposes. To capture information about any conflict of interest or other factor that may influence the survey respondent's responses to the survey questions or their indicated behaviours.

Stage 1 Survey Q6 & Q7 Interpretation of answers in isolation. Most respondents showed a notable adherence to the corporation through either ownership of shares or involvement in a pension scheme supported by the corporation, or both. Using a t-test there is a significant difference between the means of the two groups, t= 2.1137, degrees of freedom=94. This variance is further enhanced by other financial interests in the company's performance relating to pension schemes. Using a t-test there is a significant difference between the means of the two groups, t= 3.9869, degrees of freedom=95.

Stage 1 Survey Q6 & Q7 Interpretation of answers in context. In general, survey respondents indicate that executives and non-executives, as groups, have different material outcomes relating to the company's performance with executive directors having significantly more instances of share ownership and pension scheme interest.

Stage 1 Survey Q6 & Q7 Further questions. None

Table 21. Summary results for Question 6 and Question 7

Q6. Are you a shareholder in this Company?		Yes	No	There are pending options or other forms of share schemes
Executive directors	Response number for answer option	34	9	5
	Total reponses for question	48	48	48
	Option as percentage of total responses	70.8%	18.8%	10.4%
Non-executive directors	Response number for answer option	25	20	3
	Total reponses for question	48	48	48
	Option as percentage of total responses	52.1%	41.7%	6.3%
All responses	Response number for answer option	59	29	8
	Total reponses for question	96	96	96
	Option as percentage of total responses	61.5%	30.2%	8.3%

Q7. Are you a member of a pension scheme underwritten or supported by this Company?		Yes	No
Executive directors	Response number for answer option	30	18
	Total reponses for question	48	48
	Option as percentage of total responses	62.5%	37.5%
Non-executive directors	Response number for answer option	11	37
	Total reponses for question	48	48
	Option as percentage of total responses	22.9%	77.1%
All responses	Response number for answer option	41	55
	Total reponses for question	96	96
	Option as percentage of total responses	42.7%	57.3%

Stage 1 Survey Question 8 & 9

Stage 1 Survey Q8. Have you ever started your own business (either on your own or as a founding member)?

Stage 1 Survey Q9. Have you ever voluntarily left a job without another job or planned alternative activity?

Stage 1 Survey Q8 & Q9 Question purposes

This purpose of these questions is to indicate a tolerance or propensity for risk taking by the survey respondent. These questions are grouped with questions 10 & 11.

Table 22. Summary results for Question 8 and Question 9

		Q8. Have you ever started your own business (either on your own or as a founding member)?				*Q9. Have you ever voluntarily left a job without another job or planned alternative activity?*	
		Yes	No			Yes	No
Executive directors	Response number for answer option	12	36	Executive directors	Response number for answer option	22	26
	Total reponses for question	48	48		Total reponses for question	48	48
	Option as percentage of total responses	25.0%	75.0%		Option as percentage of total responses	45.8%	54.2%
Non-executive directors	Response number for answer option	18	30	Non-executive directors	Response number for answer option	34	14
	Total reponses for question	48	48		Total reponses for question	48	48
	Option as percentage of total responses	37.5%	62.5%		Option as percentage of total responses	70.8%	29.2%
All responses	Response number for answer option	30	66	All responses	Response number for answer option	56	40
	Total reponses for question	96	96		Total reponses for question	96	96
	Option as percentage of total responses	31.3%	68.8%		Option as percentage of total responses	58.3%	41.7%

Stage 1 Survey Q8 & Q9 Interpretation of responses in isolation. Although distinct, Q8 relating to the survey respondents starting their own business was not statistically significant. This may be because of business failure or closure, which are the common reasons for businesses not having continued so acting as a negative indicator of director performance.

Q9 did show a significant statistical difference with non-executive directors being more likely to have left a job voluntarily, this indicating a tolerance of financial, social, and career risk. Using a t-test there is a significant difference between the means of the two groups, t= -2.7596 degrees of freedom=94.

Stage 1 Survey Q8 & Q9 Interpretation of responses in context. The answers show a distinct and statistically significant difference between executive directors and non-executive directors indicating that non-executive directors have experienced more financial, social, and career risk than executive directors. This could be because they are typically older than executive directors and, therefore, could have had more reasons and / or opportunities to take such risks of have had such risks put upon them. Also, they could have been through the high risk periods of life so are able now to take more risks. This is consistent with general research on varying risk tolerance in different stages of life as personal liabilities decrease.

Stage 1 Survey Q8 & Q9 Summary output and implications. The responses indicate a difference between the groups of directors. This could cause conflict in decision-making and potentially differing levels of rigour and bias being applied during board decision-making processes.

Stage 1 Survey Q8 Further questions. The data was considered to be relevant for inclusion in Stage 2 qualitative research at the question design level and for a prompt if the specific topic occurred during the semi-structured interviews.

5.11 Survey design limitations, errors, and omissions in the questionnaire

In hindsight, the survey design was overly long and would have been effective if it had concentrated on the behaviours of board directors and corporation rather than the characteristics of the survey respondents which proved to be off limited variation. Table 7 illustrates the block of questions from 9 – 25 that could have been omitted. If repeated as an exercise, the survey could be condensed to roughly half the questions with this added focus.

5.12 Chapter conclusion

This research has demonstrated that, broadly, executive directors and non-executive directors are similar at a personal level with the exception, relevant in this context, of their extant information which, in the case of non-executive directors, may be more diverse due to their broader professional experience.

However, this research has demonstrated that complex information asymmetries exist between executive and non-executive directors, and that these information asymmetries appear deep-rooted and systemic. As such, these information asymmetries are not likely to be mitigated through typical corporate governance control frameworks. ***Moreover, the research results seem to indicate that information asymmetries could increase during the decision-making process contrary to the intentions of corporate governance frameworks.*** This is because the conditions of the decision-making accommodate sub-optimal decision-making processes, particularly by non-executive directors, which increases the risk for the corporation. Non-executive directors have less

information, less access, less time to process the information, fewer routes to better information, and fewer options to explore other information than executive directors. As well as sub-optimal decision-making, the risk of increased executive agency would also seem to be an implication of this research.

5.13 Transition to Stage 2 qualitative research

Stage 2 research in the next chapter picks up, thematically, at the point where Stage 1 establishes information asymmetries and behavioural, functional, and output differences become apparent.

CHAPTER SIX - STAGE 2 QUALITATIVE RESEARCH

6.1 Summary statement on contribution to knowledge

Following on from the quantitative research in this thesis, this research stage develops a nuanced understanding of specific conditions in which complex information asymmetries exist, are sustained, and develop within corporate board decision-making processes. In particular, the research demonstrates that:

- despite a lack of formal demarcation, commercial corporate governance decision-making is chiefly the realm of executive directors and seems particularly susceptible to complex information asymmetries and hence increased corporate risk,
- the type of information available to individual decision-makers is impactful in the decision-making process with non-executive directors at an institutionalised and structural disadvantage - this is particularly the case with emergent purpose information.

6.2 Chapter introduction and summary results

The start point for this thesis is the acceptance that decision-making is the primary function of corporate boards because, without decisions, limited action or no action would be taken by the corporation's board.

In previous chapters this thesis established a generalised explanatory framework for the decision process used within corporate boards. In doing so, two typologies for the main characteristics were introduced. The first typology related to the type of corporate governance being undertaken. This typology distinguished

between technical corporate governance, (actions ensuring that the corporation is compliant with the requirements of predominantly externally defined control frameworks), and commercial corporate governance, (pursuing competitive advantages and commercially beneficial outcomes within the confines of predominantly internally defined control frameworks). The second typology introduced three distinguishable types of information used by directors in their decision-making, these being; “pre-determined purpose information” where an establish and regularised process is used to produced information in recognisable formats, “emergent purpose information” where information is produced in response to new events that require board consideration and / or action, and “extant information” where directors already have information that is potentially relevant to a decision or topic process before the board for consideration. The interaction of these typologies is shown in Figure 8.

As a consequence of the typology characteristics and conditions in actions, this thesis argues that:

- the most quality assured decisions relate to technical corporate governance actions using predetermined purpose information. This is because the scope for deviation from a near rational decision process is limited by a combination of the dominance of external control frameworks, the effective quality assurance process used for assembling the information, and the ability of all directors to more fully participate in the decision-making process leading to the selection of preferences that are in line with the corporation’s preferences as objectively assessed.
- as decisions become more commercial in nature and / or use information produced from less quality assured processes, the risk of sub-optimal

decision preference selection increases as individuals have different information arrays and information qualities

- with commercial corporate governance in particular, executive directors have scope within the decision-making process to use their agency to steer the decision process towards the selection of their preferences

In order to explore these themes, primary research was undertaken using a quantitative survey of corporate directors. As fully discussed in Chapter Nine, broadly, the quantitative survey indicated that:

- Executive directors have more company specific information than non-executive directors
- Executive directors have more ways of obtaining company further information than non-executive directors
- Non-executive directors have a wider, non-company, information set than executive directors
- There are more occasions when non-executive directors are unsure about the board decisions they make because of the quality of information they have available to them

The Stage 1 quantitative survey outputs support the conditions for the hypothesis. In order to explore these conditions and their implications in further detail, a second stage of research was carried out using qualitative interviews with a limited number of practitioners.

6.3 Research results and theme development

The research outputs are shown in detail in the tables in Section 6.6 at the end of this chapter.

In order to develop themes and concepts, the answers were coded using words and phrases to highlight common responses given by a number of respondents. These themes are shown in Table 23. The themes are also shown in the Section 6.6 at the top of each answer table with links down the table to the specific comment or answer given in the semi-structured interviews.

Unlike first stage of the research, although noted as either executive or non-executive director in the response summaries, the two populations are treated as one. This is because of the commonality in the responses where executive and non- executive directors gave similar responses irrespective of the perspective taken in the questions asked in the semi-structured interview. Broadly, the participants were self-effacing in that it made little difference when discussing a subject that was positive or negative to either an executive of non-executive director's role.

Table 23 shows two blocks of themes. On the left in bold are the primary themes. These are summarised in to the key results and conclusions as shown in Section 6.6. The secondary themes are supportive of the primary themes as conditions and facilitators.

Table 23. Themes and concepts developed in the semi-structured interviews

	Primary theme	Secondary theme
Q 1.	In your experience, do these summary results sound realistic?	
		NED experience - if relevant to corporation and market
	Divergence of ED and NED Board roles	
	Structural information asymmetry exists	
	Acceptance of different information quality between EDs and NEDs	
Q 2.	If so, can you describe your experiences of these types of circumstances?	
	ED and NED roles are different	
		EDs proactive, NEDs reactive
	NEDs accept ED agency	
		NED role is to react to EDs and question EDs
	ED behaviours include controlling information	
		NEDs role is to "check, test, and challenge"
		NEDs seem to be playing catch-up with EDs
Q 4.	When you have made board decisions, are you aware, or do you expect, that people around the table are using different sets of information?	
	EDs have better information quality than NEDs	
	EDs can and do exploit information asymmetries	
	Information asymmetries appear structural	
	TCG and CGC actions are approached differently with NEDs more active on TCG	
		NEDs act through board committees
	EDs biased towards using Pre-determined purpose information / emergent purpose information	
		NEDs biased towards using extant information
		Emergence of chairperson role
Q 5.	Do you rely on Executive Directors having better information, or different information to you when making board decisions?	
	EDs are relied upon to have better and different information	
	NEDs rely on EDs to be better informed	
	EDs can control information	
	Them and us - EDs and NEDs	
		NED knowledge decay
		Further definition of chairperson role
Q 6.	Because of the different information they have, do you think that Non-executive directors take more risks or different risks when making company board decisions?	
	Risks are different, ED vs. NED	
		NEDs take more risks
		NEDs have less at stake and EDs more at stake
	Risks are seen as specific to the diversified role of ED and NED	
		Chairperson role is important

The themes are strongly indicative of the specific behaviours in specific environments being described in this thesis including:

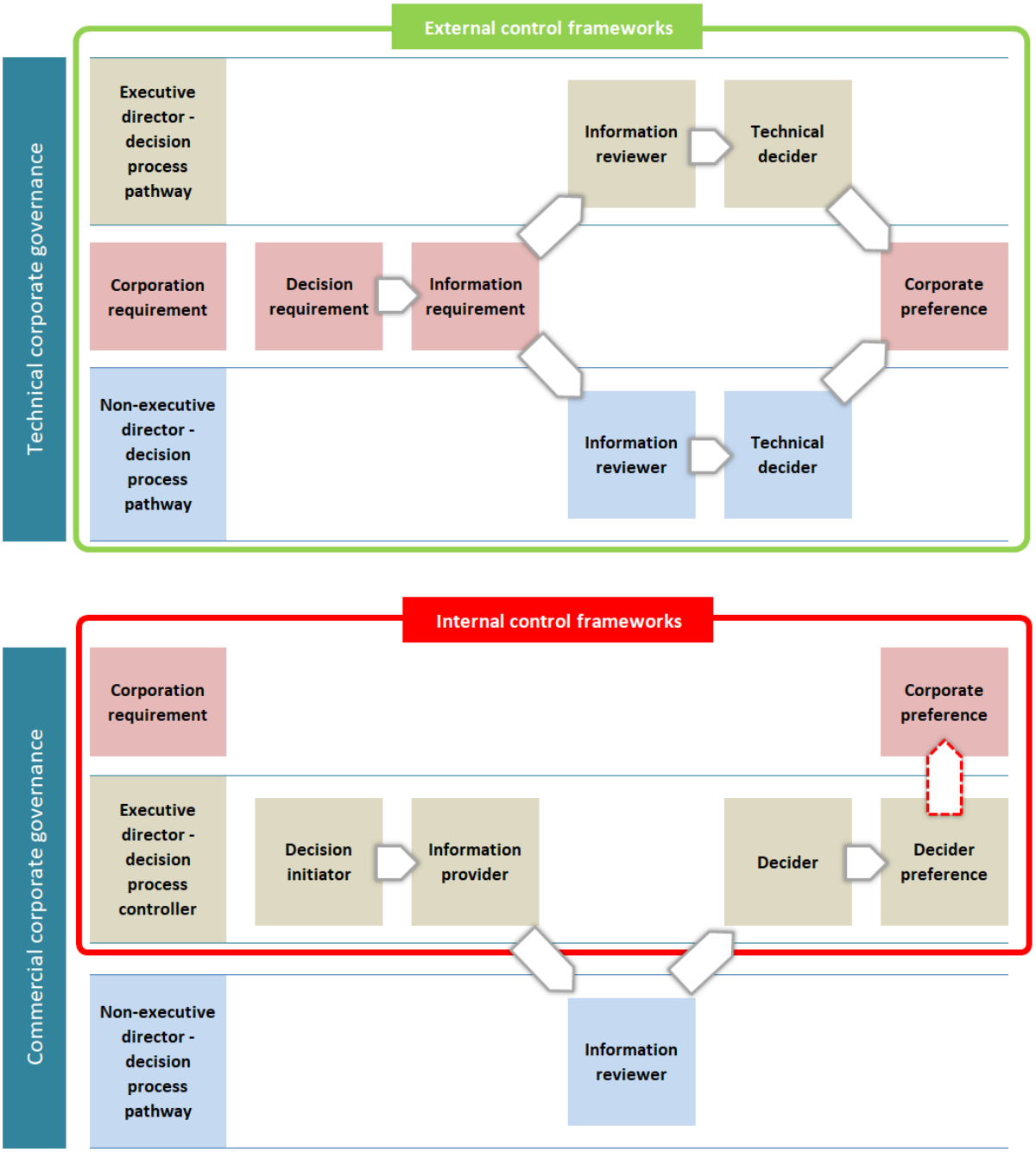
Divergence of decision-making process roles and responsibilities. At the outset, there is an expectation that not only do executive and non-executive directors assume different roles in the decision-making processes, but that executive directors assume greater responsibilities, particularly with commercial corporate governance decision-making.

Expectation of information asymmetry. There is an expectation that information asymmetries exist and that they are structural and systemic.

Tolerance of inferior information quality. Non-executive directors seem to know and accept that their information is of a lower quality than executive directors.

As illustrated in Figure 22, in practice, these overriding themes indicate that for technical corporate governance decision-making, external control frameworks largely act to retain control of the decision-making process resulting in a balanced decision in which corporate requirements deliver corporate preferences. In the case of commercial corporate governance, the role of the non-executive director could be reduced to that of a pathway to a decision controlled by the executive directors. In these decision-making processes, the preferences of the corporation may or may not be fully aligned with those of the executive directors.

Figure 22. Decision-making processes indicated by Stage 2 research themes



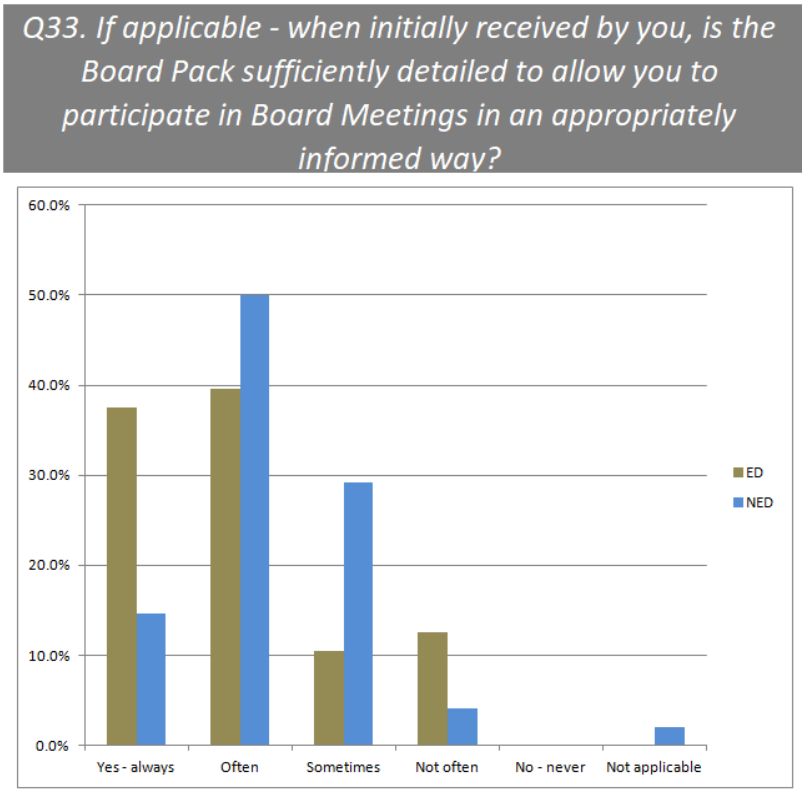
6.4 Quantitative and qualitative results associations

The divergence of attitudes, experiences, and behaviours between executive and non-executive directors is evident in both the quantitative and qualitative stages of this research. As such, this condition is supportive of the hypothesis. As discussed in Chapter Nine in relation to the quantitative research, this is particularly evident when exploring the corporate board decision-making process.

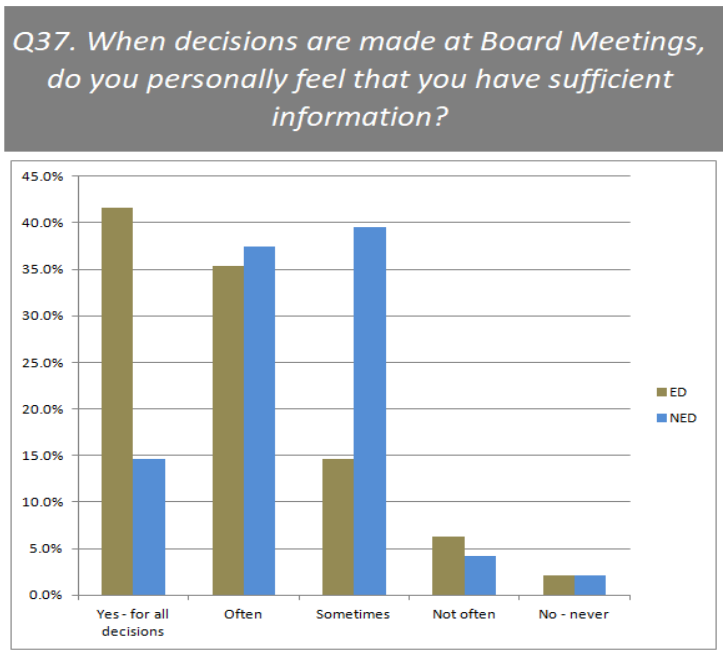
To recap, the quantitative results, information qualities experienced by the two groups start to diverge at the point of provision. This is demonstrated in Stage 1 Question 33 shown in Graph 2. In addition, Stage 1 Question 34 indicates that non-executive directors are less able to engage with the information initially provided to them and are then less active in improving their information quality taking an average of 1.2 actions to improve the information quality as opposed to 1.8 actions to improve information quality for executive directors.

Despite their information quality concerns, non-executive directors are still prepared to proceed with decision-making as shown in Stage 1 Question 37. This theme is extended into the decision point itself where non-executive directors are more likely to report that the corporation will make decisions knowing that the information is erroneous and / or insufficient.

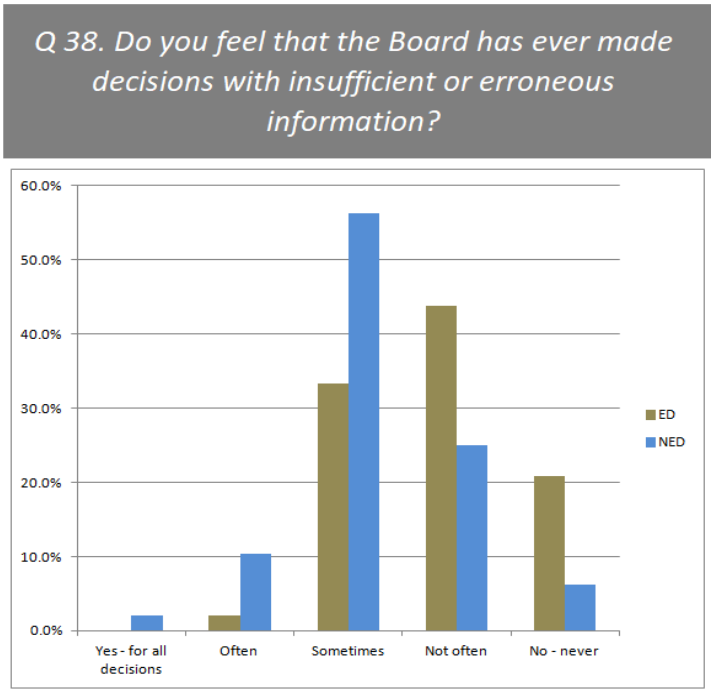
Graph 2. Stage 1 Question 33 graphical representation of results



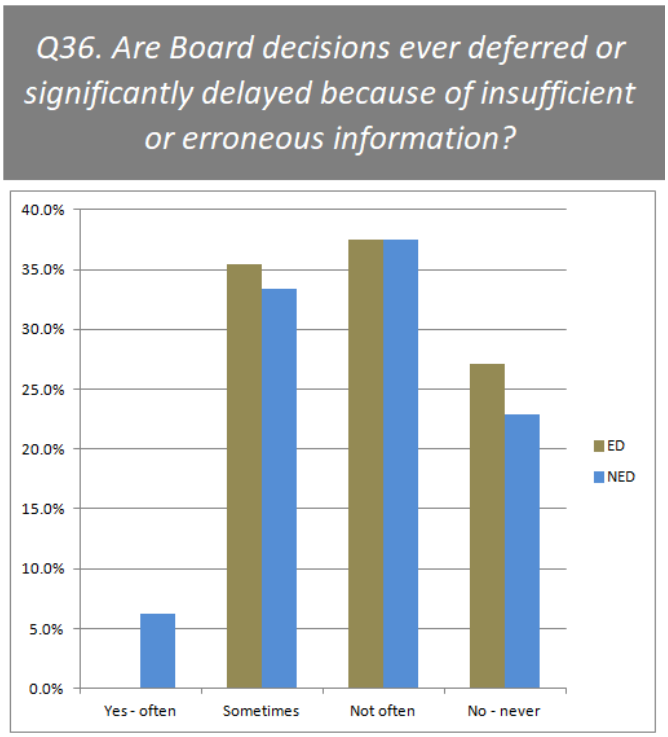
Graph 3. Stage 1 Question 37 graphical representation of results



Graph 4. Stage 1 Question 38 graphical representation of results



Graph 5. Stage 1 Question 36 graphical representation of results



As indicated in the responses to Stage 1 Question 36, both groups of directors display similar responses to the matter of delaying board decisions because of information that is seen to be erroneous and / or insufficient. This indicates that expediency and agency are factors as decisions are made despite sub-optimal information quality, particularly that held by non-executive directors.

6.5 Issue and limitations

From the notes taken, key word analysis has been used to identify concepts and themes. The semi-structured nature of the interviews means that associated and similar words have been used to form these concepts and themes and so introduces an element of risk to the accuracy and validity of the output.

6.6 Stage 2 results tables

The answers given by the respondents were recorded as notes and then, where applicable, paraphrased. Where a direct quote is used, this is shown in “quotes”. A mix of first person and other narrative positions is used depending on the answer and context to aid readability. An open-coding approach was adopted to allow concepts and themes to emerge from the interview notes, (Maylor and Blackmon, 2005). Where answers were prompted, these relate to the previous point shown in the answers.

Table 24. Stage 2, Question 2 results summary

Question 1.	In your experience, do these summary results sound realistic?	NED experience - if relevant to corporation and market	Divergence of ED and NED Board roles	Structural information asymmetry exists	Acceptance of different information quality between EDs and NEDs
A1. (NED)	Yes. NEDs have wider experience than EDs. However, it must be relevant to the company and industry.	■		■	
	(Prompted) NED experience is used to balance the decision "using our past experience".	■	■	■	
A2. (ED)	Complementary experience is important - must be sector specific though.	■			
	This is where NED recruitment is a problem.				
	(Prompted) NED experience is important but not so as it becomes a drag on the company through too much "harking back".		■		
A3. (NED)	Yes. But depends on background of the person.	■		■	
	(Prompted) Some NEDs are more active than others in taking a stronger line.		■		
	(Prompted) Some NEDs challenge much more than others.				
A4. (NED)	Yes overall. NEDs have wider experience in general which the Board uses.	■		■	
	Doesn't have to be specific to the board agenda. General "advice".	■			
	EDs have more involvement in day-to-day activities which NEDs don't need to know about.		■		■
A5. (ED)	Yes - "completely logical". It is always going to be that way because of the "set roles" on the board (ED/NEDs).			■	
	(Prompted). EDs and NEDS are doing different roles		■		■
	(Prompted). NEDS are recruited to provide "cover" for EDs.	■			
	(Prompted). Cover to fill gaps in ED experience.	■	■		

Question 1.					In your experience, do these summary results sound realistic?
A6. (NED)					Yes - certainly about access to information.
					The Board is reliant on EDs to provide more information.
					EDs are biased "towards good news" and will avoid sharing bad news.
					NEDs need to question EDs directly within the board meeting. NEDs can't ever be fully informed. It's about judgement.
A7. (ED)					Yes - I would generally agree but not always.
					(Prompted) Sometimes NEDs have better information about the wider market which is why there are NEDs with their relevant experience.
					The Board needs to focus at the top level of company business for the long-term. Board information should reflect this.
A8. (ED)					Overall this is right but each business is different. The state of the business makes a big difference.
					(Prompted) NEDs are more active when things are stable.
					EDs drive the company so should control the information.
					(Prompted) Balanced with NED's external knowledge of the market
A9. (NED)					Yes - in general.
					Sometimes as a NED you feel you are catching up and then "rushing" your decisions. You have to trust EDs.
					Part of the NED role is to challenge because of your experience. This is getting harder as the business develops as you feel like you are falling further behind.
A10. (ED)					Yes - but access to information is open to all directors if they want it.
					NEDs can ask as many questions as they like.
					(Prompted) NEDs should come prepared with specific points and questions.

Table 25. Stage 2, Question 2 results summary

Question 2.	If so, can you describe your experiences of these types of circumstances?							
Concepts and themes	ED and NED roles are different	EDs proactive, NEDs reactive	NEDs accept ED agency	NED role is to react to EDs and question EDs	ED behaviours include controlling information	NEDs role is to "check, test, and challenge"	NEDs seem to be playing catch-up with EDs	
A1. (NED)	■				■		■	NEDs help with the specifics of contextualised decisions.
					■		■	(Prompted) For example, with "A.O.B." board items, NEDs are able to provide a wider set of inputs to the discussion without preparation.
		■	■		■			EDs are good at set pieces where they can prepare an item for discussion and decisions.
A2. (ED)	■		■				■	Day-to-day experience is missed by NEDs and this "distances them from the business".
								When NEDs are closer to the business, this is better but this brings in to play the risk of the loss of independence.
	■	■		■				NEDs can question and this is where they add value.
				■				NEDs characteristics can compensate in this environment but they need broad external experience, wider information, and relationships.
		■					■	(Prompted) NEDs have to put the effort in to stay up to speed.
A3. (NED)		■					■	NEDs need to involve themselves and this needs ED help. Not always time to do this.
A4. (NED)				■				NEDs used to provide wider knowledge of the markets and the environment the company operates in. This is useful as the EDs don't always have enough experience outside the company.
A5. (ED)	■			■	■			Added value of NEDs is about the questioning process rather than NEDs having the detail.
	■			■				That process is to "check, test and challenge" the EDs.
				■				EDs validate their ideas and strategies using NEDs.
	■			■				NEDs are often recruited for their specific previous experience of a particular function so can check, test and challenge that function only.
		■	■					(Prompted) Some NEDs do not get involved outside their area of expertise.
				■				NEDS are also recruited for their networks but these are rarely useful.
				■				(Prompted) Networks decay quickly. NEDs "over-play" their networks.

Question 2.								If so, can you describe your experiences of these types of circumstances?
A6. (NED)			■		■			Biased presentation of information by EDs.
					■			EDs “fear for their jobs” so tailor the messages.
								Reward frameworks focus EDs on their immediate outcomes.
								EDs not always able to stand back from their management roles.
A7. (ED)	■							The ED and NED roles are supposed to be different.
	■	■	■	■				NEDs reflect and provide a response to ED ideas and plans.
			■		■			EDs provide the information and programmes for the business.
								Every meeting we have a short session on open questions about the business. This can get “off-topic” but it is useful.
A8. (ED)			■					The board does not meet that often as a formal board so it’s hard to say what the NEDs think about what we discuss because it very often relates to aspects of the business they don’t see.
	■	■		■	■			Sometimes EDs deal with things that the board should discuss but don’t because the board meetings are inconvenient. NEDs then get more of a report of actions taken then NEDs question EDs.
								(Prompted) This can get a bit difficult if they think we are "acting too quickly".
A9. (NED)			■		■		■	Every board meeting "I feel that there is more to talk about than we normally do".
			■		■		■	We have had instances were board minutes contained more information than was shared at the meeting. In these instances, trust becomes an issue.
					■		■	(Prompted). This is not about any particular area. Can be anything.
A10. (ED)	■							Our NEDs are pretty good but are shareholders also so tend to be "on the ball". One focuses on the finances and does not stray from this subject. He has no opinion on anything else but is very good in this area.
	■		■					(Prompted) He has no opinion on anything else but is very good in this area.
	■	■	■	■	■			(Prompted) As an example, he openly says that company strategy is the EDs "problem".

Table 26. Stage 2, Question 4 results summary

Question 4.	When you have made board decisions, are you aware, or do you expect, that people around the table are using different sets of information?
Concepts and themes	EDs have better information quality than NEDs
	EDs can and do exploit information asymmetries
	Information asymmetries appear structural
	TCG and CGC actions are approached differently with NEDs more active on TCG
	NEDs act through board committees
	EDs biased towards using Pre-determined purpose information / emergent purpose information
	NEDs biased towards using extant information
	Emergence of chairperson role
A1. (NED)	EDs have more information
	NEDs expect EDs to have more information
	Board meetings become a Q&A on the agenda items - EDs answer NEDS questions
	"Sometimes, I'm sure our EDs expect NEDs to be complacent so they can get stuff past us"
Probed on TCG / CGC	It does depend on the type of decision being made
	Commercial decision making is where NEDs should be more active in the process but aren't always
	(Prompted) Not always well informed on the latest information
Probed on PPI / EPI / EI	The more regular, the better. It can take time to get used to the formats
	(Prompted) EDs are better able to use the reports and formats we use
	(Prompted) We don't always cover the same agenda so you need to relearn the information format occasionally
	Board meetings can feel rushed when the information is new
	We reflect on our previous experience sometimes. *"But this needs balancing - EDs roll their eyes"*
A2. (ED)	Information is well shared but a lot of effort goes in to the Board pack. Well designed / well distributed.
	(Prompted) Took years to get this area right
Probed on TCG / CGC	NEDs are more attentive on TCG and less active on CCG
	(Prompted) Reflects the roles
	(Prompted) NEDs "contribute" on the board committees which can get very detailed for no real reason sometimes.
	(Prompted) Exercising control for the sake of it. "Getting their own back"
Probed on PPI / EPI / EI	EDs are needed when "quick decisions are being made"
	(Prompted) EDs are much closer to recent events and new issues
	(Prompted) NEDs are not in a position to make quick decisions. We run out of time unless we push the NEDs sometimes

Question 4.									When you have made board decisions, are you aware, or do you expect, that people around the table are using different sets of information?
A3. (NED)									EDs should have more (information). "They are in the business all the time"
									NEDs should not be expected to have as much information. They are there to offer other views, perspectives, and an "opinion"
Probed on TCG / CGC									NEDs are there to "rubber stamp" TCG and make sure the company is covering itself legally
									(Prompted) NEDs do most of the work in board committees but the EDs still need to produce the papers we use
Probed on PPI / EPI / EI									It's down the rest of the Board to explain to NEDs when information is provided on the day
									When a decision is urgent, some NEDs "struggle to get up to speed"
									EDs need to take over sometimes. To keep the decision making process on track. Our chairman is good in these instances
									EDs should be prepared to lead decisions for the whole Board
									(Prompted) Chairman manages this process. "Gets the agenda finished"

A4. (NED)									Part of the way it is supposed to work
									EDs have internal and NEDs have external knowledge and contacts but this is not always that useful
									(Prompted) NEDs contacts and experience become stale quickly
Probed on TCG / CGC									EDs are closer to the business so can make better decisions about the commercial aspects of what the board does.
									NEDs control the committees
Probed on PPI / EPI / EI									Really commercial decisions often have to be made with very little information. EDs take a lead when this is the case
									NEDs are asked to make decisions on things that we can only look at in general based on previous experience (Prompted) External experience
									The board room is the wrong place to discuss complex problems
									It's down to experience and "gut feeling". *"Risk is managed later"*

A5. (ED)									Yes – that's the point of the Board.
									Use the board members knowledge and expertise to get a balance.
Probed on TCG / CGC									The board "check, test and challenge" if the board is too close to each other.
									(Promoted). "Board" meaning EDs
									There is a big obligation on the part of NEDs to come prepared which is not always the case
									NEDs need to be far more proactive than they typically are
									Often NEDs talk in general terms based on their previous experiences. Not always relevant
Probed on PPI / EPI / EI									EDs are better equipped all around when it comes to information
									NEDs rely on previous experience more than EDs
									(Prompted) This is why they were selected

Question 4.								When you have made board decisions, are you aware, or do you expect, that people around the table are using different sets of information?
A6. (NED)								Like to think everyone has the same information but it's not likely
								Puts NEDs at a disadvantage as they have to "tease information out of EDs". This is a regular occurrence
Probed on TCG / CGC								The venture capital model does not conform to the issues of NEDs being at a disadvantage to EDs as ownership is very direct. NEDs are there for the VCs so get it right
Probed on PPI / EPI / EI								VC shareholders should refuse to make decisions that are risky without the right information
								EDs can influence NEDs with time pressures. Not always the case but it can happen
A7. (ED)								Always the case. You are never going to get all the information shared across all directors evenly. "*Waste of time trying*"
Probed on TCG / CGC								Not sure there is that much difference. NEDs seem to be more interested in risk in general.
								NED focus on audit as the biggest issue we have.
								(Prompted) *NEDs think it is the biggest issue we have*
Probed on PPI / EPI / EI								The board meetings are quicker and easy to manage when we are doing routine board work
								We skip through standard board business and rarely go into detail
								When we do make decisions out of the ordinary it gets very hard to stay "on message" because of the information
								(Prompted) Because we discuss / argue about board presentations and content of new information.
								(Prompted) This is about trust NEDs have in EDs
A8. (ED)								It's the situation across all directors. We tend to stick to our function in the business.
								Decisions are made outside the board anyway so the NEDs often follow the agreed plan.
Probed on TCG / CGC								We tend to pre-discuss. The chairman is a NED but seems relaxed if we are relaxed so whatever the decision, it's the same.
Probed on PPI / EPI / EI								Our NEDs are very experienced which is good and bad
								(Prompted) We can get very detailed if they have previous experience of the agenda point. *It's about control*
								(Prompted) When it is a new agenda item, "NEDs take a back seat" and trust EDs because we are using new information
								Often report back at the next meeting. (Prompted) When we report back, often its either too late, the issue has gone away, or NEDs are no longer interested

Question 4.									When you have made board decisions, are you aware, or do you expect, that people around the table are using different sets of information?
A9. (NED)									I was recruited because of previous experience of the sector so do have different knowledge.
Probed on TCG / CGC									I'm there to stop decisions that are too risky being made.
									The board committee's brief is to control risk.
Probed on PPI / EPI / EI									(Prompted) To make sure "the directors" are managing the risk.
									It's all treated the same way but my previous experience helps.

A10. (ED)									Usually the case. We only summarise operational information anyway so this means our NEDs don't have the operational details.
Probed on TCG / CGC									All operational and commercial decisions are left to EDs so NEDs don't get that involved unless we are off the budget.
									Certain times of the year NEDs get more involved for example at year end
Probed on PPI / EPI / EI									We always have the administration actions at the start of the board meeting so by the time we get to the business agenda items we are free to debate for as long as is required
									This can drag on too long as NEDs go through items
									We try and manage the board meeting strictly to time. This can mean we run out of time

Table 27. Stage 2, Question 5 results summary

Question 5.	Do you rely on Executive Directors having better information, or different information to you when making board decisions?
Concepts and themes	EDs are relied upon to have better and different information
	NEDs rely on EDs to be better informed
	EDs can control information
	Them and us - EDs and NEDs
	NED knowledge decay
	Further definition of chairperson role
A1. (NED)	Yes. EDs relied upon by NEDs.
A2. (ED)	EDs have better access to information. Able to talk more freely to the CFO/FD and CEO/MD
	EDs do not go in to Board meetings "cold". EDs prepare more
	(Prompted) Sometimes it seems NEDs are getting up to speed in the Board Meeting - *"Is if they are reading the papers for the first time"*
A3. (NED)	Yes. But that is expected.
	NED role is to question the information provided by the EDs
	Chairpersons role is to orchestrate the questioning process
A4. (NED)	This is part of the way the decision making process works. It works for the companies "I" am on.
	EDs are better informed about the decision but they are supposed to only bring decisions to the board when they are ready to act
A5. (ED)	There is a lot of bias used by EDs.
	(Prompted) "to short-cut decision-making"
	The chairperson needs to balance actions of the Board
	The personal traits of each director comes through - how "diligent" they are, "how much effort they put in".
	Corporations should avoid giving NEDs confusing rewards that cause them to side with EDs
	Motivations of NEDs is important
	(Prompted) "If they need the money they may be the wrong person" for the NED role.

Question 5.	Do you rely on Executive Directors having better information, or different information to you when making board decisions?
A6. (NED)	Yes definitely. EDs should know the markets and products better than anyone else.
	NEDs are there for general experience and an external perspective
	(Prompted) EDs trend to be overly positive however
A7. (ED)	Yes and this is natural as EDs are employed to have more information. "I'd be concerned if I didn't".
	(Prompted) E.g. Competitor actions
A8. (ED)	Yes - but you need to be careful assuming this is always the case. In the early stages, it was different.
	(Prompted) We had an external NED from an investor who was better informed which is why they were put on the board.
	The other issue is that EDs have to keep together to avoid disagreeing or arguing.
	(Prompted) EDs keep a united front. If there is a challenge from the NEDs, this can mean "someone is wrong which slows things down a lot".
A9. (NED)	We are good at different things and have different information.
	(Prompted) That's the reason for the mix on the Board
	(Prompted) Not all NEDs are the same. Not all hold the line
A10. (ED)	Yes and it's getting more obvious the bigger the business has become.
	This works OK for now but not sure we will be next year.
	(Prompted) We could look to change the mix of the board as the business has developed now.

Table 28. Stage 2, Question 6 results summary

Question 6.	Because of the different information they have, do you think that Non-executive directors take more risks or different risks when making company board decisions?

Concepts and themes

- Risks are different, ED vs. NED
- NEDs take more risks
- NEDs have less at stake and EDs more at stake
- Risks are seen as specific to the diversified role of ED and NED
- Chairperson role is important

A1. (NED)	Yes. NEDs accept more risk. But it's also a different risk.
	NEDs have less at stake than EDs. Less financial and job risk.
	Varies depending on the type of decision being made.
	(Prompted) "Audit is always a focus"
A2. (ED)	NEDs take more risks because access (to information) in general is lower.
	Board selection is important here. NEDs need to be the sort of people who will work at equipping themselves with the information they need.
	Sector experience is important in this context as the issue of unknown unknowns arises.
	NEDs must be credible in the specific context they operate in.
A3. (NED)	Not risk as such as EDs make up for it.
	The expectation is that EDs should do more of the work on each decision for the business.
A4. (NED)	No. EDs take the risk as that is part of their role.
	NEDs can control the EDs if they think the risk is too big but they tend not to as the decisions are researched.
	NEDs have specific experience so focus on specific risks such as financial risks.

Question 6.						Because of the different information they have, do you think that Non-executive directors take more risks or different risks when making company board decisions?
A5. (ED)	■					Yes. But it may be unconsciously done as they may be ignorant of the true picture
		■				NEDs are "used to being risk-takers"
		■				(Prompted) Because they are business people in the first place.
			■			Behavioural traits of individuals on Board limits EDs "if the right NEDs are in place to challenge EDs". Outcomes based on personality not process.
					■	Outcomes based on personality not process.
					■	Neutrality is limited if EDs want something done. They try and get their way and act to make this happen.
					■	Biased views and subjective views override Board best practice.
	■		■			Too much assumption about directors weighing up all the options. Just doesn't happen.
					■	(Prompted) Chairman should steer the board the way the company should go.
A6. (NED)	■					Yes.
					■	Challenging is the role of NEDs but this is dependent on the situation.
	■					NEDs need to understand "business" not always the specific business. General disciplines rather than specific ones.
					■	NED recruitment is essential. Sector knowledge is important in NEDs.
					■	Character of the Chairperson is "crucial".
					■	(Prompted) Large boards with are not a good idea because of "cliques".
A7. (ED)	■		■			Not really. NEDs have less directly at stake.
	■		■			(Prompted) NEDs have less to go on but less to lose.
A8. (ED)	■					Yes.
		■				"I'm surprised what NEDs will sometimes nod through with little discussion". On other occasions we will spend a lot of time on agenda items that are low level risks.
			■			(Prompted) Our NEDs are experienced so they may understand the risks anyway.
						(Prompted) "We do assume a lot".

Question 6.						Because of the different information they have, do you think that Non-executive directors take more risks or different risks when making company board decisions?
A9. (NED)						I feel we are there to support the EDs so will take a risk if there is doubt. This is proving to be efficient.
						Our EDs are the shareholders so its their risk not mine really.
						(Prompted) The real risk to me is low so we support the EDs in what they want to do within reason.
A10. (ED)						It's not a matter of more or less risk as we are supposed to share it.
						"It's a matter of different risks for different directors".
						(Prompted) The EDs do more so understand the risks better. NEDs have less to go on but we are a team.

6.7 Stage 2 qualitative research conclusions

Building on the output of Stage 1, Stage 2 has expanded the themes by obtaining a nuanced explanation of director behaviours and operating conditions which is consistent with the output of Stage 1 in relation to:

- Differences in the information quality that executive directors and non-executive directors utilise when making decisions with non-executive directors having inferior information quality
- A lack of adequate means or processes for non-executive directors to compensate for their inferior information quality which results in inferior decisions being made by the board.
- Suboptimal outputs are structural and institutionalised. Stage 2 extended these research outputs by exploring the hypothesised information types,

(predetermined purpose information, emergent purpose information, and extant information), to establish indications of an institutionalised difference between executive and non-executive directors in their utilisation of these information types. Furthermore, Stage 2 explored the hypothesised governance types (technical corporate governance and commercial corporate governance), to establish indications of an institutionalised difference between executive and non-executive directors in their roles in relation to these governance types.

In summary, the two research stages combined demonstrate a complex information asymmetry between executive and non-executive directors which results in suboptimal decision-making resulting in greater risks being taken by the corporation. The causes of these conditions appear to be institutionalised by external and internal control frameworks including specific corporate governance control frameworks.

CHAPTER SEVEN – QUANTITATIVE AND QUALITATIVE RESEARCH CONCLUSIONS

7.1 Summary conclusion in relation to the hypothesis

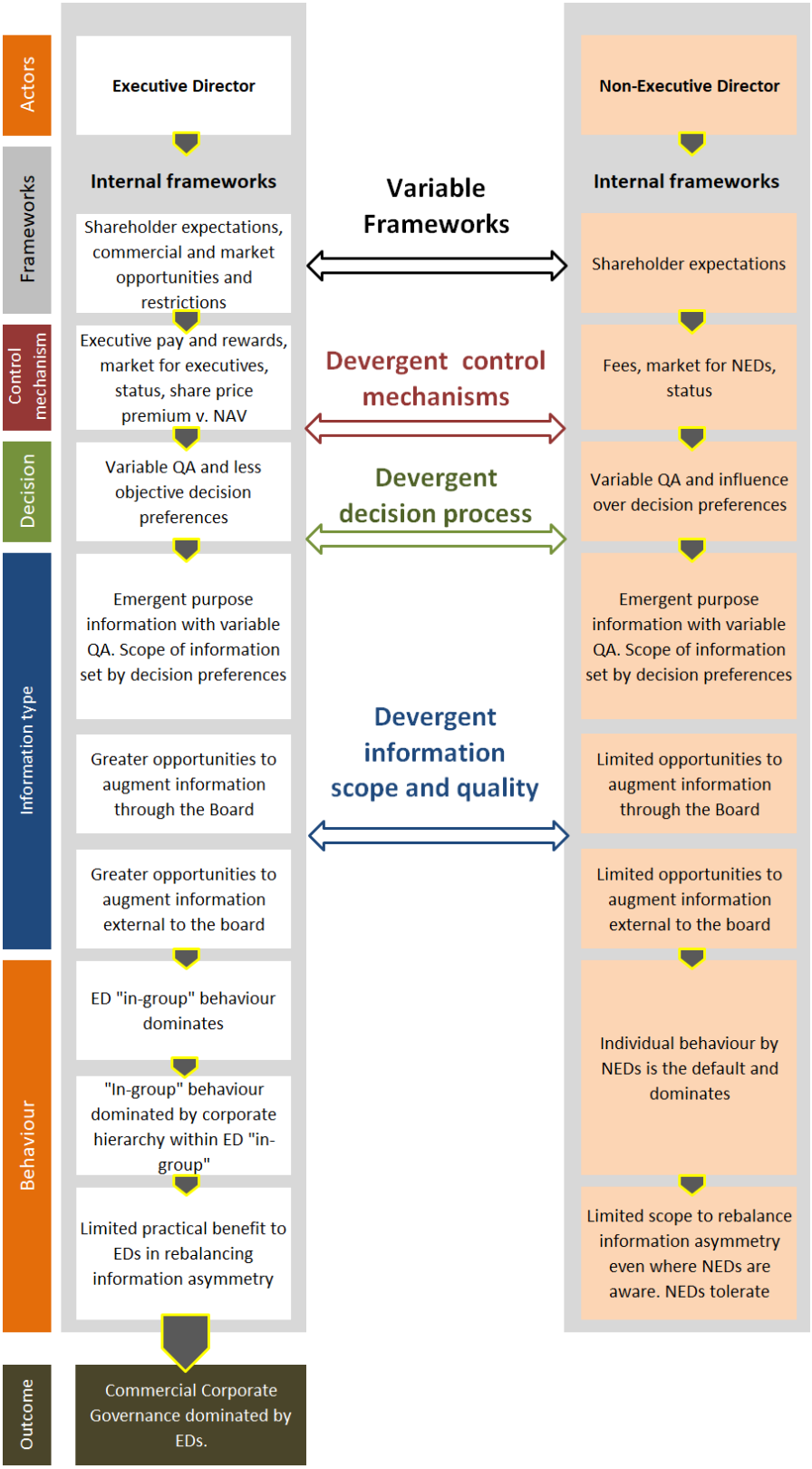
This thesis extends the understanding of corporate governance as it presents an empirical evidence base for:

- Structuralised, institutionalised, and systemic information asymmetries amongst actors within boards of directors with an information quality advantage being held by executive directors,
- two distinct groups of actors on corporate boards with two distinct decision-making process qualities resulting in greater risk for the corporation,
- adverse corporate governance outcomes being largely unmitigated by external control frameworks in relation to commercial corporate governance.

This empirical evidence base is described using two newly developed and inter-related typologies of distinct and impactful features of corporate governance which extend the understanding of the topic these being:

- a differentiation between two types of corporate governance - commercial corporate governance and technical corporate governance
- a differentiation between three types of information used by decision-makers these being “pre-determined purpose information”, “emergent purpose information”, and “extant information”

Figure 23. Summary of processes of commercial corporate governance (author's own model)



This thesis describes how the type of governance being undertaken and the information type being utilised by the board of directors exacerbates information asymmetries and increases risks, (although these adverse outcomes are not exclusive to conditions where these typologies are in effect). The core conditions and processes at work reaffirm the widely researched existence of executive agency as the “what” of corporate governance, particularly commercial corporate governance. The hypothesis is demonstrated by isolating “pinch-points” of information asymmetries which give them their complexity. This thesis chapter leads to a level where the “how” can be theorised, particularly in relation to commercial corporate governance. Table 7 in Chapter Nine summarises the variance in information quality across information quality categories and dimensions (Floridis, 2013). The themes explored in Stage 2 qualitative findings illustrate the divergence of information quality and the specific conditions that lead to the complex information asymmetry.

7.2 Chapter introduction

As described in Chapter Five - Decision-making of this thesis, the primary function of corporate governance is decision-making. Although this primary function is often clouded, and occasionally sidelined, by multiple additional roles and functions that have emerged since the elevation in public, regulator, and practitioner awareness of corporate governance in the 1990s, active and process-driven decision-making remains the most relevant output based definition of the role of boards of directors. This is because most often shareholders employ boards of directors to take actions on their behalf that, at a minimum, deliver a

near-term economic surplus from the resources allocated to the corporation by shareholders, and, ideally, also create sustainable competitive advantages for the corporation to best protect anticipated future economic surpluses in the mid-term and beyond. These actions are defined in this thesis as “commercial corporate governance”. At the same time, boards of directors are employed to protect the corporation from the risks of failing to comply with the requirements of the various largely external control frameworks that society stipulates. Boards of directors achieve this through actions defined in this thesis as technical corporate governance actions. By being compliant with external control frameworks, the corporation both minimises many of its risks and, at the same time, operates in a way the society accepts as balancing the needs of a broad range of stakeholders.

As stated in Chapter One - Thesis Foundation, this thesis has not sought to assess or define any relationship between decision-making by corporate boards of directors and corporate outcomes, particularly where these outcomes lead to commercial successes or failures. This topic has been covered widely in previous research and has, on balance, led to inconclusive results. In general, this inconclusiveness is derived from a broad, seemingly unstable, and not fully defined set of variable factors and conditions that indicate that cause-and-effect is unlikely to ever be fully established. In this regard, corporate decision-making quality falls into line with other decision-making undertaken in complex socio-economic environments where establishing some level of conditional correlation is the realistic aspiration of researchers and practitioners in these fields.

Instead of seeking cause-and-effect, this thesis has explored some of the conditions that can reliably indicate an outcome of relevance to the corporation - that of increased risk and specific conditions that led to the increased risk. Risk is

typically defined as the probability of a situation resulting in a negative outcome, i.e. it is a calculated valuation of risk based on a set of factors. At the outset, the set of factors to include in a calculation of risk is, in itself, a challenge in the context of corporate governance. As discussed in previous chapters, who and how any set of factors is defined is variable, conditional, and open to legitimate and illegitimate manipulation by the actors. For technical corporate governance decision-making, the risk of illegitimate manipulation would seem to be less of an issue because the set of factors used in a risk calculation is typically more tightly defined by external control frameworks imposed on the corporation. In addition, the likelihood of overt reference points with which to triangulate risk calculation factors and values would typically be both greater and more easily matched to a specific risk and decision. For commercial corporate governance, this is less likely to be the case as control frameworks are internally defined. In addition, by their very nature, actions being taken to create, deliver, and sustain commercial advantages are often new to the corporation and / or the market. Consequently, there is less overt triangulation which introduces greater latitude for the actors to argue down the impact of risk calculations on their decision preferences and to distance their actions from any adverse outcomes.

As explored in this thesis, it is argued that, in the context of decision-making by boards of directors, defining risk as a calculated negative value is a dry and simplistic definition, and one that leaves the users of risk valuations in an exposed position. This is because risk valuations that boards of directors are asked to use and make decisions with, (most notably when used for commercial corporate governance decision-making), are calculated using, in essence, reverse engineered future event descriptions such as market forecasts and product

development plans. Not only does this process create conditions in which calculated risk valuations are inherently flawed because of the variability and completeness of the inputs, it also creates conditions that expose the board of directors to biases held by those who compile the factors and formulae for a specific risk calculation. In addition, the conditions for agency being exercised by dominant participants, most notably executive directors, who typically control the decision-making process including the inclusion or exclusion of unfavoured decision preferences. When reviewed years later, it is not credible that participants, let alone an external observer, could accurately describe all but the simplest and most technically focused decision-making processes that a board of directors undertook. This is particularly the case when reviewing commercial corporate governance because the latitude enjoyed by dominant participants is much greater and the limiting control frameworks being largely internally defined. As a consequence, researchers and corporate governance participants are faced with a choice of whether to accept that the complex conditionality of corporate board decision-making is such that attempts to explain it and then improve it are practically impossible or, ignore the challenge, or focus on a specific condition that could lead to a credible explanation of the influence of a defined factor in decision-making quality and its potential impact on outcomes. This thesis has done the latter by demonstrating the difference between the behaviours and resources of two distinct groups, executive directors and non-executive directors, in relation to factors that are highly likely to be directly influential on their actions within the “black box” of the corporation’s boardroom.

7.3 Core questions remain

This thesis starts with the simple assumption that when decision-making is a collective action and responsibility, as it is with corporate board decision-making, the better the information used in that decision-making, the better the decision-making process. This is because information, as described in Chapter Two, is the primary resource used by decision-makers. As a consequence, conditions that create and / or support processes that improve information quality, leading to, in aggregate, better outcomes for the corporation. This is the intention of corporate governance frameworks. However, this thesis establishes that the quality of information used in corporate board decision-making is diminished because of conditions in the decision-making process that demonstrably lead to one sub-group of directors, non-executive directors, having lower quality information than another group of directors, executive directors. A complex information asymmetries exists where asymmetries exists across a range of information quality measures including completeness, timeliness, and comprehension. There is no apparent intention, condition, or mechanism in the decision-making process to compensate for inferior information being held by non-executive directors with superior information quality being held by executive directors. Therefore, the overall quality of information held and used by a board of directors is reduced. This results in conditions that would seem to increase three types of inter-related outcomes:

1. The first outcome is that the corporation as a whole takes greater risks when making decisions as some of the participants are unable to evaluate risks as well as others. The risk evaluation would particularly seem to apply to non-

executive directors ability to access and understand emergent purpose information in specific decision-making and to apply their extant information in general.

2. The second outcome is that non-executive directors are exposed to increased risks of adverse outcomes in the event that decisions they are a party to go wrong to the extent that the corporation is put at risk and their role in decision-making is examined. Non-executive directors are also at increased risk of their market value as a director being reduced as their inferior information becomes known to other participants.
3. The third outcome would seem to be the risk of executive directors being able to exercise their agency in the decision-making process by exploiting an information asymmetry to over-value risks for preferences they personally do not favour and to under-value risks for preferences they do favour.

The characteristics of information quality of particular note in this thesis relate to timeliness, scope, and accessibility. As described in detail in Chapter Six, when compared to executive directors, non-executive directors reported that they were less well provided for with information for decision-making in the first instance, and also less able to rectify the situation when they perceived their information to be of inferior quality because of information completeness and comprehension. In addition, non-executive directors were more prone to tolerate this situation in the expectation that executive directors would act to rectify the impact of the short-comings experienced by non-executive directors.

Having established that information asymmetries exist and that, logically the result is increased risk for the corporation and individual directors, the most obvious question to ask is how could this information asymmetry be reduced or eradicated. Levelling the playing field to reduce the information asymmetry could be achieved by attempting to reduce the information held by those who currently have better quality information. This may even out risk across the board of directors and act to maintain the value of non-executive directors in comparison to executive directors. However, this would not seem to benefit the corporation as it would increase risk overall. Consequently, the over-riding aim of any actions to reduce information asymmetry must be to improve information help by boards of directors overall. This topic is picked up in Chapter Nine.

7.4 Specific focus and roles where none are supposed to exist

At this point fundamental questions that relate to wisdom of prevailing corporate governance frameworks are asked. The first question relates to the very purpose of non-executive directors of corporations. As explored in both stages of the research for this thesis, the purpose of non-executive directors has become characterised to the point of specialisation in technical corporate governance functions. As reactions to high profile failings in corporate governance and ever increasing depth and breadth of external control frameworks, non-executive directors have become the *de facto* guardians of the interests and needs of societal “stakeholders” in the broadest sense. However, in law and through an ethical lens, this is the role of all directors equally. Technical corporate governance

aside, non-executive directors are intended to contribute to all board decision-making by exploiting their supposedly diverse experiences, knowledge, and relationships to improve decision-making and therefore the outcomes for the corporation. As confirmed in Stage 2 research, this does not seem to be happening in practice and therefore undermines the argument for the role of non-executive directors.

If the role of the non-executive is, in practice, a specialised role with a focus on specific technical aspects of corporate governance, a secondary question arises this being to what extent are non-executive directors marginalised in relation to commercial corporate governance actions with inferior information quality being a manifestation of this condition? Is corporate governance now at a stage in its evolution that, in practice, is it out of step with the legal basis of collective responsibility? Functionally, do boards of directors operate as two groups and / or on two levels? Are commercial corporate governance functions carried out by executive directors and rubber stamped by the whole board whilst technical corporate governance activities are overseen by non-executive directors and accepted as a requirement for doing business by executive directors? At the extremes, is commercial corporate governance decision-making hampered by the involvement of non-executive directors who may restrict option selection? Whilst answering these questions is beyond the scope of the research undertaken for this thesis, they are naturally asked in this context as are questions of board structure in relation to the influence of groups and sub-groups.

7.5 Next stages

Executive agency, and its great facilitator information asymmetry, appear alive and well despite forty years of overt attempts to control them through formalised corporate governance control frameworks. Moving on from the “what”, the next chapter develops a new theory as to “how” agency works through information asymmetry.

CHAPTER EIGHT - THEORY BUILDING

HOW EXECUTIVE AGENCY WORKS IN PRACTICE

8.1 Chapter introduction

This thesis has explored two closely related underlying themes both of which have been constant features of management research for decades – agency (Bergh, 2019) and information asymmetry (Akerlof, 1970). This thesis has contributed to the theory and literature of corporate governance by linking these two features through the actions of directors within the “black box” so making the box a little less black.

As discussed in Chapter Three, it is argued in this thesis that agency and counter-agency have become so ubiquitous as themes that researchers have passed over the opportunities to develop more detailed and functionally oriented explanations of the conditions that agency exists within, and of the processes where agency may have been assumed to be the cause of poor outcomes. In short, the research community seems wedded to simplistic explanations of agency that seek to pit cartoon character archetypes against each other. In the red corner we have the “coin-operated CEO” and their minions. This CEO archetype only acts in the way specified by the corporation’s shareholders and only when rewarded to do so within their formal compensation scheme. Squaring-up to the coin-operated CEO, in the blue corner we have the “all-seeing-eyed shareholder”. This shareholder archetype is surrounded by an arsenal of monitoring mechanisms intended to ensure the CEO performs in a way that the CEO’s formal compensation scheme specifies. Neither of these archetypes is credible on a

human or organizational level. CEOs of corporations are very unlikely to be entirely coin-operated. Typically CEOs would need to have demonstrated a far wider range of personal motivations and behavioural influences in order to have successfully moved up through the ranks of professional management on their way to becoming a senior corporate manager, director, and then CEO. Shareholders cannot be all-seeing. They are reliant on the patchy, lagging indicators of director outputs, the monitoring mechanisms shareholders have at their disposal would rely on the openness of the CEO, directors and other executives under their surveillance. This would be ineffective as a monitoring mechanism since those being monitored would simply find another forum in which to exploit their agency.

In addition to the unrealistic archetypes clogging up the debate, there is the acceptance that some agency is good and is, therefore, if not outright encouraged, at least tolerated. In order to not fall behind, CEOs are required to use their agency to be entrepreneurial, progressive, and innovative, if not personally, then at least as a supporter, facilitator, and armourer of those within their corporation who are. Indeed, the idea that a corporation's competitive advantage can be created and then sustained without significant agency at most levels within corporations, including at board level, is not credible. Research and design, innovation, and commercial development are, in their very souls, expressions of agency as an ethos and enduring value creator. If this was not the case, then the CEO role would be largely administrative. Equally, there is an acceptance that any monitoring shareholders undertake is limited and compromised by their lack of real-time information, and a lack of depth and breadth of what they can see, hear, and otherwise sense whilst executive actions

are being carried out. Consequently, executive agency happens to some extent, as does shareholder monitoring. The operating conditions under which agency and monitoring happen have not been adequately explored in the literature therefore, at this point, this thesis builds a theory that attempts to explain in greater detail how agency and monitoring may take place and so highlights the conditions of risk that could occur.

This thesis establishes a view and evidence base for the practice of corporate governance as having two distinct areas of focus which result in operationally, culturally, and behaviourally different processes – these being commercial corporate governance and technical corporate governance. Theory building picks up this distinction.

8.2 Action and inaction

One of the great challenges in studying corporate governance, particularly in relation to commercial corporate governance, is being able to reliably look back at decisions and ask why a particular action was not taken even when it seems obvious in hindsight. An example of this outcome is the commentary on the demise of Carillon plc where hapless former directors blinked like rabbits in the headlights when confronted with questions about why they had not seen the now obvious and fundamental risks to the business - and then not acted accordingly. This is the staple diet of writers, presenters, and commentators on corporate governance failure.

Where full or partial corporate failure is deemed to have its roots in corporate governance failure, analysts often struggle to piece together a reliable forensic account of what happened to the extent that the action / inaction-to-outcome association is weak and questionable. This is particularly the case with commercial corporate governance. Analysts and researchers are often left attempting to reverse engineer multiple mechanisms with complex processes, varying timelines, actions spread across internal and external operations, and with an often unstable roll-call of reluctant actors. Moreover, the narratives of these factors and conditions will, in many cases, be poorly recorded if at all. As noted in Chapter Two, very little of the nuance and colour of boardroom debate is required by law to be recorded, even less for what goes on outside the boardroom. In short, we are often left guessing, assuming, or implying what happened or at least what was intended to happen. Particularly, in the case of inaction relating to commercial corporate governance, analysts and researchers will conclude that the actors were either incompetent or were using their agency to pursue another agenda which was not the best course of action now obvious to those blessed with hindsight.

The theory building in this chapter attempts to provide a way of looking at conditions for inaction as well as action whilst acknowledging that a full explanation for inaction is not possible due to its very nature.

8.3 Agency in action within corporate governance

This thesis has established an evidence base for theory building that attempts to explain a difference between two sets of conditions. The first condition is the type of corporate governance, (commercial or technical) and the second condition is the type of information used in the decision-making process (pre-determined purpose information, emergent purpose information, and extant information). Figure 8 in Chapter Three illustrates these typologies at the theoretical level, their interaction, and highlights the potential for increased risk.

At this point, theory building focuses on the actions that a CEO, as the principal executive actor within the corporation, could take in relation to the information used within the decision-making process. References to information and agency are done so with a typical decision process as described in Figure 10 in Chapter Three. In this decision process, the executive directors will have decision preferences which may be limited by explicit controls placed on them by the corporation stakeholders and then overseen by non-executive directors. However, commercial corporate governance, by its nature is very unlikely to be fully constrained. Like the information that is thrown off by it, commercial corporate governance operates is emergent, incomplete, and undertaken within unstable environments. Charting a value-adding course through such environments demands agency.

In these conditions, it is theorised that there are three actions the CEO might take to exploit their agency. These actions could be “passive” on the part of the CEO in that there is no attempt made to edit or restrict information. The actions could be “proactive” on the part of the CEO where the CEO makes an effort to edit or restrict the information prior to start of the consideration and iteration process. The actions could be “reactive” where the CEO takes action to

edit or restrict the information as the information is used by the board. These actions are to:

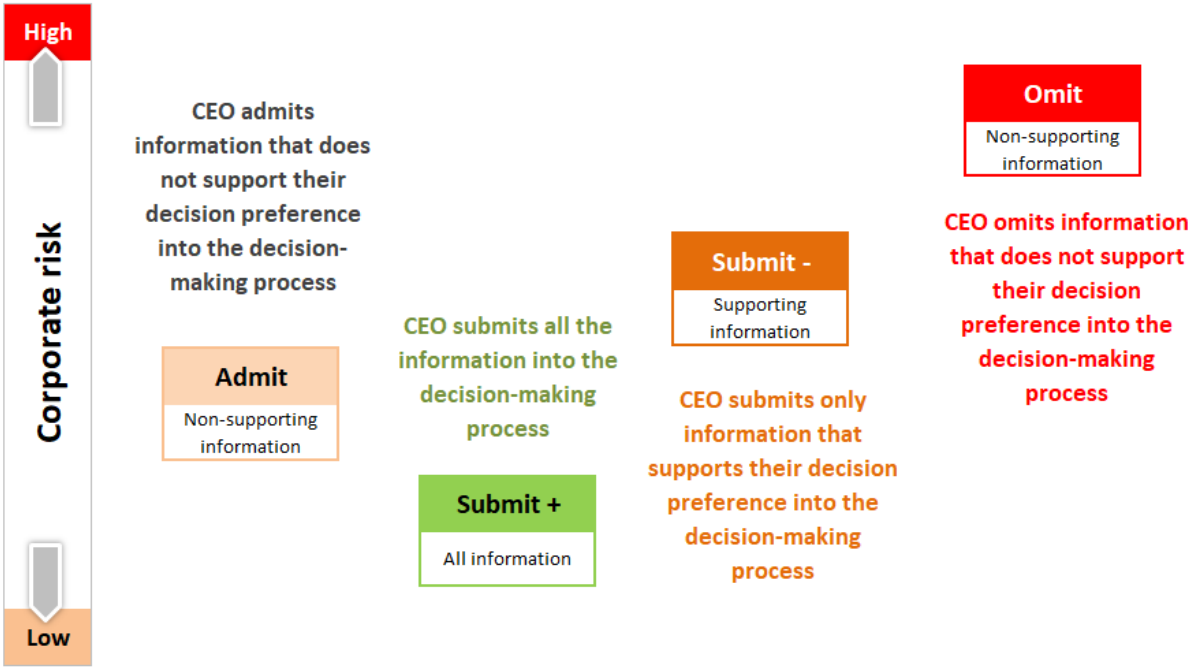
"admit" information to the decision process that does not support the CEO's decision preference. In an iterative decision process, this action could be passive, proactive, or reactive

"submit" information to the decision process that is all the information the CEO has, (submit +), or only the information that supports the CEO's decision preference (submit -). In an iterative decision process this action would be generally be proactive or reactive

"omit" information from the decision process that does not support the CEO's decision preference. In an iterative decision process, this action could be proactive or passive.

It is theorised that when and how a CEO would use admit/submit/omit information depends on the type of governance the decision-making relates to and the CEOs perception of the risk or reward. Over the tenure of the typical CEO, risk and reward are considered to be broadly similar for both the CEO and the corporation since their objectives would be aligned through the CEOs contracted benefits and any long-term incentive plan. However, it is acknowledged that this is conditionally complex, and performance and time dependent towards the end of the CEO tenure. The theorised potential outcome in terms of corporate risk is illustrated in Figure 24.

Figure 24. Theorised outcome in terms of corporate risk from admit / submit / omit (author's own model)

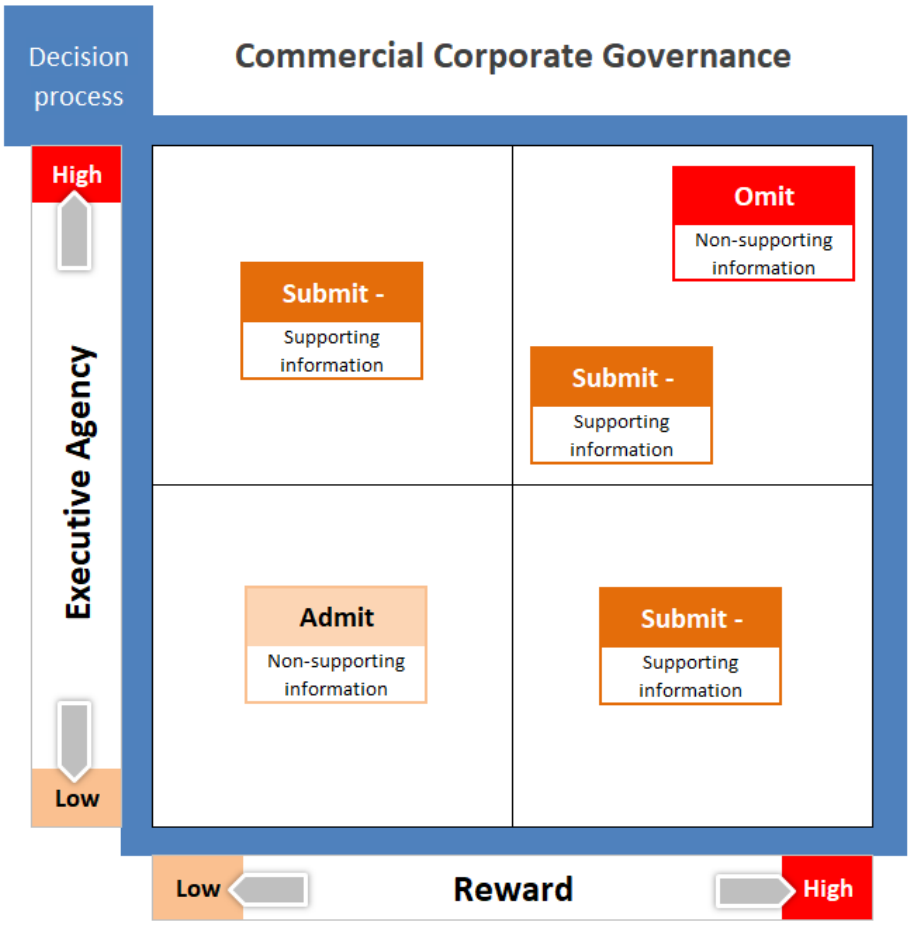


In commercial corporate governance decision processes, the control frameworks are typically internally set and commercial corporately held rewards are the primary purpose of the decision. Figure 25 illustrates the theorised interaction of executive agency and rewards using a low-high scale.

Bottom-left box – low reward / low executive agency

The CEO would admit non-supporting information since they have limited executive agency to prevent it and would gain limited reward in trying to. (Examples of these types of commercial corporate governance actions could include cost control measures and investments in maintaining current performance).

Figure 25. Theorised interaction of executive agency and rewards in commercial corporate governance decision processes (author's own model)



Bottom-right box – high reward / low executive agency

The CEO would submit only supporting information since they have limited executive agency but would gain a significant reward. (Examples of these types of commercial corporate governance actions could include; extensions of existing contracts that conform to the CEO's preferences, channel and supplier management, extensions or enhanced focus on products and services that conform to the CEO's preferences)

Top-left box – low reward / high executive agency

The CEO would submit only supporting information since they have significant executive agency but would gain a limited reward. (Examples of these types of commercial corporate governance actions could include; reactions to competitor actions or changes in market conditions that may reflect poorly on the CEO, actions that are foundational to longer-term ambitions of the CEO, and actions that are needed to clear the way for future decision preference selection by the CEO)

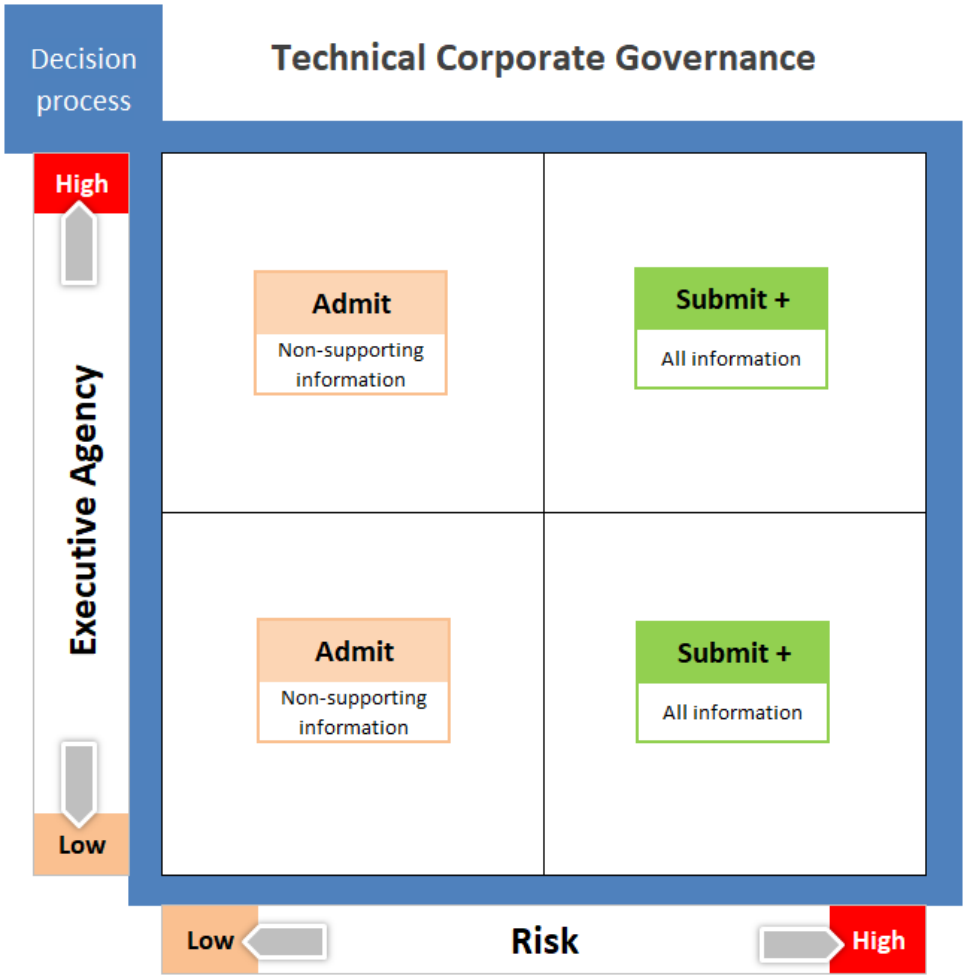
Top-right box – high reward / high executive agency

The CEO would submit only supporting information since they have significant executive agency and reward but would also omit non-supporting information, so maximising the chances for the CEO's decision preference. This is the highest risk for the corporation from a governance point of view. (Examples of these types of commercial corporate governance actions could include; mergers, acquisitions, and divestments championed by the CEO, the sale of the corporation, strategic alliances, reactions to substantial competitor actions or changes to market conditions that reflect poorly on the CEO, reactions to substantial commercial underperformance of the business that reflect poorly on the CEO, new product development and substantial extensions to product and service offerings, and expansion into new markets).

In technical corporate governance decision processes, the control frameworks are typically externally set with, often, corporate risk mitigations as the

primary purpose of the decision. Figure 26 illustrates the theorised interaction of executive agency and risk using a low-high scale.

Figure 26. Theorised interaction of executive agency and risk in technical corporate governance decision processes (author's own model)



Bottom-left box – low risk / low executive agency

The CEO may admit non-supporting information even if they are exposed to limited risk as this could gain political capital and avoids effort and resources being spent on low reward executive activity. (Examples of these types of technical corporate governance actions could include; generic

health and safety management and generic environmental legislation compliance).

Bottom-right box – high risk / low executive agency

The CEO would submit all information as they have since they would be exposed to high risk under any circumstances and would gain political capital and reduced personal risk by being proactively overt. (Examples of these types of technical corporate governance actions could include pension fund deficit management and highly regulated commercial and safety related activities).

Top-left box – low risk / high executive agency

The CEO may admit non-supporting information even if they are exposed to limited risk as this gains political capital. (Examples of these types of technical corporate governance actions could include the activities of board committees and higher level human resource management)

Top-left box – low risk / high executive agency

The CEO may admit non-supporting information even if they are exposed to limited risk as this gains political capital. (Examples of these types of technical corporate governance actions could include the activities of board committees and higher level human resource management)

Top right box – high risk / high executive agency

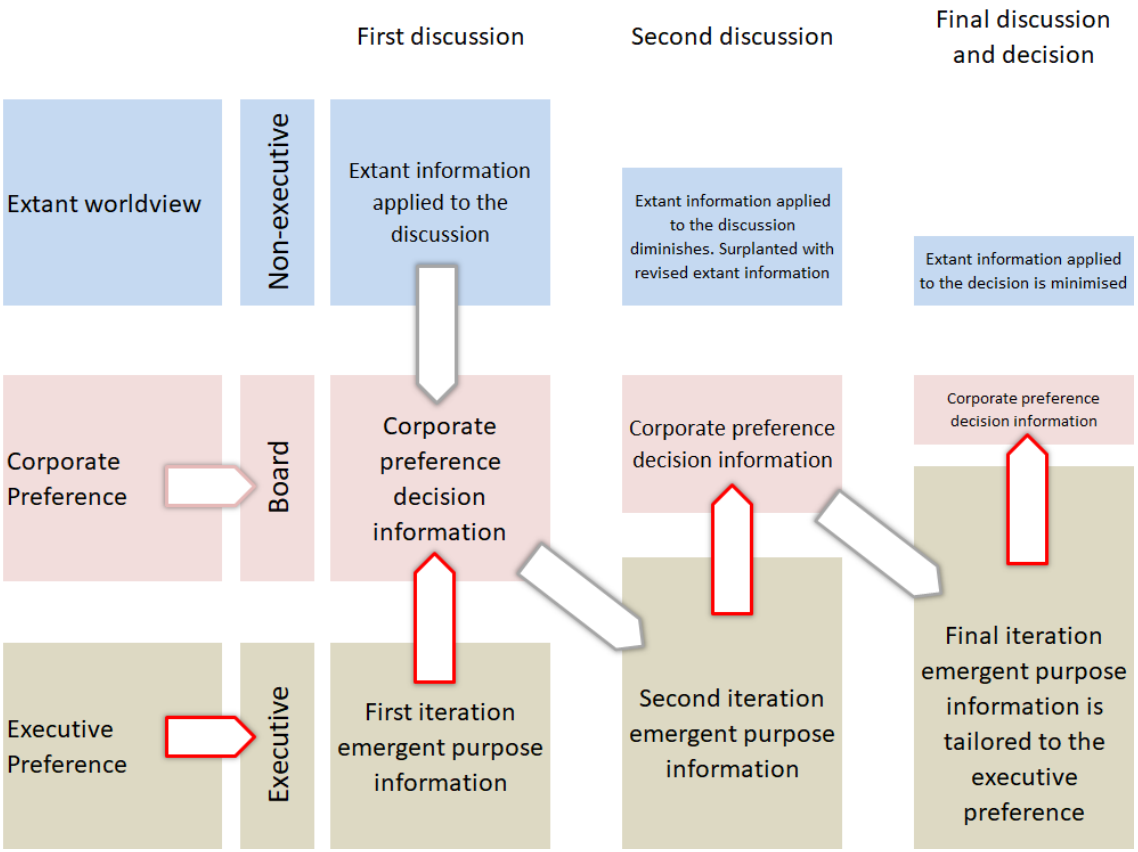
The CEO would submit all information as they have since they would be exposed to high risk under any circumstances and would gain political

capital and reduced personal risk by being proactively overt. (Examples of these types of technical corporate governance actions could include; investor community and shareholder engagement, external stakeholder engagement, statutory regulator engagement).

8.4 The escalation of corporate risk through the use of agency in commercial corporate governance

Furthermore it is theorised that when a commercial corporate governance decision is being undertaken a series of formal and informal iterations take place, including within the board room. As this happens, the executive director uses a submit and / or omit gateway to tailor the emergent purpose information to best suit their arguments for adopting their decision preference. In this way, illustrated in the theoretical model shown in Figure 27, the influence of any contradictory extant information held by non-executive directors is diminished. At the same time, the contradictory preference decision information held by the corporation is omitted wherever possible. By the end of the process, the emergent purpose information is formed around the executive's preference whilst balancing information is diminished.

Figure 27. The development of emergent purpose information through iterations leading to increased corporate risk (author's own model)



In the decision iteration process described in Figure 27, it is theorised that additional dynamics could be influential and may include:

Confirmation bias. As the emergent purpose information is tailored to suit the arguments, the non-executive directors would be presented with information that appealed to any specific concern they may have expressed. Once met by confirming information, the non-executive director may simple stop searching for contradictory information.

Concentration of the decision-making process on fewer and fewer information points. As the emergent purpose information is tailored, the decision process may become simplified to the point where it misses out new influences and risks.

Greater resource dependency. If the decision processes the corporation employ work in the short-term, an even greater resource dependency is created around the CEO and other executive directors as they are seen to be the only people capable of delivering the information required in when making successful commercial corporate governance decisions. This is an illusion because highly tailored information would only give one answer for the board to select.

8.5 Chapter summary

In summary, this chapter has explored a new theory of how agency works in practice. (This theory does not question the existence of agency which the literature, common sense, as well as our own experience tells us is real). Instead theory development in this thesis has been undertaken because existing literature on agency is viewed as simplistic in that it treats agency as a social condition rather than an active process consciously used and abused by practitioners. Consequently, the existing literature on agency is of limited use to corporate governance practitioners and regulators in respectively maintaining working conditions and designing control frameworks that simultaneously exploit the positive aspects of agency, (such as innovation and entrepreneurialism), whilst

mitigating the seemingly inherent risks of agency (such as self over-rewarding, recklessness, and moral hazard).

In summary, the proposed theory of agency in practice describes how, when making commercial corporate governance decisions, executive directors use an information gateway to exercise their agency through an “admit” / “submit” / “omit” process as described in Figure 25. This process may include a series of iterations with formal and informal stages where the information is further tailored to the specific decision being made. This is described in Figure 27.

The outcome is an evolving, complex information asymmetry where widening gaps exist in the information held by executive and non-executive directors in relation to specific commercial corporate governance decisions. The complexity is derived from the features of the categories of information quality discussed in Chapter Two - Information, but also from the corporation’s cultural attitudes towards the provision and consumption of information.

In conditions of high-executive agency and high reward, a “meta-asymmetry” exists in that executives and non-executives directors will have not only have different information about a decision but, because of the “omit” option, the fundamental properties of information will only be understood by the executive directors.

Along with other further research suggested by this thesis, the next chapter proposes research that could test this new theory of agency in practice.

CHAPTER NINE - DISCUSSION, CONCLUSIONS, AND REFLECTIONS

9.1 Chapter introduction

This chapter begins with a summary of the research conclusions and how these differ and add to previous work in order to highlight this thesis' contributions to theory and practice. This chapter then goes on to cover a number of sections including limitations, further research, initial thoughts on new corporate governance control frameworks, and an academic and practitioner engagement strategy. This chapter concludes with some reflective sections which cover the thesis content in the context of very recent events and developments in corporate governance and other relevant subjects.

9.2 Summary research conclusions

A fuller explanation of the research results is given in Chapter Seven which includes a figurative explanation of the research results in Figure 12. The following section is a top level consolidation.

This thesis demonstrates the hypothesis that where two main conditions exist, (relating to corporate governance type and information type), increasingly impactful information asymmetries benefit executive directors and create conditions of greater risk for the corporation. In the process of demonstrating this, this thesis has also established the following in relation to boardroom conditions and behaviours:

9.2.1 Many existing corporate governance control frameworks have limited impact. At the top level, this thesis concludes that corporate governance control frameworks have limited impact *where it counts to shareholders*. This is because commercial corporate governance is controlled by executive directors which facilitates positive and negative executive agency. (This is not the case for technical corporate governance which is largely well controlled within the UK).

9.2.2 Structuralised, institutionalised, and systemic information asymmetries exist. Because of the lack of effective control frameworks, complex information asymmetries exist. Not only do information asymmetries exists, but *they seem to flourish as non-executive directors are unable to effectively keep-up with information flows* as they relate to commercial corporate governance decision-making. These information asymmetries are built-in to the commercial corporate governance decision-making process. There is an in-group and out-group of decision-makers despite there being one corporate board.

9.2.3 Adverse corporate governance outcomes are largely unmitigated by control frameworks. In relation to commercial corporate governance particularly, risk for the corporation is increased as the control frameworks that are assumed to be effective in containing executive agency, and in bringing wider decision-making perspectives and skills to the decision-making process do not seem to be effective in meeting their objectives.

9.2.4 In-group / out-group / sub-groups openly exist. Despite the letter and the spirit of the control frameworks, the research demonstrated that executive directors and non-executive directors, in practice, openly adopted distinct roles and groups in corporate boards and in their decision-making processes. It is noted that the research undertaken for this thesis did not identify any obvious socially shared rewards for non-executive directors in this outcome. It may be that non-executive directors gain a personal reward, a theme that is included in the further research section of this chapter.

9.3 Contributions to theory and practice

In demonstrating the conditions and behaviours described in section 9.2, the following contributions to theory and practice can be ascribed to this thesis.

9.3.1 Extended understanding of the actions inside the "black box". In relation to commercial corporate governance particularly, this thesis provides a new empirical evidence base that demonstrates diverse behaviours within an environment that is typically poorly researched.

9.3.2 Development of a new, nuanced typology of corporate governance. In the literature, corporate governance is widely treated as one type of action. This thesis developed a typology of two distinct forms of corporate governance with distinct decision-making processes. This allows for a more nuanced explanation of the conditions decisions are made within.

9.3.3 Development of a new typology of information used in corporate decision- making. Information quality and information are poorly defined within the literature despite being conceptually accepted. This thesis has provided a useable and effective distinction between “pre-determined information”, “emergent purpose information”, and “extent purpose information”.

9.3.4 Theory development of executive agency in action. As more fully described in Chapter Eight - Theory building, this thesis has provided a conceptual basis for the development of a new theory of how and why executive agency is facilitated and developed within corporate governance decision-making. With a particular focus on commercial corporate governance, the theory explores how executives tailor emergent purpose information towards their decision preferences to exclude other information and preferences.

9.4 Closing the gaps in the literature

Figure 28 summarises the main gaps in the literature in relation to the research results and outputs.

Figure 28. Gaps in the literature in relation to thesis research results and outputs

	Gaps		New knowledge		
Corporations	Lack of focus on corporations as a specific configuration of business		Understanding actions in the specific environment		
Corporate governance	Lack of detail of corporations governance evolution	Lack of detail of corporations governance within the control framework for actors	Understanding how corporate governance evolution influences control frameworks	Understanding differences in types of corporate governance	Understanding how directors gravitate towards a type of corporate governance
Corporation boards of directors	Lack of detail of directors actions in the specific environment	Lack of detail of directors actions in relation to their specific social position	Understanding actions in the specific environment	Understanding directors actions in relation to a specific role and position	
Decision-making	Lack of detail on specific environment and specific behaviours		Understanding decision-making in the specific environment	Understanding how decision-making in influenced by governance type	
Information	Lack of detail on specific environment and specific behaviours		Understanding the role of information in the specific environment	Understanding the quality of information in the specific environment	Understanding the types of information
Information asymmetry	Lack of detail on specific environment and specific behaviours		Understanding the nature of information asymmetries in the specific environment	Understanding the conditions that facilitate information asymmetries	Understanding the structural barriers to reducing information asymmetries
Risk	Lack of detail on specific environment and specific behaviours		Understanding how risk is increased in the specific environment	Understanding of how risk is not mitigated by current control frameworks	
Executive agency	Lack of detail on specific environment and specific behaviours		Understanding how executive agency works in the specific environment		

9.5 Quality of research findings review

Using Maylor and Blackmon's (2005) quality of research findings framework, the thesis research is validated as follows.

9.5.1 Validity. The research results reflect and build upon other research on known conditions and phenomenon in this context so is considered to be valid.

9.5.2 Generalisability. The research findings are applicable to a broad range of corporations beyond those whose directors contributed to the research as the survey respondent's corporations were largely typical and were the survey respondents.

9.5.3 Reliability. The method used in the research combined two proven research methods so are considered repeatable.

9.5.4 Credibility. Combining the criteria above with the research foundation, the research is considered credible.

9.6 Limitations

This thesis aims to provide new and actionable research about a topic of theoretical, social, and commercial value. Broadly, it is intended that this aim is met by providing a new framework to prompt thinking on better corporate board decision-making, leading to a reduction in the risk borne by corporations. There are factors that will limit these aims and outputs.

The first limitation is that this thesis is based on research that includes self-reported data. As recognised in the previous points raised in relation to market value and confidentiality, there are, potentially, a number of negative outcomes for participants that report the existence of information asymmetries. Whilst the

research design mitigates this factor to a significant extent, these factors nevertheless remain present.

Another limitation is that, despite the delivery of the thesis aims, change to the legal and control frameworks that apply to corporate boards is unlikely to change as a result of this research. This is because the history of control framework development is one of reaction to significant events, particularly failures in corporate governance. Absent a timely and disastrous event, this research may have limited initial impact. That does not mean no attempt will be made to gain traction for the ideas and outputs obtained.

Another limitation is that the research is focused on the governance of UK corporations with unitary boards. As a result, the research conclusions are only directly applicable to similar corporations and conditions, although generalised conclusions are still thought to be valid in relation to culturally similar corporations. This issue is picked up in the next section on further research.

9.7 Further research – section introduction

This thesis has established an empirical evidence base to demonstrate that corporate governance, (particularly commercial corporate governance), in the UK is deficient in the way its core function - that of decision-making - works in practice. The reasons for this are inter-related factors of executive agency and its enabler of complex information asymmetries. Where corporate governance control frameworks are internally set, these complex information asymmetries appear to be structuralised, institutionalised, and systemic. In addition, these information

asymmetries do not appear to be mitigated by other actions by the corporation and so lead to inferior information being used in decision-making, and consequently greater risk. From this point, this thesis has presented a theory of how agency is enacted by executive directors in relation to the information quality used by corporate decision-makers, particularly in commercial corporate governance decision processes. This theory puts forward the concept of a "gateway" under the control of executive directors through which the executive director "admits", "submits" or "omits" emergent purpose information. This theory includes a process of formal and informal iteration in which emergent purpose information is tailored by executive directors to suit their decision preference and to nullify extant information held by non-executive directors.

9.8 Stage 1 research in other cultures

Following on from the limitations noted previously in this chapter, this thesis used a quantitative survey in the first stage of the research to establish behaviours and differences between two groups of actors within the "black box", and the potential impacts of these differing actions. Further research could be undertaken using the same or similar research methods in other cultures, value systems, and corporate operating conditions. Such research could provide useful research on comparative corporate risk for investors and practitioners.

9.9 Further general research on information quality

In this thesis, Floridi (2013) has been used as a reference point when discussing and defining information quality. It is also established in Chapter Two that information quality in general is not well defined within the control frameworks instead leaving it up to users to adopt the generalised fit-for-purpose approach. In technical corporate governance, this is much less of an issue as the purpose of the specific corporate governance being undertaken defines the scope of the information and, in turn, the information's quality and quality assurance processes. This results in information used in technical corporate governance as likely possessing the "intrinsic qualities" of "accuracy", "objectivity" and "believability" as described by Floridi (2013).

This opens up the debate about conditions and processes for defining the scope and quality of information used in commercial corporate governance as well as the associated quality assurance processes. Information used in this context is barely mentioned in the indexes and contents list of books and articles on corporate governance let alone researched.

There is an opportunity to undertake research to help more fully define the intrinsic qualities of information used in commercial corporate governance. This could be researched from the bottom-up by ascertaining the functional, practical usefulness of detailed aspects of information quality and quality assurance for each user. Alternatively, this could be researched from the top-down taking a cultural viewpoint. The relationship and interplay between emergent purpose and extant information would need to be considered also.

9.10 Further research to build on Stage 2 research

Stage 2 built up an evidence base of common themes that related to the Stage 1 research. Theme building reached saturation point after ten semi-structured interviews demonstrating the commonality of the conditions being described indicating that more-of-the-same would add little to the evidence base. However, in support of the theory building, it is considered worthwhile to attempt to further explore the themes of information asymmetry in commercial corporate governance decision-making. Four options to do this are considered here:

1. Identifying further reliable proxies for corporations as alternative research subjects. Given the conditions and control frameworks that apply to corporate governance, this is not considered to be a credible option.
2. Direct observation of corporate board meetings and pre-meeting preparation. This is considered impractical in this context as the research is focused on emergent purpose information quality utilised in commercial corporate governance decision-making. This would require the researchers to be on "standby" waiting for the right research conditions to occur.
3. Identifying further reliable proxies for corporate director behaviours. The Stage 1 research has already identified the impactful proxy behaviours so this option may yield limited additional research output.
4. Comparison recollection of instances of specific instances of commercial corporate governance decision-making. This is a potentially impactful area of research to extend the research undertaken for this thesis. Executive and non-executive directors could be interviewed to give in-depth descriptions of the same decision-making processes. This could build an ethnographically focused account of events by exploring group behaviours and the psychological impact of being positioned on either side of an information asymmetry in this context.

(This is in contrast to the typical post-event analysis in this context which seeks to provide risk valuations).

9.11 Research in to the rewards for non-executive directors of information asymmetry

As previously discussed, the research undertaken for this thesis did not identify any obvious socially shared rewards for non-executive directors in this outcome. It may be that non-executive directors gain a personal reward. Research into what rewards, if any, non-executive directors get out of tolerating information asymmetries could be undertaken using qualitative methods to explore themes in greater detail. In general, the topic of non-executive directors may need a rethink from a research perspective relating to the role, purpose, and benefit, (Hsu and Wu, 2014; Hemphill and Laurence, 2014).

9.12 Researching the theory of agency in practice

This thesis has proposed a new theory that seeks to explain the conditions and actions of executive director agency – essentially moving on from the “what” of agency to the “how” of agency in practice. This new theory has two general pre-conditions. The first pre-condition is that the decision-making relates to commercial corporate governance with internal control frameworks and the use of emergent purpose information. The second pre-condition is that the executive directors are broadly “entrepreneurial” so will seek higher commercial rewards. As

described in full in Chapter Eight, this theory of agency in practice is that, depending in the level of executive agency and the reward available, executive directors to variously admit, submit, or omit information to the decision-making process. The highest potential risk to the corporate is where the board is reliant on emergent purpose information to make commercial corporate governance decisions, where the rewards are high. Under these conditions, information asymmetries could be pronounced as executive directors tailor information to maximise the chances of their decision preference being selected. As previously noted in this thesis, this is not necessarily a bad outcome as the higher rewards will accrue initially to the corporation which is a fundamental objective of employing executive directors in the first place. Four options to research this theory are considered here:

1. Identifying further reliable proxies for corporations as alternative research subjects. Given the conditions and control frameworks that apply to corporate governance, this is not considered to be a credible option.
2. Direct observation of emergent purpose information development and use. This is considered impractical in this context as the researcher would require close access to a range of actors in the process of putting together emergent purpose information.
3. Identifying further reliable proxies for corporate director behaviours. Given the conditions and control frameworks that apply to corporate governance, this is not considered to be a credible option.
4. Reverse engineer the information used in well documented commercial corporate governance events that took place over time and would therefore incorporate iterations of emergent purpose information. This may involve

looking at corporate events such as the demise of a corporation, a merger, acquisition or sale, or a major strategic change. The narrative could be followed internally and externally and the development of the emergent purpose information compared to an expected standard in relation to its optimum information quality. Aspects such a confirmation bias and satisficing would be part of the research scope.

9.13 Beneficiaries of further research

It is anticipated that there would be four potential groups of beneficiaries from this further research, these being:

1. Practitioners. Practitioners could improve their internal control systems to reduce the conditions and negative aspects of agency and information asymmetry where emergent purpose information is prominent and executive agency is high.
2. Stakeholders. Many stakeholders are reliant on lagging indicators for commercial corporate governance events due to the lack of mandated access to the process and the “black box”, which could be legitimate as argued in this thesis. Whilst this is not easily fixed, stakeholders, including shareholders could mandate decision processes that actively mitigate the inherent issues of agency and information asymmetry in commercial corporate governance process.
3. Regulators. Regulators could benefit from the provision of an in practice explanation of agency to provide guidance for the design of new corporate governance control frameworks

4. Researchers. Researchers could benefit from the provision of an in practice explanation of agency in this context to support other existing and new theories of corporate governance.

9.14 New corporate governance control frameworks - initial thoughts

It would seem that the arch-challenge of corporate governance is the sustained delivery of performance enhancing commercial corporate governance, over and above the diligent and effective execution of technical corporate governance. This is the case since the core purpose of the corporation is to return more in total to its shareholders than they invest when adjusted for inflation, risk, lost opportunity, and flexibility. In a well ordered society, technical corporate governance should be a given, effectively and efficiently being administered in the background. Instead, the past decades have seen technical corporate governance take centre stage, often by default. Now, in the UK, the situation corporate governance finds itself in is one in which technical corporate governance occupies the full bandwidth of regulators and the media.

In order to move corporate governance substantially forward, this thesis argues that the commercial corporate governance should regain supremacy over technical corporate governance. This is not to argue for a return to a permissive regime of less stringent external control frameworks. The UK has well proven technical corporate governance frameworks that do act to balance the needs of a broad range of stakeholders. Many of these are not typically recognised as corporate governance frameworks. However, as explored in Chapter Two,

legislation that protects consumers, employees, minority shareholders, the environment, creditors and debtors, HMRC amongst many others, engenders, within most corporations, a culture where, most of the time, directors know how to make board decisions as directors and citizens. By and large, in technical corporate governance, directors exhibit self-restraint and social responsibility. These external control frameworks are not the challenge from either a research or corporate performance viewpoint.

The challenge are the internal control frameworks that improve commercial corporate governance giving rise to conditions that result in demonstrably improved commercial performance. Historically, such challenges have been harder to address as these frameworks shape the expectations of the outputs of directors, particularly non-executive directors, in ways that they have avoided before, i.e. evidence based, methodically built, sustained commercial success. This is the objective of corporate governance in theory and practice. Such success pays for everything else. In this regard, a nagging question needs to be addressed - *why are the corporate governance control frameworks in the UK so reserved and unambitious about its purpose and scope?* The answer may lie in the lack of an obvious home for oversight. It may lie in the successful activities of vested interests, including executive directors, in distancing themselves and their output from scrutiny. It may lie in the powerful argument that the outputs of control frameworks that result in good commercial corporate governance, (competitive advantages), are self-nullifying.

Some initial suggestions for improved commercial corporate governance conditions, are given here with the aim of improving the commercial corporate governance decision process.

Board chairperson as "chief decision process officer". The very star-warsy "CDPO" would see their role as supporting the board of directors in making the best decisions possible by ensuring a quality assured process. This is similar, along with the suggestion below to the role and scope of company secretary developed by Kakabadse *et al*., (2016).

An information secretariat. Very large corporations may look to adopt an independent information secretariat that reports via the company secretary to the chairperson. The aim of such a secretariat would be to give emergent purpose information the same intrinsic quality as predetermined purpose information. The information secretariat would act as a resource for the board to oversee the timely provision of emergent purpose information and act as a contact point for non-executive directors who feel they need to augment their information array during iterations of the decision process.

Retrospective reviews of emergent purpose information quality. Corporations should look to systematically review their commercial corporate governance decisions to learn from the processes to improve quality assurance. In many ways this is particularly important when things go well as poor quality decision processes get forgotten when, coincidentally, a good outcome is achieved.

9.15 Engagement – section summary

In the preface to this thesis, three groups were identified as being potential beneficiaries of this research these being practitioners, owners and investors, and

regulators. The following chapter section explores potential routes to engaging with these potential beneficiaries along with an academic and wider audience.

9.16 Practitioner engagement

In many respects engagement routes for practitioners could reflect the research findings in that different routes may suit executive and non-executive directors.

Executive directors could be approached through direct routes to corporations, via professional membership and training / certification bodies such as the Institute of Directors and the ICSA, and via business schools.

Non-executive directors could be approached through professional membership and training / certification bodies also and via non-executive director specific organizations such as the FT Non-executive Director Programme.

For both executive and non-executive directors, the purpose of the approach would be to assist their corporation in improving decision-making through better information quality.

9.17 Owner and investor engagement

Owner and investor engagement could be achieved through approaches to organizations such as The Investment Association who represent institutional investors. The purpose of the approach would be to raise awareness of the risk of

poor quality information within corporations in order for the owners / investors to pressure the corporations they are invested in to improve information quality particularly during take-overs and major corporate strategy change when emergent purpose information is the dominant information type.

9.18 Regulator engagement

At this time, there are multiple routes to engage with regulators including governmental reviews into corporate governance. It is noted that the potential implications of the end-result development of the research could be a substantial change to current corporate governance control framework. This chapter includes some initial thoughts in 13.6 - New corporate governance control frameworks. If fully developed, recommendations based on this thesis and further research could move towards a significantly more intensive decision process for commercial corporate governance along with commensurately higher expectations of non-executive directors. This may be problematic for regulators who tend to be reactionary and passive as noted in the early chapters of this thesis.

9.19 Academic audience engagement

It is intended that papers are developed from this thesis to disseminate the research on information and corporate governance typologies, and information quality. In addition, engagement on the new theory of agency will be sort via further research and a theoretical paper. Papers will also be submitted to conferences.

9.20 Wider audience engagement – major project leadership

Another potential audience for this research is the major projects and programmes community. Major projects and programmes are often led by project boards with a similar composition to corporations. As a project deviates from plan, which is often the case, information quality is exposed to similar dynamics to those experienced in corporations. Quality assurance deteriorates, emergent purpose grows in use as deviations increase or operating conditions change around the project. Institutions such as the Major Projects Association could be approached as could business schools which provide tailored courses for programme management.

9.21 Reflections

Whilst writing this thesis, corporate governance has been through the mill yet again. The period 2015 – 2019 has seen high profile events and adverse outcomes at BHS plc and Carillion plc exemplify short-comings in both the control frameworks intended to specify what corporate governance encompasses, and the practical and effective application of these control frameworks. In many ways, this situation was predictable because the UK adopts, essentially, a hope and trust based system that allows agents and principals the leeway to operate outside the letter and spirit of the control frameworks, if not the law. In late 2018, Patisserie Valerie, a highly regulated public company unravelled and then fell into administration after suffering multiple governance failures even with the direct

oversight of highly experienced directors. At the time of writing, the gap between the assumed failure and the actual failure opens up in front of those now charged with the resurrected corporation's governance (Guardian, 2019). In addition, the reactive process of the development of UK control frameworks means that threats and risks often outpace those whose role it is to ensure that control frameworks are fit for purpose in the contemporary contingent environment. This situation is often exacerbated by the inter-related nature of the control frameworks that straddle the corporation and its stakeholders. (An example of which are the control frameworks that governed the pension funds associated with BHS plc).

An obvious question to ask here is do these conditions imply that the UK will always be exposed to the risk of corporate governance failures, both systemically within corporations and culturally derived from wider society? It is argued that the answer lies in recognising that corporate governance covers two distinct roles, these being technical corporate governance and commercial corporate governance. Overall, the UK is good, indeed recognised at being world class, at many aspects of technical corporate governance. This reflects the long-term evolution of both the social conditions of the country, of the complex markets UK businesses are exposed to, and of corporations that are authorised to be formed and operate within it. This is where stakeholders have their say on how corporations are controlled at the technical level. Moreover, it reflects the broad and deep needs of investors in the UK for capital growth, dividend returns, and security. But even here, technical corporate governance fails and does so in ways that seem baffling to onlookers. In 2018, Conviviality plc, a listed UK drinks distributor and retailer once valued by the markets at £ 750 million, was sunk by a tax bill that seems to have gone unnoticed until its payment was imminent (FT,

2018). Multiple technical corporate governance failures at Carillion plc have been catalogued, aside from the commercial corporate governance failures which brought the corporation to its knees. At least with technical corporate governance it is possible to specify the conditions that are to be either avoided or encouraged to reduce risk and improve outcomes. Each time a Carillion of sufficient scale and impact occurs, a forensic analysis details the conditions that allowed it or at least failed to stop it.

Despite challenges, the UK is good at this bit. (The proof is in the UK's long-standing ability to retain domestic investment, attract foreign investment, and to act as a capital portal and custodian of assets held overseas). Herein lurks the ongoing risk to UK stakeholders – a risk that starts out as culturally born but often becomes systemically empowered. A corporate governance failure occurs. Journalists get excited. Politicians smell a vote or two. Lawyers, consultants, and auditors are engaged. Parliamentary committees are convened and the show begins. Naturally, the focus is on what can be more easily seen – the accounts, the audits, the assorted other documentation that proves or disproves that the corporation was compliant. This means that the focus is on technical corporate governance rather than on all aspects of corporate governance. The regulators, often the people whose oversight and timely enforcement functions failed are reanimated. The control framework that was deemed to be inadequate or defective is enhanced. Over time, the swell of awareness subsides and the normal operations are resumed. As far as technical corporate governance is concerned this is a positive outcome as the control frameworks, in general, are improved and strengthened. As far as overall corporate governance is concerned, this is a poor outcome. However, stakeholder and media demand for action aimed at avoiding a

repeat of the headline event is met. People get paid. Sub-industries are created - such as the “GDPR” compliance consultancies. After a stressful few months, regulators and professional bodies have their positions cemented. All seems well until the next time.

However, the fundamental purpose of the corporation - to make a surplus for shareholders – is still left to market forces, commercial endeavours, and the self-control of the agents of the shareholders, mainly the executive directors. As discussed at the outset, the primary action of the board of directors is decision-making. The greatest latitude, and hence scope to take actions that result in both good and bad outcomes, given to the board of directors is where commercial corporate governance decisions are made. These are rarely examined by regulators and other enforcers of control frameworks when a corporation fails because the control frameworks are largely internal to the corporation, and hence self-regulated, assuming they are legal. Commercial failure, whether it is acute and sudden or mild and accumulated, is the topic of countless academic research projects and practitioner books and articles. Often wrapped up and placed under the under banner of “strategy”, commercial actions have an enduring fascination and popularity. Regulators, however, have typically shied away from directly or indirectly intervening in this area of corporate governance. They would argue that it is not possible to tell entrepreneurs how to be entrepreneurial. Clearly, if they did the same for all businesses, then the effect would be largely self-cancelling. They would also argue that the market decides who is ultimately successful through the attraction of capital and customers, and then more capital and then more customers. They would point to the general failure of command economies and the inefficient use of tax payer’s money through protectionism, monopolies, state

owned enterprises, and strategic sector government investment. These conditions suit free-enterprise practitioners who have been in the ascendency in the UK and more widely since the 1970s and particularly during the period since the growth of societal awareness of corporate governance around 1990.

In general, it is uncommon to argue against the ascendant narrative of seemingly well-regulated free-enterprise. To do so involves taking an opposite view which is hard to defend given the typically suboptimal outcomes of command economies. This suits boards of directors and, in particularly, executive directors. As a board, they are protected from external people telling them how to undertake commercial corporate governance functions. Moreover, in many instances, executive directors are protected from non-executive directors getting too close to the action also.

From the dominating focus on technical corporate governance to the influence of a free-market worldview, the result is that commercial corporate governance is largely unregulated and, therefore, free from direct forms of quality control. This is a problem as most corporations who under-perform or fail do so because their boards of directors undertake poor commercial corporate governance actions and not because they are the victims of technical corporate governance failures. In short, stakeholders seem to be poorly served by the way the UK corporate governance framework has evolved and is managed. UK stakeholders are, in effect, lulled into a false sense of security. They are misdirected by collective efforts of regulators and boards of directors into seeing strong and effective control frameworks without always appreciating that these control frameworks are not intended to the be applied where it really counts. That is not to argue that these control frameworks are not essential but that they will not

result in the commercial outcomes investors want and society needs obtained through tax receipts, jobs, goods, and services.

These conditions may be at the heart of the conundrum concerning the lack of evidence to associate particular board structures, sizes and compositions with commercial outcomes. It may well be that any positive influences such factors do provide are not able to be exerted in the largely unregulated conditions and processes that prevail over commercial corporate governance functions.

There are challenges to improving this situation. One challenge, already mentioned, relates to the difficulties in starting and sustaining an open and balanced discussion about any control framework that seems to impinge on free market processes and the ethos that promotes them. A second challenge is the lack of obvious incentive or benefit to the practitioner. The idea of more regulation, particularly in areas where, intuitively, regulation would seem counterproductive, is not likely to gain many supporters. At a time when business people are implored to be innovative, when global champions are created, at great speed, through disruption, which is assumed to be a positive thing for society, and where being outside the ideas economy is consigning a business to the slow lane, restricting commercial corporate governance latitude would appear to increase risk. Consequently, the is no argument for reigning in the influence of the free-market ethos or for creating control frameworks that restrict outcomes. There is, however, a strong argument, as demonstrated by the research in this thesis, for improving the processes of decision-making which is the central role of corporate governance in practice. As demonstrated, better decision-making processes can reduce risk by improving the quality of information used by the board of directors with information being the core input. In general, the less risk, (in terms of

frequency and impacts), the corporation is exposed to, the better the outcomes. Alternatively, for the same level of risk as it was previously exposed to, a corporation that had made systemic improvements to it decision-making processes could attempt to obtain greater rewards than before it made the improvements. Whether through reduced risk or by securing greater rewards, or both, there would be incentives for board of directors to subject themselves to more stringent control frameworks, albeit internally regulated ones. This would seem to be particularly the case where commercial corporate governance is being undertaken using emergent purpose information and extant information as here the rewards are most easily won or lost.

9.22 Final thoughts

In 2019, the "industry" of corporate governance, encompassing practitioners, regulators, and legislators, could fairly be described as having a crisis of both confidence and identity. Confidence has waned as technical corporate governance failures keep occurring, despite the continuous ratcheting of the control frameworks. Whilst a clear identity has never been fully formed as positive commercial outcomes have not been clearly associated with specific features of a corporation's governance. The result is fuzzy thinking and dialogue that seems to repeat itself or, in some cases, states the obvious. An example of this is the recent launch of the "Wates Corporate Governance Principles for Large Private Companies", herein the "Wates principles", (Financial Reporting Council, 2018). A well respected and very experienced corporate director, James Wates, was asked by the government to develop principles to improve transparency and

accountability in corporate governance. According to the Financial Reporting Council, who have taken on the role of publishing the principles, the request was in response to issues highlighted in HM Government's 2016 Green Paper and the BEIS Select Committee's report of April 2017. The Wates principles are intended to guide corporations covered by them, and any others who care to adopt them, towards a higher level of reporting than that required by the impending changes to the legal framework on reporting. Four things to note.

Firstly, the FRC champions the launch of the Wates principles on its website with three quotations. The first quotation, shown below, is from James Wates.

> *"Good business well done is good for society. Private companies are a significant contributor to the UK economy, providing tax revenue and employing millions of people. They have a significant impact on people's lives, and it is important they are well-governed and transparent about how they operate.*
>
> *"These principles will provide a flexible tool for companies of all sizes, not just those captured by the new legislative reporting requirement, to understand good practice in corporate governance and, crucially, adopt that good practice widely. The principles are about fundamental aspects of business leadership and performance."*

This quotation states that the UK's private companies have significant positive impact on society, pay taxes, and employ millions of people. And yet they still need guidance on how to be well-governed. The quote goes on to describe the new legal framework on reporting as having "captured" corporations who had previously not had to report on as many of the their corporate processes. The term

captured may reflect a cultural position. The second quotation is from the then Business Minister, Andrew Griffiths MP.

> *"The vast majority of our largest companies get their responsible business practices right and help contribute to our deserved reputation around the world as one of the best places to work, invest and do business.*
>
> *"This Government-backed consultation was launched as part of our corporate governance reforms and its results will help to improve how large companies are run, strengthening our robust business environment."*

This quotation states that the vast majority of the UK's largest corporation are doing a fine job already as far as corporate governance is concerned, and if their behaviours are extended to the next tier of corporations by size, some 16,000 corporations according to HM Government's estimation, then all will be well. This is assumptive and is at partly at odds with the statement made by James Wates.

The final quotation is from the FRC's Paul George, Executive Director, Corporate Governance and Reporting Division.

> *"These principles pave the way for more clarity of purpose and positive corporate behaviours amongst this significant sector of the business community. This work has the potential to help restore trust in business and contribute to long-term sustainable growth in the UK economy. It is therefore important that you respond to the consultation and help in the*

finalisation of the principles. The FRC is pleased to be working with James as part of the Coalition and in providing the secretariat."

This quotation is seemingly at odds with the previous two quotations. In the first part, it implies that the purpose of the Wates principles is, broadly, to tackle and change delinquent behaviours. The second part of the quotation implies that trust in "business" requires restoration, despite the statements made by James Wates and the government minister. The quotation goes on to position the role of the FRC as central to the process of facilitating actions that will change behaviours, restore trust, and go on to deliver sustainable growth. These general aims have been those of the FRC for many years and yet the statement is made without irony. In addition, no acknowledgement is made of the distinction is made between technical and commercial outcomes.

The second point to note is that the Wates principles are run of the mill to the point of being anodyne. There is nothing objectionable or challenging. The intended outcomes are general with sufficient leeway to allow any corporation to manage the impact to suit them. Like other codes, the Waters principles occasionally repeat requirements of the legal framework, but in a watered down way. As example of this is in the third principle on "Responsibilities" which starts with the phrase "*A board should have a clear understanding of its accountability….".* This is a standing legal requirement that sits with each and every director.

The third point to note is that this is another voluntary code for corporations to adopt under a "comply or explain" regime. If they choose not to adopt the Wates principles, non-adopting corporations are supposed to adopt a comparable set of

principles on corporate governance. The easiest route is to add in a few boiler plate statements about what is already done. This is already accepted as the most probable outcome as HM Government expects the entire exercise to be cursory as demonstrated by the assumed trivial financial costs of compliance.

Section 124.

> *The research concluded that the average costs in the first year (including familiarisation and implementation costs: creating the corporate governance statement, sign-off and publication) for unquoted PIEs would be £951 per company. This was based on survey responses indicating that the reporting requirement would take up five hours of 'director time', twenty hours of 'professional time' and one hour of 'administrative' time, and applying appropriate wages taken from official statistics. The annual costs after the first year per company is estimated to be £455, based on two hours of 'director time', 6.5 hours of 'professional time' and eight hours of 'administrative cost'. The difference between the two figures (£951 and £455) can thus reasonably be interpreted as the familiarisation costs per business.*

The fourth point to note is that the Wates principles don't seem to address the core issue of governance failure as assessed by HM Government.

Section 145.

> *The proposed measures give significant freedom to affected companies in terms of how to comply with the requirements. They do not require businesses to engage with stakeholders in specific ways; they only*

require companies to report on the practices they have in place. As set out above, companies will be able to cover everything in the Strategic Report and then 'just' reference this fact in the Directors' Report, rather than actually having to split the reporting into three distinct elements.

In March 2019, following a review led by Sir John Kingman, HM Government announced that the Financial Reporting Council would be scrapped and replaced with a stronger "Audit, Reporting and Governance Authority".

"We need a new audit regulator with a clear and precise sense of purpose and I am pleased that the government shares that vision"

Sir John Kingman, March 2019.

The focus remains firmly on technical corporate governance - but someone had to do something.

Appendix 1

Carillion plc

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

Held at 25 Maddox Street, London, W1S 2QN
on
Thursday 2 April 2015 at 8.00 am

Present:	Mr. P.N. Green	Chairman
	Mr. R.J. Adam	
	Mr. A. Dougal	
	Mr. R.J. Howson	
	Mr. S. Mogford	
	Dr. C. Powell	
	Mrs. A. Horner	
In attendance:	Mr. R.F. Tapp	Secretary
	Mr. A.R. Green	
	Mr. P. Rees	Part only

Minute No: **ACTION**

1746 Minutes

The minutes of the meetings of 3 March and 25 March and of the Sub-Committee of 3 March were approved.

Matters arising – 3 March:

a. **Acquisition Strategy.** A competitor analysis had been prepared and would be presented by Mr Rees later in the meeting.

b. **Top Ten Risks.** The cyber security risk had been upgraded to a "medium" risk. The possibility of complacency in dealing with risks was noted and would be incorporated into the risk profile.

1747 Sustainability

Health and Safety

Mr Howson briefed the Board on the health and safety performance in the month. He noted the successful launch of Global Corporate Challenge groups, with some 250 teams funded by the group.

Sustainability

Mr Adam Green spoke to the Sustainability Board Report, which had been circulated. The Sustainability Report had been signed off, and would be launched on 4 June at Kings Cross.

Mr Howson had hosted the BITC business connector showcase in London. The launch of the group's Volunteering App was on schedule and intended to be available ahead of Give and Gain day on 15 May.

Dr Powell noted that Mr Meehan had commented that some of the numbers in the Sustainability Report could not be verified. Mr Howson responded that that was a timing point around evidential arrangements.

1748 Presentations: Markets Review and Strategic Development Update; Competitor Analysis

Mr Rees joined the meeting. He spoke to the detailed reports on both presentations, which had been circulated.

He noted that the presentation led into the Board Strategy session in June and the Business Plan in July.

Markets had improved in the last year, and there were wider macroeconomic issues including the oil price and geo-political developments including elections in the UK and Canada.

The presentation covered the economic and political context in the group's core markets, the marketplace overview of the core markets, long-term global trends, business development and a review of existing markets in infrastructure, energy and support services, construction services and private finance.

It also identified in detail the growth opportunities in natural resource support, defence, UK support services, UK construction, international private finance and MENA infrastructure services.

In discussion, the following points were noted:

- **UK economy.** The UK had developed a long-term

service economy, which had created jobs in lower-paid service jobs.

- **Oil price.** The oil price crash had been a genuine "unknown unknown" which had not been predicted by industry observers or commentators
- **Political instability.** There was political instability in territories adjacent to those in which the business operated in the Middle East. The political situation in Egypt appeared to be stabilising but the political risk remained. There remained the risk of youth unemployment in Saudi Arabia. It was important to understand the implications of instability – who the client was, whether we would be paid, and what other risks existed.
- **United States.** The Rokstad acquisition had brought with it limited entry into the United States. It was agreed that the US opportunity should be explored in more detail at the June strategy session. The session should cover the size of the opportunity, the resource implications, risks, and the means of addressing both the market and the risks. Mr Mogford noted the difficulty experienced by UK businesses in operating in the United States. RJH
- **Network Rail.** Network Rail was experiencing difficulty in delivering the volume of work it wished to place, and discussions were in hand as to how the issue could be improved.
- **Private Finance.** There were opportunities in countries other than those currently targeted, but the group had a preference for availability-based schemes. The strategy day would cover other countries in which the UK model was used. RJH
- **Defence spending.** UK defence spending continued to represent an opportunity, with tenders for Salisbury Plain, back office outsourcing and Brize Norton anticipated in the coming year. The group had won its first tender for the Canadian defence forces and was targeting the market.

After further and detailed discussion, the Chairman noted that the extent of movement in the markets was encouraging. It was necessary to prioritise and to allocate resources appropriately.

It was also surprising that given the market opportunities, the group did not anticipate greater growth in earnings per share. Mr Adam noted that downward pressure on margins in the markets in which we operated meant that greater revenues were required to maintain earnings. Mr Howson noted that work had started to look at different sectors with higher margins, and that prioritisation was the key.

Mr Rees then covered his presentation on competitor development, covering developments in the year amongst the

group's main competitors.

Finally, Mr Howson spoke to a paper on the earnings per share growth amongst the competitor group, which had been circulated. He noted that the key to growth seemed to be acquisition and the exploitation of adjacencies to give higher margin and continual bolt-on additions. Very little growth appeared to be purely organic.

The papers were noted and the Board's thanks were recorded to Mr Rees.

1749 Chief Executive's Report

Mr Howson presented his report which had been circulated. He noted that investor meetings following the preliminary announcement had been positive, although some sentiment had been lost following a negative analyst report from UBS.

He covered the recent Leadership Conference, the climate survey and a number of people issues including the appointment of a new Managing Director for Al Futtaim Carillion.

[redacted]

Mr Howson described progress on the Al Jalilah, Hardrock, Msheireb, NGEC, Nottingham University Hospitals, Southmead, Union Station, TTC Vaughan, and Alberta roads projects.

1750 Construction Services Operational Report

Mr Adam Green spoke to the report which had been circulated. He reported in detail on the position on Army 2020, Midland Metropolitan Hospital and the A14 tender. Further opportunities had presented themselves on HS2, Brent Cross and the HAS. He discussed the position on the Battersea and Openreach contracts.

The report was noted and the Chairman thanked Mr Green for his update.

1751 Finance Director's Report

Mr Adam spoke to his report which had been circulated. He reported in detail on the position, noting that the group was on budget for the first two months and that March also appeared to be satisfactory.

[redacted]

Responding to Mr Mogford, he noted that headroom remained very satisfactory, with total facilities now amounting to some £1.3bn.

The UBS note had been disappointing and challenging, given their target price of 235p. The note had taken average debt, added the pension deficit and the reverse factoring position, but ignored the fact that those issues could apply to any organisation. The Times had enquired whether we were planning a rights issue as Serco, and had been rebutted.

Analyst feedback was positive, but some 9% of the stock remained on loan with some 6% shorted against the macro view that the group and the few competitors in the sector which had not yet had a profit warning would be likely to do so at some point in the future.

The budget remained at £185m with an eps of 34.7p, but the market was moving the sector down and consensus now stood at £178m and 34.2p.

A further tax restructure was planned in Canada and would be brought to the Board in May.

[redacted]

The work-winning report, MPC approvals and management accounts pack were noted.

1752 RF1

Mr Adam spoke to his paper which had been circulated. Responding to the Chairman, he noted the Opportunities and Risks schedule, the position on contingencies and the tax rate and the market expectations of the MENA margin.

After further discussion, the forecast was approved.

1753 Acquisitions and Disposals

The paper had been circulated and was noted. Mr Howson updated the Board on the progress of Project Cherry 10, Project Cedar and EISL.

1754 Directors' Dealings

The acquisition of 3,000 shares at £3.302 per share by Mrs Horner on 24 March was noted.

1755 Review

The coverage of issues was felt to be satisfactory.

1756 Next Meeting

The next meeting would take place at 8.30 am on Wednesday 6 May 2015 at Austin Court, Birmingham.

1757 Chairman and Non-Executives' Review

The executives left the meeting and the Chairman and non-executive directors held a short review meeting.

CHAIRMAN

adfgzds

UNIVERSITY OF BIRMINGHAM

Appendix 2.

Company Director survey

Introduction

Survey into assessing information flow and its influence on decision-making by company boards

Thank you for taking part in this survey which should take around 10 minutes to complete.

This survey is part of a University of Birmingham research project looking at how Directors of Companies use information in their Board level decision-making processes.

This survey is anonymous. No personal information will be recorded in this survey that can identify you or any organization you were or are a director of.

Instructions.

Please think about a specific role you have, (or have had), as a Director of ONE organization only and relate your answers to that ONE directorship only.

Throughout the survey, the questions are worded as if the directorship is current. This applies to past directorships also.

The term "Company" is used throughout. In this survey, this applies to any organization type.

The term "Board" is defined as the most senior decision-making body in the Company.

Notes on confidentiality and data security.

Once submitted, your survey results are totally anonymous and, therefore, can not be deleted.

You can stop the survey at any time. Answers provided up until that point will not be retained.

If you would like a summary of the survey results, please email the reseracher named below. Emails to this address are not associated with your survey replies in any way.

The researcher is Guy Ainsley, contactable at gja463@bham.ac.uk. This eamil is given again at the end of the survey.

The research supervisor is Amon Chizema, contactable at A.Chizema@bham.ac.uk.

I understand the survey and agree to take part.

- ○ Yes
- ○ No

About you

How would you broadly categorise your career / profession? *(You may tick more than one box)* *Optional*

- ☐ Finance
- ☐ Technical / scientific / engineering
- ☐ Operations & general management
- ☐ Sales and marketing & general management
- ☐ Human resources
- ☐ Academic / education
- ☐ Public service (non security / armed forces)
- ☐ Security / armed forces
- ☐ Other

Thinking about **this** one specific directorship, how long have you been a director of this Company?

- ○ 0 - 24 months
- ○ 25 - 48 months
- ○ 49 - 72 months
- ○ 73 months plus

Are you, or have you been, an executive Director of another Company?

- ○ Yes
- ○ No

Are you, or have you been, a non-executive Director of another Company?

- Yes
- No

Are you a shareholder in **this** Company?

- Yes
- No
- There are pending options or other forms of share schemes

Are you a member of a pension scheme underwritten or supported by **this** Company?

- Yes
- No

Have you ever started your own business (either on your own or as a founding member)?

- Yes
- No

Have you ever voluntarily left a job without another job or planned alternative activity?

- Yes
- No

Have you ever participated in higher risk sports - for example rock climbing or skydiving?

- Yes
- No

Have you ever undertaken activities that require special or higher premium insurance?

- Yes
- No

Are you?

- Female
- Male

About the Company this one specific role applies to.

In which country or territory is the Company's operational head office based? (where the Company's executive Board operate). *Required*

How long has the Company been in business in total (including in forms other than its current state)?

- 0 - 10 years
- 10 - 20 years
- 21 - 40 years
- 41 - 80 years
- 81 years or more

About ownership. **Predominantly**, is the Company?

- Privately owned by the executive directors / close associates
- Privately owned by other owners
- Owned by a private parent Company
- Publically owned via listed shares (even if a minority stake)
- Owned by a parent Company that is publically owned
- State owned / controlled
- A charity, NGO or similar
- Other

If the Company has publically available listed shares, on which exchange are these traded?

- A UK exchange
- Other European exchange
- A USA exchange
- Other exchange
- Not applicable

Does the company operate mainly in one country (c. 70% plus of its business)

- Yes
- No

About the Board

Typically, how many directors are there on the Board?

- 1-3
- 4-6
- 7-9
- 10 or more

How many executive directors are there? Include the Chairperson if their role at the Company occupies 20% or more of their typical working time.

- None
- 1-3
- 4-6
- 7-8
- 10 or more

How many non-executive directors are there? Include the Chairperson at the company if their role occupies less than 20% of their typical working time.

- None
- 1-3
- 4-6
- 7-8
- 10 or more

About Board Meetings

Are Board meetings held in your first language or a language you are fully fluent in?

- Yes
- No

Are Board Meetings held in the main language of the country where the Company's operational Head Office is?

- Yes
- No

Typically, how many Board Meetings are there per year?

- 1 - 3
- 4 - 6
- 7 - 9
- 10 or more

Typically, *including Board Meetings*, how many times does the Board meet informally and formally per year?

- 1 - 3
- 4 - 6
- 7 - 9
- 10 or more

How long in advance is the Board Meeting calendar set?

- ○ Annually in advance
- ○ 6 - 12 months in advance
- ○ Less than six months in advance
- ○ Rolling / next meeting agreed at each board meeting
- ○ Meetings are arranged or called ad hoc

Please indicate your membership of any formal Board Committees (tick more than one if applicable)

- ☐ Remuneration
- ☐ Audit
- ☐ Appointments / succession
- ☐ Other
- ☐ None

Organization of Board Meetings

Is an agenda provided in advance of the Board Meeting?

- ☐ Yes - always
- ☐ Often
- ☐ Sometimes
- ☐ Rarely
- ☐ No - never

Do you feel that the Board Meeting agenda is distributed to you in good time for you to sufficiently review it?

- ○ Yes - always
- ○ Often
- ○ Sometimes
- ○ Not often
- ○ No - never
- ○ Not applicable / no agenda

About this Director role

Is this Director role as a?

- Non-executive director or non-executive Chairperson
- Executive director or executive Chairperson

Is this role the Company Board Chairperson?

- Yes
- No

Information used in Board Meetings

Is there a structured set of Board papers - a "Board Pack" - issued for each Board Meeting?

- Yes - for all meetings
- Yes - for some meetings
- No

If applicable - how is the Board Pack distributed to you?

- Electronic format e.g. by email
- Hard copy
- Both electronic and as a hard copy
- Other
- Not applicable

If applicable - when ***initially*** received by you, is the Board Pack sufficiently detailed to allow you to participate in Board Meetings in an appropriately informed way?

- Yes - always
- Often
- Sometimes
- Not often
- No - never
- Not applicable

If applicable - ***prior to the Board Meeting***, if you have concerns or questions about the content of the Board Pack, or there is insufficient information, ommisions or errors, do you? *(You may tick more than one answer)*

- ☐ Ask that the Board Pack is rectified before the Board Meeting
- ☐ Inform other Board Directors about the issue before the Board Meeting
- ☐ Ask for additional information seperate to the Board Pack before the Board Meeting
- ☐ Take other action before the Board Meeting
- ☐ Do nothing before the Board Meeting
- ☐ Not applicable

If you answered "No" to the question relating to the provision of a "Board Pack", is any other information provided to you before Board Meetings? (You may tick more than one answer as required)

- ☐ Yes - at the Board Meeting
- ☐ Yes - ad hoc / as required information
- ☐ Yes - if someone else requests it
- ☐ No information is provided
- ☐ Not applicable

About Company Board decision-making

Are Board decisions ever deferred or significantly delayed because of insufficient information? *Optional*

- Yes - often
- Sometimes
- Not often
- No - never

When decisions are made at Board Meetings, do you ***personally*** feel that you have sufficient information? *Optional*

- Yes - for all decisions
- Often
- Sometimes
- Not often
- No - never

Do you feel that the Board has ever made decisions with insufficient or erroneous information? *Optional*

- Yes - for all decisions
- Often
- Sometimes
- Not often
- No - never

Other sources of information

Away from Board Meetings, do you have access to executive Directors of the Company for dialogue and information exchange?

- Yes - planned
- Yes - ad hoc / on request
- No

Do you have access to senior managers for dialogue and information exchange?

- Yes - planned
- Yes - ad hoc / on request
- No

Do you have access to the Company's current management accounts and / or other financial records such as bank statements?

- Yes - planned
- Yes - ad hoc / on request
- No

Do you have access to the Board Committee's minutes and reports?

- Yes - planned
- Yes - ad hoc / on request
- No

Stage 1 Quantitative Survey Stata T-Test significant results

Strong results outlined in blue correspond to blue shaded boxes in main text. Clear results outlined in orange correspond to orange shaded boxes in main text.

Question 2 Table A1. T-test for mean value of career / profession categories diversity

```
. ttest Q2, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    1.104167    .0535908    .3712878    .9963559    1.211977
Non-exec |      48    1.770833    .1083384    .7505908    1.552884    1.988782
---------+--------------------------------------------------------------------
combined |      96      1.4375    .0691624    .6776507    1.300195    1.574805
---------+--------------------------------------------------------------------
    diff |           -.6666667    .1208685               -.9066539   -.4266795
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -5.5156
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0000         Pr(|T| > |t|) = 0.0000          Pr(T > t) = 1.0000
```

Question 4 Table A2. T-test for mean value of director's experience as an executive director of another company.

```
. ttest Q4, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .5416667    .0726788    .5035336    .3954557    .6878776
Non-exec |      48    .8958333    .0445583    .3087093    .8061935    .9854732
---------+--------------------------------------------------------------------
combined |      96      .71875    .0461289    .4519694    .6271725    .8103275
---------+--------------------------------------------------------------------
    diff |           -.3541667    .0852506               -.5234336   -.1848997
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -4.1544
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0000         Pr(|T| > |t|) = 0.0001          Pr(T > t) = 1.0000
```

Table A3. T-test for mean value of director's experience as a non-executive director of another company.

```
. ttest Q5, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .1458333    .0514815     .356674     .042266    .2494007
Non-exec |      48          .5    .0729325    .5052912    .3532787    .6467213
---------+--------------------------------------------------------------------
combined |      96    .3229167    .0479738    .4700457    .2276766    .4181568
---------+--------------------------------------------------------------------
    diff |           -.3541667     .089272               -.5314183    -.176915
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -3.9673
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0001         Pr(|T| > |t|) = 0.0001          Pr(T > t) = 0.9999
```

Question 6 Table A4. T-test for mean value of directors being shareholders in the Corporation they are a Director of.

```
. ttest Q6a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .7083333       .0663    .4593396     .574955    .8417117
Non-exec |      48          .5    .0729325    .5052912    .3532787    .6467213
---------+--------------------------------------------------------------------
combined |      96    .6041667    .0501733     .491596    .5045601    .7037733
---------+--------------------------------------------------------------------
    diff |            .2083333    .0985639                .0126325    .4040342
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   2.1137
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9814         Pr(|T| > |t|) = 0.0372          Pr(T > t) = 0.0186
```

Question 7 Table A5. T-test for mean value of directors being a member of a pension scheme underwritten or supported by this Corporation.

```
. ttest Q7a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .6041667    .0713322     .494204    .4606648    .7476685
Non-exec |      48    .2291667    .0613066    .4247444    .1058338    .3524996
---------+--------------------------------------------------------------------
combined |      96    .4166667    .0505814    .4955946    .3162499    .5170835
---------+--------------------------------------------------------------------
    diff |                 .375    .0940573                 .188247     .561753
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   3.9869
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9999         Pr(|T| > |t|) = 0.0001          Pr(T > t) = 0.0001
```

Question 9 Table A6. T-test for mean value – "Have you ever voluntarily left a job without another job or planned alternative activity?"

```
. ttest Q9, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48       .4375    .0723605     .501328    .2919295    .5830705
Non-exec |      48    .7083333       .0663    .4593396     .574955    .8417117
---------+--------------------------------------------------------------------
combined |      96    .5729167    .0507505    .4972512    .4721642    .6736691
---------+--------------------------------------------------------------------
    diff |           -.2708333    .0981413               -.4656953   -.0759714
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -2.7596
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0035         Pr(|T| > |t|) = 0.0070          Pr(T > t) = 0.9965
```

Question 26 Table A7. T-test for mean value for "Please indicate your membership of any formal Board Committees (tick more than one if applicable)?" "Remuneration committee"

```
. ttest Q26a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .0833333     .040315    .2793102    .0022301    .1644366
Non-exec |      48         .25    .0631614     .437595    .1229357    .3770643
---------+--------------------------------------------------------------------
combined |      96    .1666667     .038236    .3746343    .0907587    .2425746
---------+--------------------------------------------------------------------
    diff |           -.1666667     .074931               -.315444   -.0178894
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -2.2243
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0143         Pr(|T| > |t|) = 0.0285          Pr(T > t) = 0.9857
```

Table A8. T-test for mean value for Question 26 “Audit committee”

```
. ttest Q26b, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .1666667    .0543607    .3766218    .0573071    .2760262
Non-exec |      48    .3958333    .0713322     .494204    .2523315    .5393352
---------+--------------------------------------------------------------------
combined |      96      .28125    .0461289    .4519694    .1896725    .3728275
---------+--------------------------------------------------------------------
    diff |           -.2291667    .0896848               -.407238   -.0510954
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -2.5552
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0061         Pr(|T| > |t|) = 0.0122          Pr(T > t) = 0.9939
```

Table A9. T-test for mean value for Question 26 “None”

```
. ttest Q26e, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48         .25    .0631614     .437595    .1229357    .3770643
Non-exec |      48       .0625    .0353083     .244623   -.0085311    .1335311
---------+--------------------------------------------------------------------
combined |      96      .15625    .0372525    .3649982    .0822945    .2302055
---------+--------------------------------------------------------------------
    diff |               .1875    .0723605                .0438266    .3311734
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   2.5912
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9945         Pr(|T| > |t|) = 0.0111          Pr(T > t) = 0.0055
```

Question 28

Table A10. T-test for mean value for “Do you feel that the Board Meeting agenda is distributed to you in good time for you to sufficiently review it?” “Sometimes”

```
. ttest Q28c, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .0208333    .0208333    .1443376   -.0210779    .0627446
Non-exec |      48         .25    .0631614     .437595    .1229357    .3770643
---------+--------------------------------------------------------------------
combined |      96    .1354167    .0351057    .3439642     .065723    .2051103
---------+--------------------------------------------------------------------
    diff |           -.2291667    .0665086               -.361221   -.0971123
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -3.4457
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0004         Pr(|T| > |t|) = 0.0009          Pr(T > t) = 0.9996
```

Question 33

Table A11. T-test for mean value for “If applicable - when initially received by you, is the Board Pack sufficiently detailed to allow you to participate in Board Meetings in an appropriately informed way?” “Yes – always”

```
. ttest Q33a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48         .375    .0706166    .4892461    .2329378    .5170622
Non-exec |      48    .1458333    .0514815     .356674     .042266    .2494007
---------+--------------------------------------------------------------------
combined |      96    .2604167    .0450263    .4411657    .1710282    .3498051
---------+--------------------------------------------------------------------
    diff |            .2291667    .0873902               .0556514    .4026819
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   2.6223
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9949         Pr(|T| > |t|) = 0.0102          Pr(T > t) = 0.0051
```

Table A12. T-test for mean value for Question 33 “Sometimes”

```
. ttest Q33c, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .0833333     .040315    .2793102    .0022301    .1644366
Non-exec |      48    .2708333     .064821    .4490929    .1404304    .4012363
---------+--------------------------------------------------------------------
combined |      96    .1770833    .0391656    .3837431    .0993298    .2548369
---------+--------------------------------------------------------------------
    diff |               -.1875    .0763351               -.3390652   -.0359348
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -2.4563
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0079         Pr(|T| > |t|) = 0.0159          Pr(T > t) = 0.9921
```

Question 34

Table A13. T-test for mean value for “If applicable - prior to the Board Meeting, if you have concerns or questions about the content of the Board Pack, or there is insufficient information, omissions or errors, do you? (You may tick more than one answer) “Ask that the Board Pack is rectified before the Board Meeting”

```
. ttest Q34a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .4166667    .0719124    .4982238    .2719976    .5613358
Non-exec |      48    .2083333    .0592382    .4104141    .0891615    .3275052
---------+--------------------------------------------------------------------
combined |      96       .3125    .0475554    .4659456    .2180907    .4069093
---------+--------------------------------------------------------------------
    diff |            .2083333    .0931695                .0233431    .3933236
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   2.2361
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9861         Pr(|T| > |t|) = 0.0277          Pr(T > t) = 0.0139
```

Table A14. T-test for mean value for Question 34 “Ask for additional information separate to the Board Pack before the Board Meeting”

```
. ttest Q34c, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .3333333    .0687614    .4763931    .1950032    .4716635
Non-exec |      48    .0833333     .040315    .2793102    .0022301    .1644366
---------+--------------------------------------------------------------------
combined |      96    .2083333    .0416667    .4082483    .1256145    .2910521
---------+--------------------------------------------------------------------
    diff |                 .25    .0797084                .0917371    .4082629
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   3.1364
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9989         Pr(|T| > |t|) = 0.0023          Pr(T > t) = 0.0011
```

Question 37

Table A15. T-test for mean value for When decisions are made at Board Meetings, do you personally feel that you have sufficient information? “Yes - for all decisions”

```
. ttest Q37a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .3958333    .0713322     .494204    .2523315    .5393352
Non-exec |      48    .1458333    .0514815     .356674     .042266    .2494007
---------+--------------------------------------------------------------------
combined |      96    .2708333    .0455935     .446723    .1803188    .3613478
---------+--------------------------------------------------------------------
    diff |                 .25    .0879694                .0753346    .4246654
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   2.8419
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9973         Pr(|T| > |t|) = 0.0055          Pr(T > t) = 0.0027
```

Table A16. T-test for mean value for Question 37 “Sometimes”

```
. ttest Q37c, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .1666667    .0543607    .3766218    .0573071    .2760262
Non-exec |      48    .3958333    .0713322     .494204    .2523315    .5393352
---------+--------------------------------------------------------------------
combined |      96      .28125    .0461289    .4519694    .1896725    .3728275
---------+--------------------------------------------------------------------
    diff |           -.2291667    .0896848               -.407238   -.0510954
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -2.5552
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0061         Pr(|T| > |t|) = 0.0122          Pr(T > t) = 0.9939
```

Question 38

Table A17. T-test for mean value for Do you feel that the Board has ever made decisions with insufficient or erroneous information? “Sometimes”

```
. ttest Q38c, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .3541667    .0697614    .4833211    .2138248    .4945085
Non-exec |      48    .5416667    .0726788    .5035336    .3954557    .6878776
---------+--------------------------------------------------------------------
combined |      96    .4479167    .0510198    .4998903    .3466295    .5492039
---------+--------------------------------------------------------------------
    diff |               -.1875    .1007416               -.3875247    .0125247
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -1.8612
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0329         Pr(|T| > |t|) = 0.0658          Pr(T > t) = 0.9671
```

Table A18. T-test for mean value for Question 38 “Not often”

```
. ttest Q38d, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .4166667    .0719124    .4982238    .2719976    .5613358
Non-exec |      48    .2291667    .0613066    .4247444    .1058338    .3524996
---------+--------------------------------------------------------------------
combined |      96    .3229167    .0479738    .4700457    .2276766    .4181568
---------+--------------------------------------------------------------------
    diff |               .1875    .0944981               -.0001282    .3751282
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   1.9842
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9749         Pr(|T| > |t|) = 0.0502          Pr(T > t) = 0.0251
```

Table A19. T-test for mean value for Question 38 “No – never”

```
. ttest Q38e, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48       .1875    .0569329    .3944428    .0729658    .3020342
Non-exec |      48       .0625    .0353083     .244623   -.0085311    .1335311
---------+--------------------------------------------------------------------
combined |      96        .125     .033931     .332455    .0576384    .1923616
---------+--------------------------------------------------------------------
    diff |                .125    .0669928               -.0080157    .2580157
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   1.8659
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9674         Pr(|T| > |t|) = 0.0652          Pr(T > t) = 0.0326
```

Question 39

Table A20. T-test for mean value for Away from Board Meetings, do you have access to executive Directors of the Company for dialogue and information exchange? “Yes planned”

```
. ttest Q40a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .6458333    .0697614    .4833211    .5054915    .7861752
Non-exec |      48    .2916667       .0663    .4593396    .1582883     .425045
---------+--------------------------------------------------------------------
combined |      96      .46875    .0511986     .501642    .3671079    .5703921
---------+--------------------------------------------------------------------
    diff |            .3541667     .096241                .1630778    .5452555
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   3.6800
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9998         Pr(|T| > |t|) = 0.0004          Pr(T > t) = 0.0002
```

Question 40

Table A21. T-test for mean value for “Do you have access to senior managers for dialogue and information exchange?” “Yes - ad hoc / on request”

```
. ttest Q40b, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .3541667    .0697614    .4833211    .2138248    .4945085
Non-exec |      48    .5416667    .0726788    .5035336    .3954557    .6878776
---------+--------------------------------------------------------------------
combined |      96    .4479167    .0510198    .4998903    .3466295    .5492039
---------+--------------------------------------------------------------------
    diff |              -.1875    .1007416               -.3875247    .0125247
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -1.8612
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0329         Pr(|T| > |t|) = 0.0658          Pr(T > t) = 0.9671
```

Question 41 Table A22. T-test for mean value for Do you have access to the Company's current management accounts and / or other financial records such as bank statements? “Yes planned”

```
. ttest Q41a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .6041667    .0713322     .494204    .4606648    .7476685
Non-exec |      48    .2291667    .0613066    .4247444    .1058338    .3524996
---------+--------------------------------------------------------------------
combined |      96    .4166667    .0505814    .4955946    .3162499    .5170835
---------+--------------------------------------------------------------------
    diff |               .375    .0940573                 .188247     .561753
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   3.9869
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9999         Pr(|T| > |t|) = 0.0001          Pr(T > t) = 0.0001
```

Table A23 T-test for mean value for Question 41 “Yes - ad hoc / on request”

```
. ttest Q41b, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48        .375    .0706166    .4892461    .2329378    .5170622
Non-exec |      48       .6875    .0676102    .4684174    .5514858    .8235142
---------+--------------------------------------------------------------------
combined |      96      .53125    .0511986     .501642    .4296079    .6328921
---------+--------------------------------------------------------------------
    diff |              -.3125    .0977642               -.5066132   -.1183868
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -3.1965
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0009         Pr(|T| > |t|) = 0.0019          Pr(T > t) = 0.9991
```

Question 42 Table A24. T-test for mean value for “Do you have access to the Board Committee's minutes and reports?” “Yes planned”

```
. ttest Q42a, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48    .8958333    .0445583    .3087093    .8061935    .9854732
Non-exec |      48    .7083333       .0663    .4593396     .574955    .8417117
---------+--------------------------------------------------------------------
combined |      96    .8020833     .040878    .4005205    .7209303    .8832363
---------+--------------------------------------------------------------------
    diff |               .1875     .079882                .0288924    .3461076
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =   2.3472
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.9895         Pr(|T| > |t|) = 0.0210          Pr(T > t) = 0.0105
```

Table A25. T-test for mean value for Question 42 “No”

```
. ttest Q42c, by(Directortype)

Two-sample t test with equal variances
------------------------------------------------------------------------------
   Group |     Obs        Mean    Std. Err.   Std. Dev.   [95% Conf. Interval]
---------+--------------------------------------------------------------------
Executiv |      48           0           0           0           0           0
Non-exec |      48       .0625    .0353083     .244623   -.0085311    .1335311
---------+--------------------------------------------------------------------
combined |      96      .03125    .0178513     .174906   -.0041892    .0666892
---------+--------------------------------------------------------------------
    diff |              -.0625    .0353083               -.1326054    .0076054
------------------------------------------------------------------------------
    diff = mean(Executiv) - mean(Non-exec)                        t =  -1.7701
Ho: diff = 0                                     degrees of freedom =       94

    Ha: diff < 0                 Ha: diff != 0                 Ha: diff > 0
 Pr(T < t) = 0.0400         Pr(|T| > |t|) = 0.0799          Pr(T > t) = 0.9600
```

Stage 1 lower impact results

Stage 1 Survey Question 1 (Administration question relating to the respondents acceptance of the survey conditions and their understanding of the research information sheet).

"I understand the survey and agree to take part." Yes / No

Stage 1 Survey Question 10 & 11

Stage 1 Survey Q10. Have you ever participated in higher risk sports - for example rock climbing or skydiving?

Stage 1 Survey Q11. Have you ever undertaken activities that require special or higher premium insurance?

Stage 1 Survey Q10 & Q11 **Question purpose.** This purpose of these questions is to indicate a tolerance or propensity for physical and personal risk taking by the survey respondent. This question is grouped with questions 8 & 9.

Stage 1 Survey Q10 & Q11 **Interpretation of responses in isolation.** No significant differences were shown in the responses.

Stage 1 Survey Q10 & Q11 **Interpretation of responses in context.** None

Stage 1 Survey Q10 & Q11 **Summary output and implications.** None

Stage 1 Survey Q10 & Q11 **Further questions.** None

Summary result of risk tolerance questions.

The combination of the risk tolerance questions (Q8, Q9, Q10 and Q11) are notable and of boarder-line significant. The combined answers show a statistical difference with non-executive directors being more likely to take risks. Using a t-test there is a difference between the means of the two groups, t= -1.8504, degrees of freedom=94. However, this is could be age related and is not developed as a theme.

Table 14. Summary results for Question 10 and 11

		Q10. Have you ever participated in higher risk sports - for example rock climbing or skydiving?		*Q11. Have you ever undertaken activities that require special or higher premium insurance?*	
		Yes - planned	No	Yes - planned	No
Executive directors	Response number for answer option	21	27	34	14
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	43.8%	56.3%	70.8%	29.2%
Non-executive directors	Response number for answer option	24	24	33	15
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	50.0%	50.0%	68.8%	31.3%
All responses	Response number for answer option	45	51	67	29
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	46.9%	53.1%	69.8%	30.2%

Stage 1 Survey Question 12

Stage 1 Survey Q12. Are you Female or Male?

Stage 1 Survey Q12 Question purpose. To capture additional information about the survey respondent.

Stage 1 Survey Q12 Interpretation of answers in isolation. The survey responses were broadly in line with the make-up of the population of all directors so no interpretation is given in isolation.

Stage 1 Survey Q12 Interpretation of answers in context. The survey responses were broadly in line with the make-up of the population of all directors so no interpretation is given in this context.

Stage 1 Survey Q12 Summary output and implications and further questions. None

Table 15. Summary results for Question 12

Q12. Are you?		Female	Male
Executive directors	Response number for answer option	13	35
	Total reponses for question	48	48
	Option as percentage of total responses	27.1%	72.9%
Non-executive directors	Response number for answer option	11	37
	Total reponses for question	48	48
	Option as percentage of total responses	22.9%	77.1%
All responses	Response number for answer option	24	72
	Total reponses for question	96	96
	Option as percentage of total responses	25.0%	75.0%

Stage 1 Survey Question 13

In which country or territory is the Company's operational head office based? (where the Company's executive Board operate).

Table 16. Summary results for Question 13

Q13. In which country or territory is the Company's operational head office based? (where the Company's executive Board operate).		UK	Others
Executive directors	Response number for answer option	47	1
	Total reponses for question	48	48
	Option as percentage of total responses	97.9%	2.1%
Non-executive directors	Response number for answer option	48	0
	Total reponses for question	48	48
	Option as percentage of total responses	100.0%	0.0%
All responses	Response number for answer option	95	1
	Total reponses for question	96	96
	Option as percentage of total responses	99.0%	1.0%

Stage 1 Survey Q13 Question purpose. To capture information about the prevailing corporate governance culture and regulatory frameworks that the survey respondent performs their role within.

Stage 1 Survey Q13 Interpretation of answers in isolation and in context. None required as all but one of the survey respondents were from the UK.

Stage 1 Survey Q13 Summary output and implications and further questions. None

Stage 1 Survey Question 14

How long has the Company been in business in total (including in forms other than its current state)?

Table 17. Summary results for Question 16

Q14. How long has the Company been in business in total (including in forms other than its current state)?		0 - 10 years	11 - 20 years	21 - 40 years	41 - 80 years	81 years or more
Executive directors	Response number for answer option	9	7	16	1	15
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	18.8%	14.6%	33.3%	2.1%	31.3%
Non-executive directors	Response number for answer option	3	14	14	2	15
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	6.3%	29.2%	29.2%	4.2%	31.3%
All responses	Response number for answer option	12	21	30	3	30
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	12.5%	21.9%	31.3%	3.1%	31.3%

Stage 1 Survey Q14 Question purpose. To capture background information about the corporation the survey response relates to.

Stage 1 Survey Q14 Interpretation of answers in isolation or context. Although there is a notable difference in the survey responses relating to the lower age bands of the corporations, these are not statistically significant as shown in the t-test statistical analysis. .

Stage 1 Survey Q14 Summary output and implications and further questions. No specific interpretation is drawn either in isolation or context so no further specific questions are derived.

Stage 1 Survey Question 15

About ownership. Predominantly, is the Company?

Stage 1 Survey Q15 Question purpose. To capture information about the prevailing corporate governance culture and regulatory frameworks that the survey respondent performs their role within.

Stage 1 Survey Q15 Interpretation of answers in isolation. There are some substantial differences between the ownership structures when comparing executive directors and non-executive directors with the former more likely to be involved with businesses that are directly controlled by directors who are also shareholders, (or close associates which would include family owned corporations). This may indicate that there is a significant closeness and immersion where executive directors are concerned. The other major variance in the responses is that non-executive directors are more likely to be involved in state-owned organizations or other organization type.

Table 18. Summary results for Question 15

Q15. About ownership. Predominantly, is the Company?		Privately owned by the executive directors / close associates	Privately owned by other owners	Owned by a private parent Company	Publically owned via listed shares (even if a minority stake)	Owned by a parent Company that is publically owned	State owned / controlled	A charity, NGO or similar	Other
Executive directors	Response number for answer option	28	7	1	11	0	1	0	0
	Total reponses for question	48	48	48	48	48	48	48	48
	Option as percentage of total responses	58.3%	14.6%	2.1%	22.9%	0.0%	2.1%	0.0%	0.0%
Non-executive directors	Response number for answer option	11	12	4	10	2	7	1	1
	Total reponses for question	48	48	48	48	48	48	48	48
	Option as percentage of total responses	22.9%	25.0%	8.3%	20.8%	4.2%	14.6%	2.1%	2.1%
All responses	Response number for answer option	39	19	5	21	2	8	1	1
	Total reponses for question	96	96	96	96	96	96	96	96
	Option as percentage of total responses	40.6%	19.8%	5.2%	21.9%	2.1%	8.3%	1.0%	1.0%

Stage 1 Survey Q15 Interpretation of answers in context. In the context of this thesis, it is not possible to imply any significance as the control frameworks, particularly the external ones, are uniform as the corporations are all UK based with one exception, (see Question 13).

Stage 1 Survey Q15 Summary output and implications and further questions. None

Stage 1 Survey Question 16

If the Company has publically available listed shares, on which exchange are these traded?

Stage 1 Survey Q16 **Question purpose.** To capture information about the prevailing corporate governance culture and control frameworks that the survey respondents perform their roles within.

Stage 1 Survey Q16 **Interpretation of answers in isolation and in context.** The survey respondents were well distributed so no interpretation is given in this context.

Stage 1 Survey Q16 **Summary output and implications and further questions.** None

Note. There is a minor data inconsistency in the responses to Question 16 in that more survey respondents indicated that the company in question was on a public exchange than indicated were public companies in total in Question 15.

Table 19. Summary results for Question 16

Q16. If the Company has publically available listed shares, on which exchange are these traded?					
		A UK exchange	Other European exchange	A USA exchange	Other exchange	Not applicable
Executive directors	Response number for answer option	10	0	0	0	38
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	20.8%	0.0%	0.0%	0.0%	79.2%
Non-executive directors	Response number for answer option	11	0	0	0	37
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	22.9%	0.0%	0.0%	0.0%	77.1%
All responses	Response number for answer option	21	0	0	0	75
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	21.9%	0.0%	0.0%	0.0%	78.1%

Stage 1 Survey Question 17

Does the company operate mainly in one country (c. 70% plus of its business).

Stage 1 Survey Q17 **Question purpose.** To capture information about the prevailing corporate governance culture and control frameworks that the survey respondent performs their role within, and to highlight any complexity and conflicts that may exist due to operating in diverse markets.

Table 20. Summary results for Question 17

Q17. Does the company operate mainly in one country (c. 70% plus of its business)		Yes	No
Executive directors	Response number for answer option	35	13
	Total reponses for question	48	48
	Option as percentage of total responses	72.9%	27.1%
Non-executive directors	Response number for answer option	38	10
	Total reponses for question	48	48
	Option as percentage of total responses	79.2%	20.8%
All responses	Response number for answer option	73	23
	Total reponses for question	96	96
	Option as percentage of total responses	76.0%	24.0%

Stage 1 Survey Q17 Interpretation of answers in isolation and in context. The survey respondents showed similar distributions so no interpretation is given in isolation or in context.

Stage 1 Survey Q17 Summary output and implications and further questions. None

Stage 1 Survey Question 18

Typically, how many directors are there on the Board?

Table 21. Summary results for Question 18.

Q18. Typically, how many directors are there on the Board?		1-3	4-6	7-9	10 or more
Executive directors	Response number for answer option	5	28	15	0
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	10.4%	58.3%	31.3%	0.0%
Non-executive directors	Response number for answer option	4	31	13	0
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	8.3%	64.6%	27.1%	0.0%
All responses	Response number for answer option	9	59	28	0
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	9.4%	61.5%	29.2%	0.0%

Stage 1 Survey Q18 **Question purpose.** In conjunction with Q19 and Q 20, to capture information about the size and balance of the board of directors the survey respondent is referring to in their responses.

Stage 1 Survey Q18 **Interpretation of answers in isolation and in context.** The survey respondents showed similar distributions so no interpretation is given in isolation or in context.

Stage 1 Survey Q18 **Summary output and implications and further questions.** None

Stage 1 Survey Question 19

How many executive directors are there? Include the Chairperson if their role at the Company occupies 20% or more of their typical working time.

Table 22. Summary results for Question 19

Q19. How many executive directors are there? Include the Chairperson if their role at the Company occupies 20% or more of their typical working time.		1-3	4-6	7-9	10 or more
Executive directors	Response number for answer option	29	17	2	0
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	60.4%	35.4%	4.2%	0.0%
Non-executive directors	Response number for answer option	27	18	3	0
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	56.3%	37.5%	6.3%	0.0%
All responses	Response number for answer option	56	35	5	0
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	58.3%	36.5%	5.2%	0.0%

Stage 1 Survey Q19 **Question purpose.** In conjunction with Q18 and Q 20, to capture information about the size and balance of the board of directors the survey respondent is referring to in their responses.

Stage 1 Survey Q19 **Interpretation of answers in isolation and in context.** The survey respondents showed similar distributions so no interpretation is given in isolation or in context.

Stage 1 Survey Q19 **Summary output and implications and further questions.** None

Stage 1 Survey Question 20

How many non-executive directors are there? Include the Chairperson at the company if their role occupies less than 20% of their typical working time.

Q20 Question purpose. In conjunction with Q18 and Q 19, to capture information about the size and balance of the Board of Directors the survey respondent is referring to in their responses.

Stage 1 Survey Q20 **Interpretation of answers in isolation and in context.** The survey respondents showed similar distributions so no interpretation is given in isolation or in context.

Stage 1 Survey Q20 **Summary output and implications and further questions.** None

Table 23. Summary results for Question 20

Q20. How many non-executive directors are there? Include the Chairperson at the company if their role occupies less than 20% of their typical working time.

		1-3	4-6	7-9	10 or more
Executive directors	Response number for answer option	29	18	1	0
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	60.4%	37.5%	2.1%	0.0%
Non-executive directors	Response number for answer option	24	19	5	0
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	50.0%	39.6%	10.4%	0.0%
All responses	Response number for answer option	53	37	6	0
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	55.2%	38.5%	6.3%	0.0%

Stage 1 Survey Question 21 & 22

Are Board meetings held in your first language or a language you are fully fluent in?

Are Board Meetings held in the main language of the country where the Company's operational Head Office is?

Stage 1 Survey Q21 & Q22 **Question purpose.** To assess whether there were any potential communication barriers within the board of directors.

Stage 1 Survey Q21 & Q22 **Interpretation of answers in isolation and in context.** The survey respondents showed similar distributions so no interpretation is given in isolation or in context.

Stage 1 Survey Q21 & Q22 **Summary output and implications and further questions.** Respondents reported very few limits or barriers to information flow due to language issues so no further questions.

Table 24. Summary results for Question 21 and Question 22

		Q21. Are Board meetings held in your first language or a language you are fully fluent in?				*Q22. Are Board Meetings held in the main language of the country where the Company's operational Head Office is?*	
		Yes	No			Yes	No
Executive directors	Response number for answer option	47	1	Executive directors	Response number for answer option	48	0
	Total reponses for question	48	48		Total reponses for question	48	48
	Option as percentage of total responses	97.9%	2.1%		Option as percentage of total responses	100.0%	0.0%
Non-executive directors	Response number for answer option	47	1	Non-executive directors	Response number for answer option	48	0
	Total reponses for question	48	48		Total reponses for question	48	48
	Option as percentage of total responses	97.9%	2.1%		Option as percentage of total responses	100.0%	0.0%
All responses	Response number for answer option	94	2	All responses	Response number for answer option	96	0
	Total reponses for question	96	96		Total reponses for question	96	96
	Option as percentage of total responses	97.9%	2.1%		Option as percentage of total responses	100.0%	0.0%

Stage 1 Survey Question 23

Typically, how many Board Meetings are there per year?

Stage 1 Survey Q23 **Question purpose.** In conjunction with Q 24, to assess the number of times the corporation's directors meet and interact each year.

Stage 1 Survey Q23 **Interpretation of answers in isolation.** Executive directors reported that they were on boards that are more active when measured by the number of Board meetings per annum. This may be related to the answers given in Question 15 relating to company ownership. In general, the more often a group meet, the more cohesive it is, as discussed in Chapter Two.

Stage 1 Survey Q23 **Interpretation of answers in context.** The more cohesive a group is, the less likely the development of sub-cultures and in-group / out-group behaviours, as discussed in Chapter Two. These conditions may lead to information asymmetries as participants seek to increase the power of the group they associate with.

Stage 1 Survey Q23 **Summary output and implications and further questions.** None

Table 25. Summary results for Question 23

Q23. Typically, how many Board Meetings are there per year?		1 - 3	4 - 6	7 - 9	10 or more
Executive directors	Response number for answer option	0	8	14	26
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	0.0%	16.7%	29.2%	54.2%
Non-executive directors	Response number for answer option	0	5	25	18
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	0.0%	10.4%	52.1%	37.5%
All responses	Response number for answer option	0	13	39	44
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	0.0%	13.5%	40.6%	45.8%

Stage 1 Survey Question 24

Typically, including Board Meetings, how many times does the Board meet informally and formally per year?

Stage 1 Survey Q24 **Question purpose.** In conjunction with Q 23, to assess the number of times Directors meet and interact each year.

Stage 1 Survey Q24 **Interpretation of answers in isolation.** In line with the responses to Question 23 relating to board meetings, executive directors reported that they were on Boards that are more active when measured by the number of other meetings per annum. In general, the more often a group meet, the more cohesive it is, as discussed in Chapter Two.

Table 26. Summary results for Question 24

Q24. Typically, including Board Meetings, how many times does the Board meet informally and formally per year?

		1 - 3	4 - 6	7 - 9	10 or more
Executive directors	Response number for answer option	0	5	4	39
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	0.0%	10.4%	8.3%	81.3%
Non-executive directors	Response number for answer option	0	0	17	31
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	0.0%	0.0%	35.4%	64.6%
All responses	Response number for answer option	0	5	21	70
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	0.0%	5.2%	21.9%	72.9%

Stage 1 Survey Q24 **Interpretation of answers in context.** This is particularly an issue in the context of this thesis given the conditions that allow for the development of sub-cultures and in-group / out-group behaviours, as

discussed in Chapter Two. Combined with the responses for Question 23, these conditions may lead to information asymmetries and the selection of decision preferences that reflect in-group and personal agency by Executive Directors.

Further insight is given in relation to the survey responses to Question 26 on the membership of Board committees.

Stage 1 Survey Q24 Summary output and implications and further questions. The data was considered to be relevant for inclusion in Stage 2 qualitative research, as a potential discussion prompter within the semi-structured interview.

Stage 1 Survey Question25

How long in advance is the Board Meeting calendar set?

Stage 1 Survey Q25 Question purpose. In conjunction with Q27 and Q28, to assess the level of planning, pro-activeness, and structure there is to Board activities and management.

Stage 1 Survey Q25 Interpretation of answers in isolation and in context. The survey respondents were well distributed so no interpretation is given in this context.

Stage 1 Survey Q25 Summary output and implications and further questions. None

Table 27. Summary results for Question 25

Q25. How long in advance is the Board Meeting calendar set?

		Annually in advance	6 - 12 months in advance	Less than six months in advance	Rolling / next meeting agreed at each board meeting	Meetings are arranged or called ad hoc
Executive directors	Response number for answer option	13	15	14	6	0
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	27.1%	31.3%	29.2%	12.5%	0.0%
Non-executive directors	Response number for answer option	13	19	14	2	0
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	27.1%	39.6%	29.2%	4.2%	0.0%
All responses	Response number for answer option	26	34	28	8	0
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	27.1%	35.4%	29.2%	8.3%	0.0%

Stage 1 Survey Question 27

Is an agenda provided in advance of the Board Meeting?

Stage 1 Survey Q27 **Question purpose.** In conjunction with Q25 and Q 28, to assess the level of planning, pro-activity and structure there is to Board activities and Board management.

Stage 1 Survey Q27 **Interpretation of answers in isolation and in context.** The survey responses show that directors received an agenda in

advance of the board meeting although for non-executive directors, this is not always the case in a small number of responses.

Table 29. Summary results for Question 27

Q27. Is an agenda provided in advance of the Board Meeting?		Yes - always	Often	Sometimes	Rarely	No - never
Executive directors	Response number for answer option	47	1	0	0	0
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	97.9%	2.1%	0.0%	0.0%	0.0%
Non-executive directors	Response number for answer option	44	4	0	0	0
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	91.7%	8.3%	0.0%	0.0%	0.0%
All responses	Response number for answer option	91	5	0	0	0
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	94.8%	5.2%	0.0%	0.0%	0.0%

Stage 1 Survey Q27 Summary output and implications. None

Stage 1 Survey Q27 Further questions. None

Q29. Is this Director role as a?		Non-executive director or non-executive Chairperson	Executive director or executive Chairperson
Executive directors	Response number for answer option	0	48
	Total reponses for question	48	48
	Option as percentage of total responses	100.0%	0.0%
Non-executive directors	Response number for answer option	48	0
	Total reponses for question	48	48
	Option as percentage of total responses	100.0%	0.0%
All responses	Response number for answer option	48	48
	Total reponses for question	96	96
	Option as percentage of total responses	50.0%	50.0%

Q30. Is this role the Company Board Chairperson?		Yes	No
Executive directors	Response number for answer option	5	43
	Total reponses for question	48	48
	Option as percentage of total responses	10.4%	89.6%
Non-executive directors	Response number for answer option	5	43
	Total reponses for question	48	48
	Option as percentage of total responses	10.4%	89.6%
All responses	Response number for answer option	10	86
	Total reponses for question	96	96
	Option as percentage of total responses	10.4%	89.6%

Stage 1 Survey Question 29 and Question 30

Stage 1 Survey Q29. Is this Director role as a?

Is this role the Company Board Chairperson?

Stage 1 Survey Q29 & Q30 Question purpose. To assess the survey respondent's role within the board, and in respect of their responses to the questionnaire.

Stage 1 Survey Q29 & Q30 Interpretation of answers in isolation and in context. None

Stage 1 Survey Q29 & Q30 Summary output and implications and further questions. None

Table 31. Summary results for Question 29 and Question 30

Stage 1 Survey Question 31

Is there a structured set of Board papers - a "Board Pack" - issued for each Board Meeting?

Stage 1 Survey Q31 Question purpose. To assess the level of best practice in relation to the distribution of information to the board.

Stage 1 Survey Q31 Interpretation of answers in isolation. Overall, most survey respondents reported that a structured set of board papers is provided but with a difference in the incidents. These survey responses may reflect a different interpretation of the term “structured” where some survey respondents may be seeking or assuming a higher level of structure experienced on other boards. This could be an a response of non-executive directors who typically have more external experience and therefore reference points through membership of other boards and roles.

Stage 1 Survey Q31 Interpretation of answers in context. This question reflects a second incidence of a potential information asymmetry between executive directors and non-executive directors which again may favour executive directors, as is, potentially, the case in Stage 1 Survey Question 28.

Stage 1 Survey Q31 **Summary output and implications.** The reported information asymmetry could be regarded as being systemic as it emanates from a corporate governance administration process, that of assembling and distributing the Board pack.

Stage 1 Survey Q31 **Further questions.** The data was considered to be relevant for inclusion in Stage 2 research as a discussion prompter.

Table 32. Summary results for Question 31

Q31. Is there a structured set of Board papers - a "Board Pack" - issued for each Board Meeting?

		Yes - for all meetings	Yes - for some meetings	No
Executive directors	Response number for answer option	41	7	0
	Total reponses for question	48	48	48
	Option as percentage of total responses	85.4%	14.6%	0.0%
Non-executive directors	Response number for answer option	35	12	1
	Total reponses for question	48	48	48
	Option as percentage of total responses	72.9%	25.0%	2.1%
All responses	Response number for answer option	76	19	1
	Total reponses for question	96	96	96
	Option as percentage of total responses	79.2%	19.8%	1.0%

Stage 1 Survey Question 32

If applicable - how is the Board Pack distributed to you?

Stage 1 Survey Q32 **Question purpose.** To assess the level of access the survey respondent has to the information provided to the Board.

Stage 1 Survey Q32 **Interpretation of answers in isolation.** They medium used for information provision may well be influential in the way that information is processed by the receiver. Executive directors report having access to both hard and electronic versions of the Board Pack giving executive directors potentially a greater ability to use the information.

Table 33. Summary results for Question 32

Q32. If applicable - how is the Board Pack distributed to you?		Electronic format e.g. by email	Hard copy	Both electronic format and as a hard copy	Other	Not applicable
Executive directors	Response number for answer option	23	3	22	0	0
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	47.9%	6.3%	45.8%	0.0%	0.0%
Non-executive directors	Response number for answer option	31	2	14	0	1
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	64.6%	4.2%	29.2%	0.0%	2.1%
All responses	Response number for answer option	54	5	36	0	1
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	56.3%	5.2%	37.5%	0.0%	1.0%

Stage 1 Survey Q32 Interpretation of answers in context. This could indicate a third point of information asymmetry between Executive Directors and Non-executive Directors again in the favour of Executive Directors.

Stage 1 Survey Q32 Summary output and implications. Overall, the responses to this question further enhance the indications of information asymmetry and the structural bias in favour of executive directors.

Stage 1 Survey Q32 Further questions. The data was considered to be relevant for inclusion in Stage 2 research as a discussion prompter if required.

Stage 1 Survey Question 35

If you answered "No" to the question relating to the provision of a "Board Pack", is any other information provided to you before Board Meetings?

(You may tick more than one answer as required)

Stage 1 Survey Q35 Question purpose. To capture information in the event that no Board pack is provided to the Directors

Stage 1 Survey Q35 Interpretation of answers in isolation and in context. None

Stage 1 Survey Q35 Summary output and implications and further questions. None

Table 36. Summary results for Question 35

Q35. If you answered "No" to the question relating to the provision of a "Board Pack", is any other information provided to you before Board Meetings? (You may tick more than one answer as required)

		Yes - at the Board Meeting	Yes - ad hoc / as required information	Yes - if someone else requests it	No information is provided	Not applicable
Executive directors	Response number for answer option	5	4	1	0	45
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	10.4%	8.3%	2.1%	0.0%	93.8%
Non-executive directors	Response number for answer option	0	1	0	0	45
	Total reponses for question	48	48	48	48	48
	Option as percentage of total responses	0.0%	2.1%	0.0%	0.0%	93.8%
All responses	Response number for answer option	5	5	1	0	90
	Total reponses for question	96	96	96	96	96
	Option as percentage of total responses	5.2%	5.2%	1.0%	0.0%	93.8%

Stage 1 Survey Question 36

Are Board decisions ever deferred or significantly delayed because of insufficient information?

Stage 1 Survey Q36 **Question purpose.** In conjunction with Q 37 and Q 38, to assess the prevalence of events that are indicators of sub-optimal decision making processes where information quality is a cause or contributory factor.

Stage 1 Survey Q36 **Interpretation of answers in isolation and in context.** Both sets of respondents appear to be able and / or willing to take decisions with the information they have and not to delay decisions regularly.

Table 37 Summary results for Question 36

Q36. Are Board decisions ever deferred or significantly delayed because of insufficient or erroneous information?		Yes - often	Sometimes	Not often	No - never
Executive directors	Response number for answer option	0	17	18	13
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	0.0%	35.4%	37.5%	27.1%
Non-executive directors	Response number for answer option	3	16	18	11
	Total reponses for question	48	48	48	48
	Option as percentage of total responses	6.3%	33.3%	37.5%	22.9%
All responses	Response number for answer option	3	33	36	24
	Total reponses for question	96	96	96	96
	Option as percentage of total responses	3.1%	34.4%	37.5%	25.0%

Stage 1 Survey Q36 Summary output and implications and further questions. None

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